Second Quarter 2021 Earnings Presentation

JULY 22, 2021

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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," "target," "outlook," "guidance," 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 Form 10-Qs and other SEC filings, and such factors are incorporated herein by reference.

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Within the charts and tables presented, certain segments, columns and rows may not sum to totals shown due to rounding.

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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 100 Days

New President & CEO Andrew J. Harmening joined Associated Banc-Corp on April 28, 2021

Actively Listening

- Gaining perspectives of colleagues, customers, community members and shareholders through a **100 Days of Listening Tour**
- Key Takeaways:
  - 175+ listening sessions
  - Participation from hundreds of colleagues, representing multiple teams, groups and committees
  - New priorities and tangible growth opportunities identified

Realigning Leadership

- **New leadership and focus on digital strategies:** Promoted Doug Peacock to lead our digital strategy
- **New leadership and focus for our Wealth Management teams:** Promoted John Thayer, CFA to lead the team
- **Centralized our FP&A functions** for greater emphasis on execution of growth initiatives

Formulating Next Steps

- Leveraging key learnings to refine our priorities into a strategic vision for Associated Bank's future
- Continuing to seek input from stakeholders to ensure success
- Expect to publicly announce initiatives and related financial impacts on or before September 13, 2021

2021 Second Quarter Update

2Q 2021 results reflect positive loan growth trends, growing consumer fees and improving credit

Associated Banc-Corp Reports Second Quarter 2021 net income available to common equity of $86 million, or $0.56 per common share

Growing Core Commercial Loan Portfolio

- EOP loan metrics:
  - Commercial & Business Lending loan growth (excluding PPP) of $242 million, or nearly 3% QoQ
  - CRE loan portfolio growth of nearly 1% QoQ
  - PPP portfolio continued to pay down as expected

Improving Credit Dynamics

- Nonaccrual loans down 10% from 1Q 2021
- Net charge offs of $5 million
- Negative provision of $35 million
- Net reserve release of $40 million
- Well-reserved with ACLL to loan ratio of 1.52% at the end of 2Q 2021

Growing Net Interest Income and Consumer Fees

- Net interest income up $4 million QoQ
- Continued reductions in the cost of interest-bearing liabilities
- Deposit and card fees up $2 million QoQ

Contributing to Strong Profitability and Capital Trends

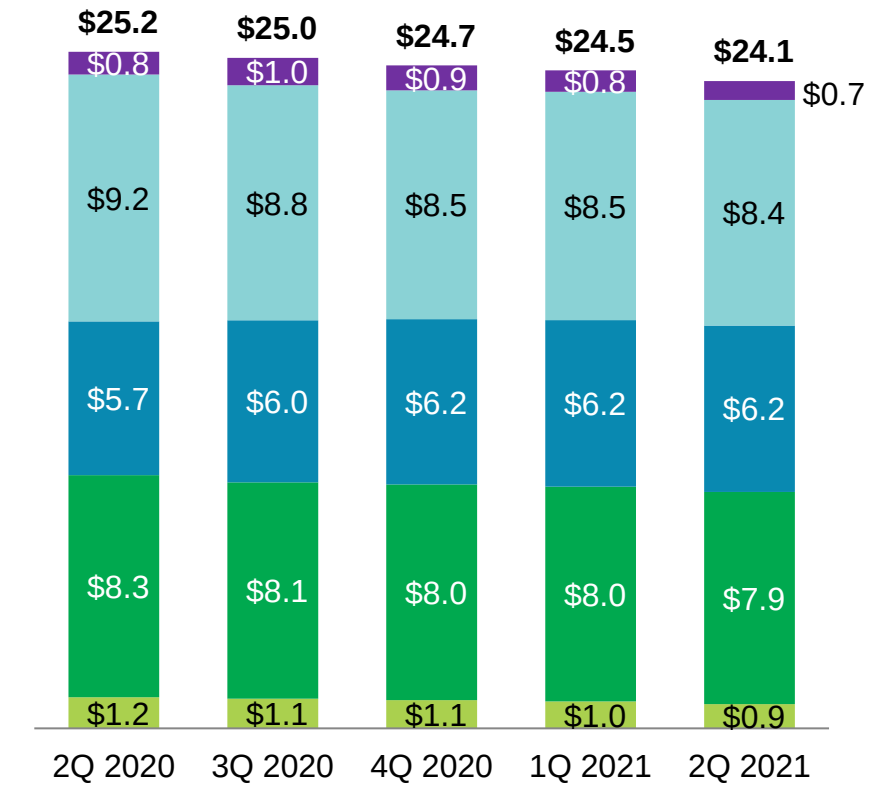
- ROATCE of 13.19%
- ROATA of 1.10%
- Repurchased $30 million of common stock in 2Q
- Increasing tangible book value per share; $17.35 at 6/30/21

Quarterly Loan Trends

EOP loans reflect positive Commercial and CRE trends (excl. PPP and Oil & Gas, which are both in runoff)

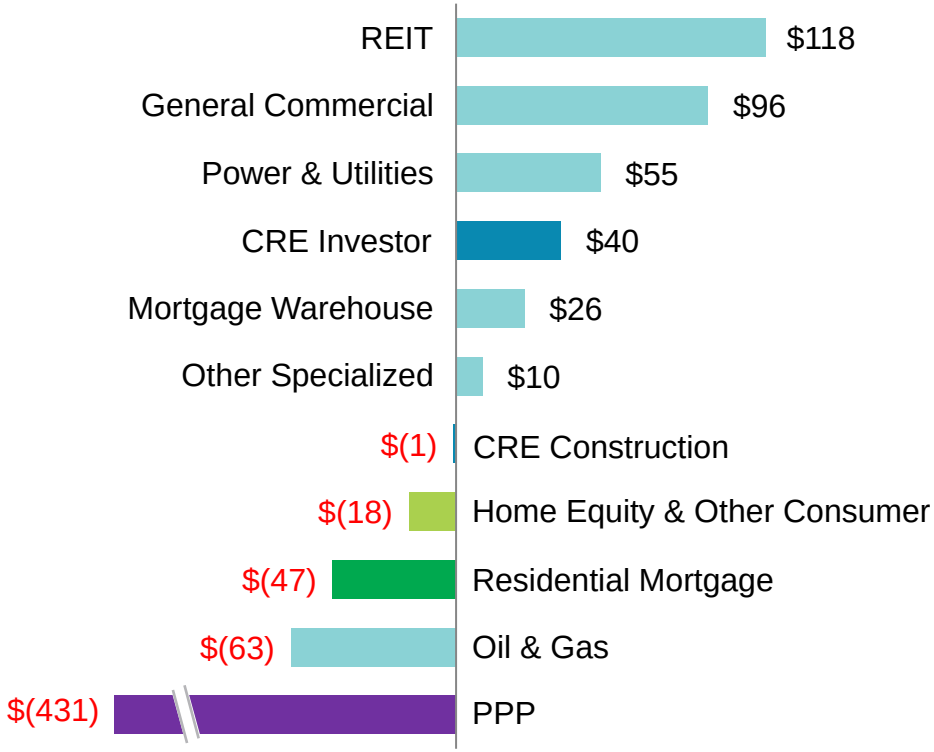
Average Quarterly Loans

($ in billions)



EOP Loan Change (1Q 2021 to 2Q 2021)

($ in millions)



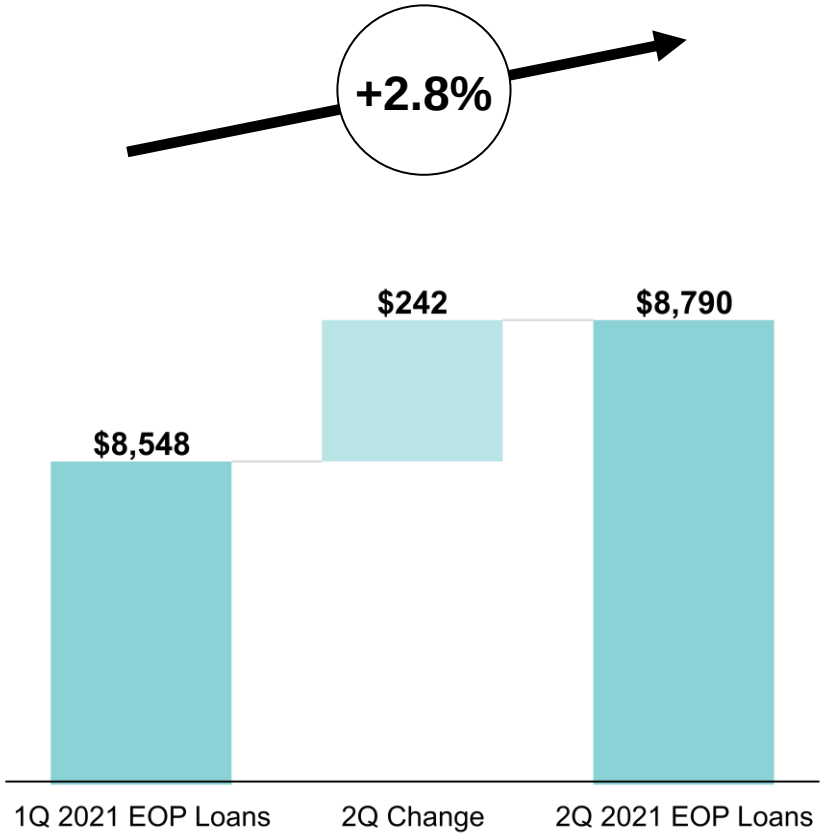
Commercial & Business Lending | Commercial Real Estate | Residential Mortgage | Home Equity & Other Consumer | PPP

EOP Commercial Loan Growth Walk-Forward

Excluding PPP, 2Q total commercial loan growth of ~2% was in line with our expectations

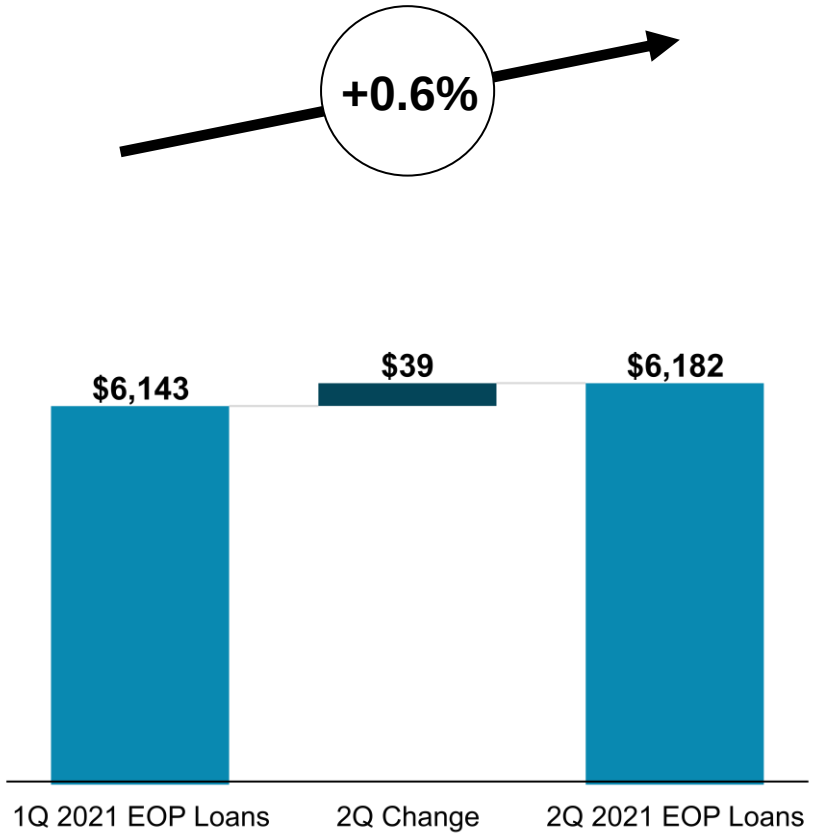
Commercial and Business Lending (excl. PPP)

($ in millions)



Commercial Real Estate

($ in millions)

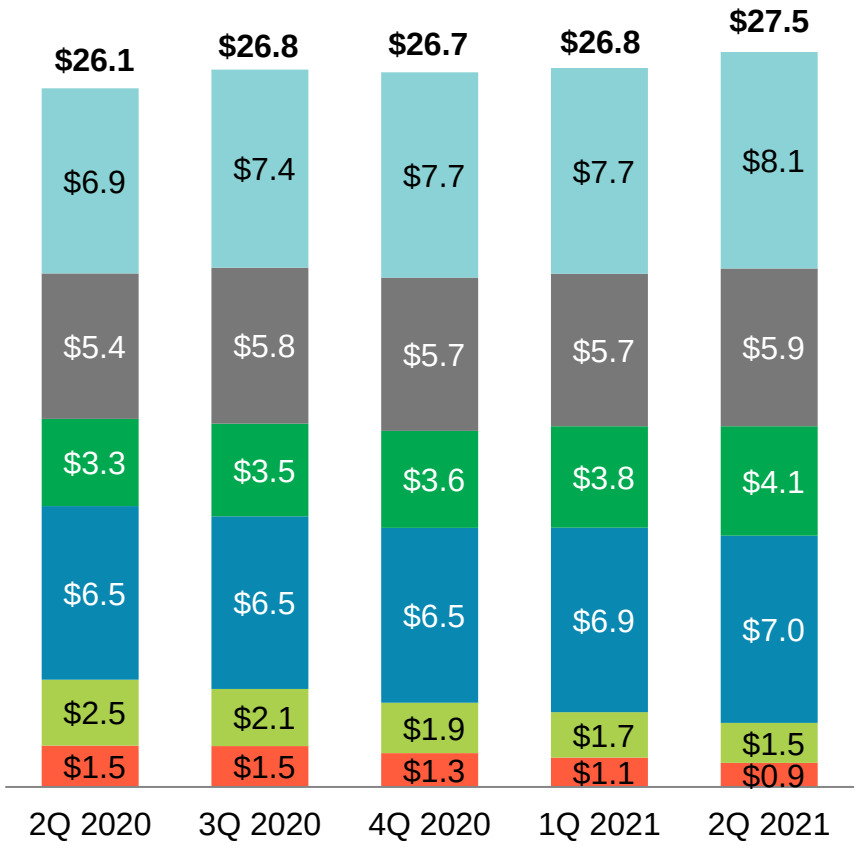


Quarterly Funding Trends

We continue to improve the mix of low-cost, core customer funding and reduce our higher-cost liabilities

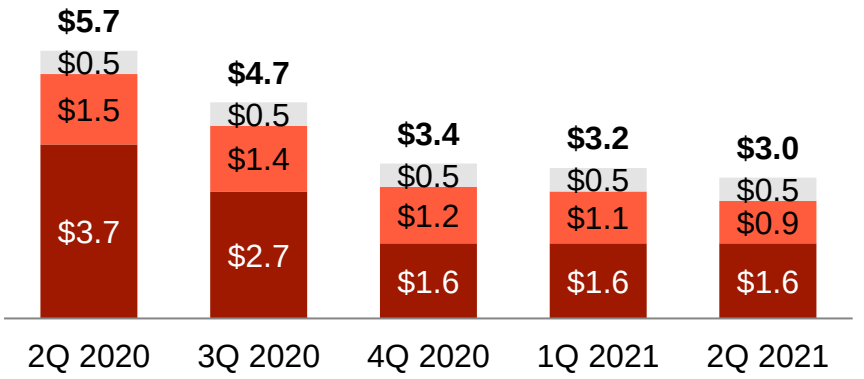
Average Quarterly Deposits

($ in billions)

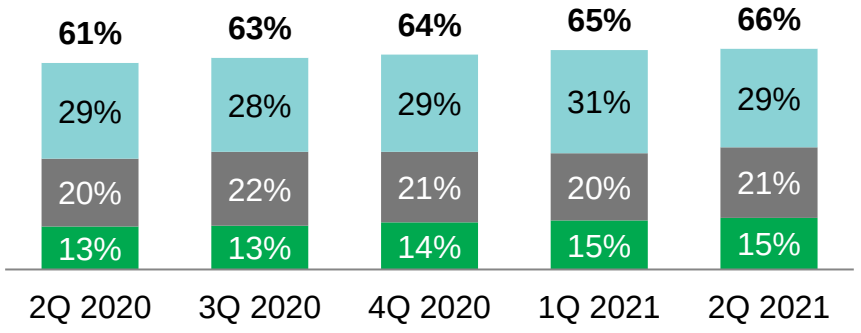


EOP Wholesale Funding Trends

($ in billions)



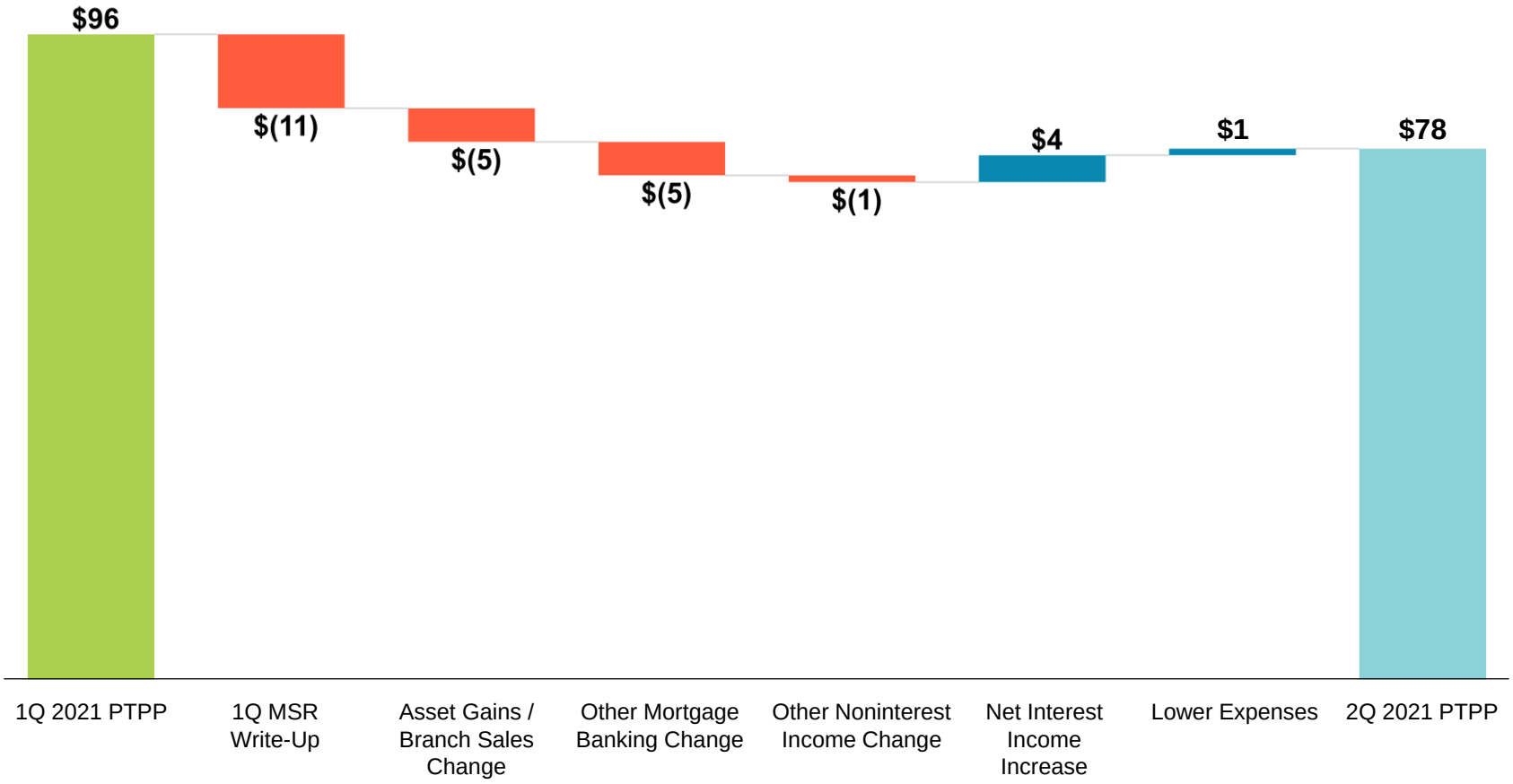
EOP Low-Cost Deposit Mix Trend



2Q 2021 Pre-Tax Pre-Provision Income[1] Walk-Forward

2Q PTPP pressured by MSR impairment, lower asset sales despite increased NII, lower expenses

($ in millions)



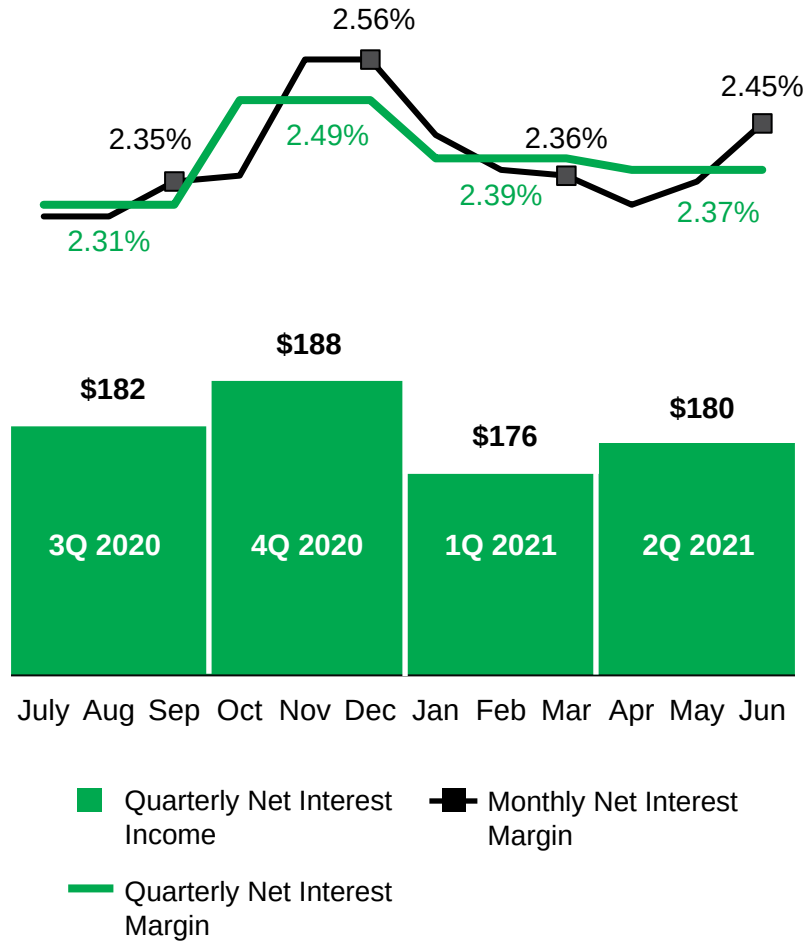
[1] A non-GAAP measure. Please refer to the appendix for a reconciliation of pre-tax pre-provision income to income before income taxes. Given the adoption of CECL last year and the volatility of provision during the pandemic, we believe pre-tax pre-provision income provides meaningful disclosure to investors regarding the Company's operations.

Net Interest Income and Yield Trends

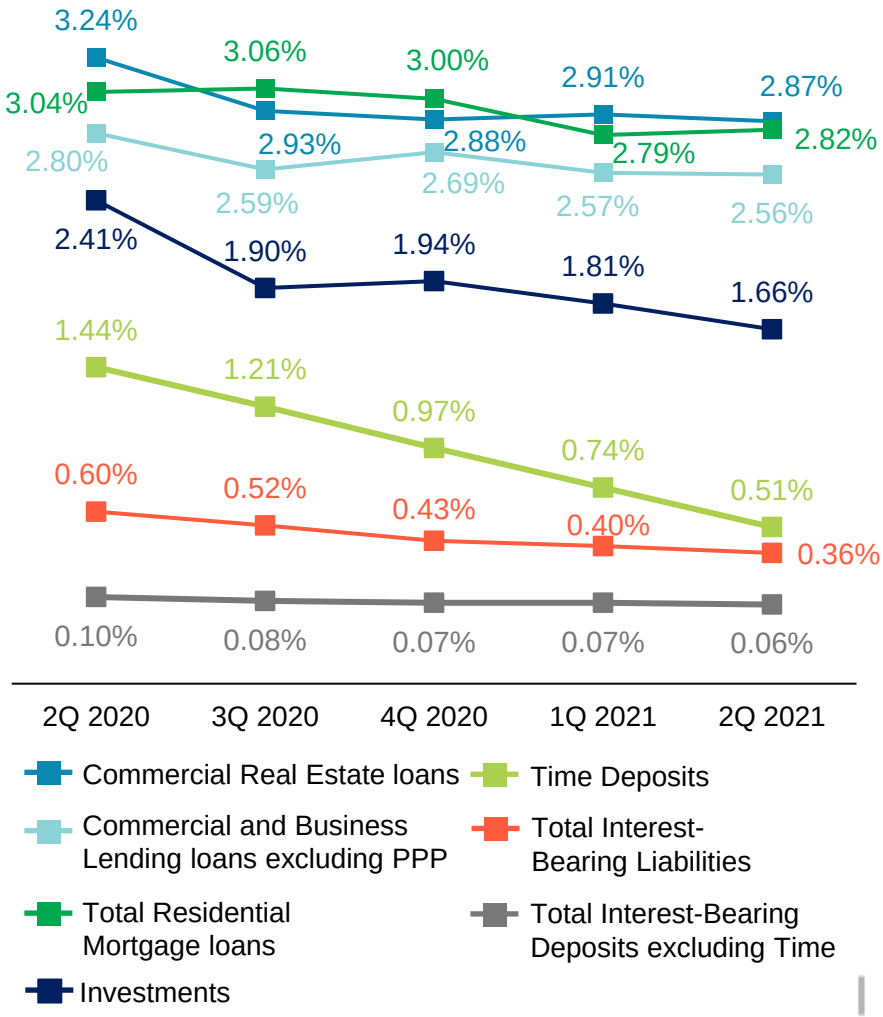
2Q NII grew as refinance activity slowed and liability costs continued to be managed downward

NII and NIM Trends

($ in millions)



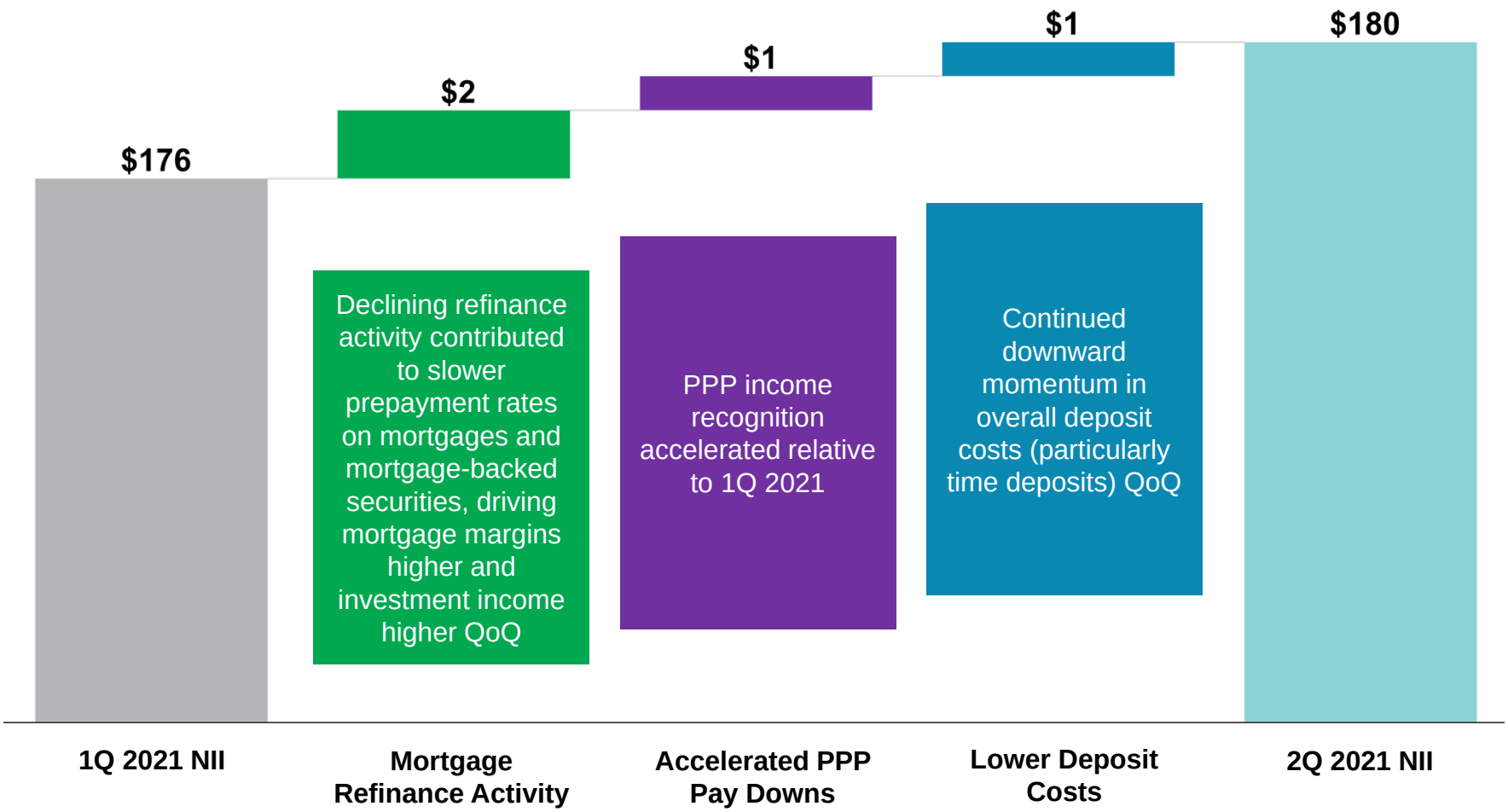
Average Yields



Net Interest Income Walk-Forward

Declining mortgage refinance activity, accelerated PPP recognition and lower deposit costs boosted 2Q NII

($ in millions)

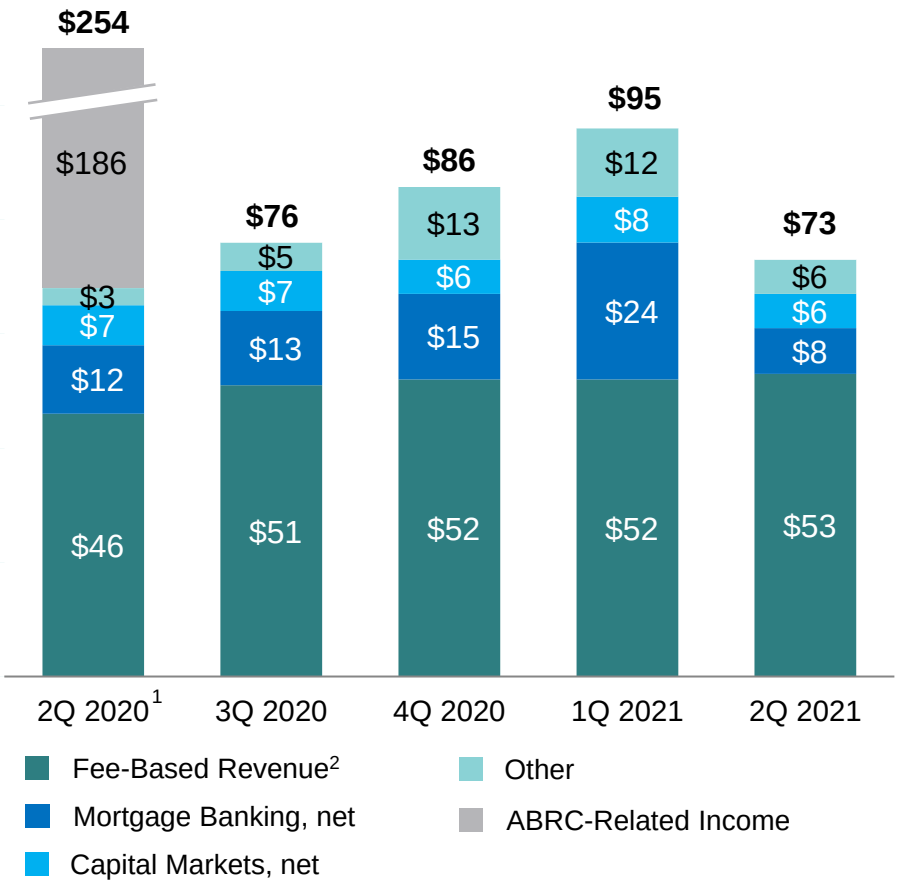


Noninterest Income Trends

2Q income pressured by lower net mortgage banking income despite a $2M increase in deposit & card fees

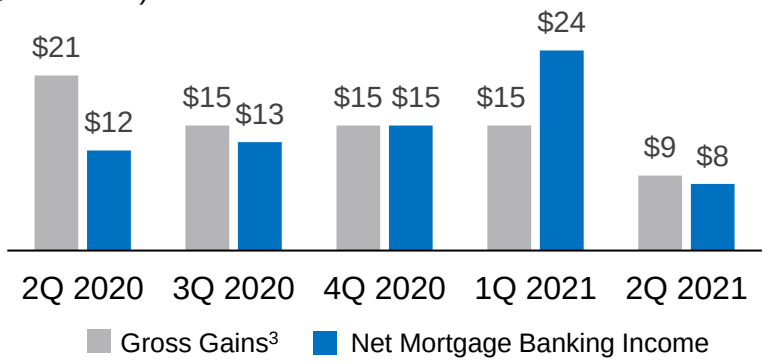
Noninterest Income Trend

($ in millions)



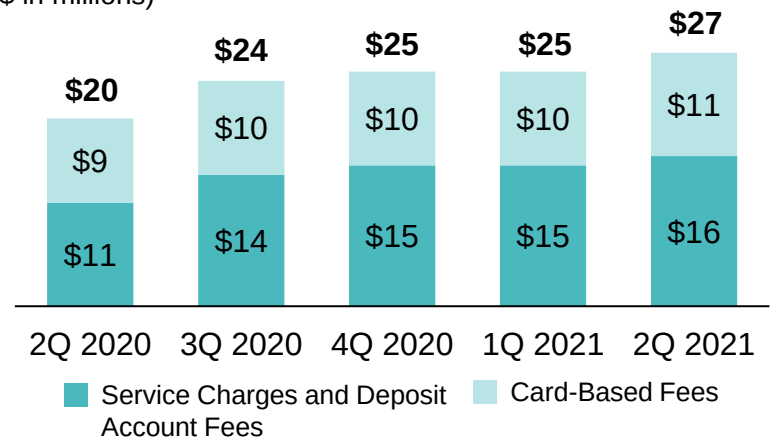
Net Mortgage Banking Income

($ in millions)



Deposit and Card Fees

($ in millions)



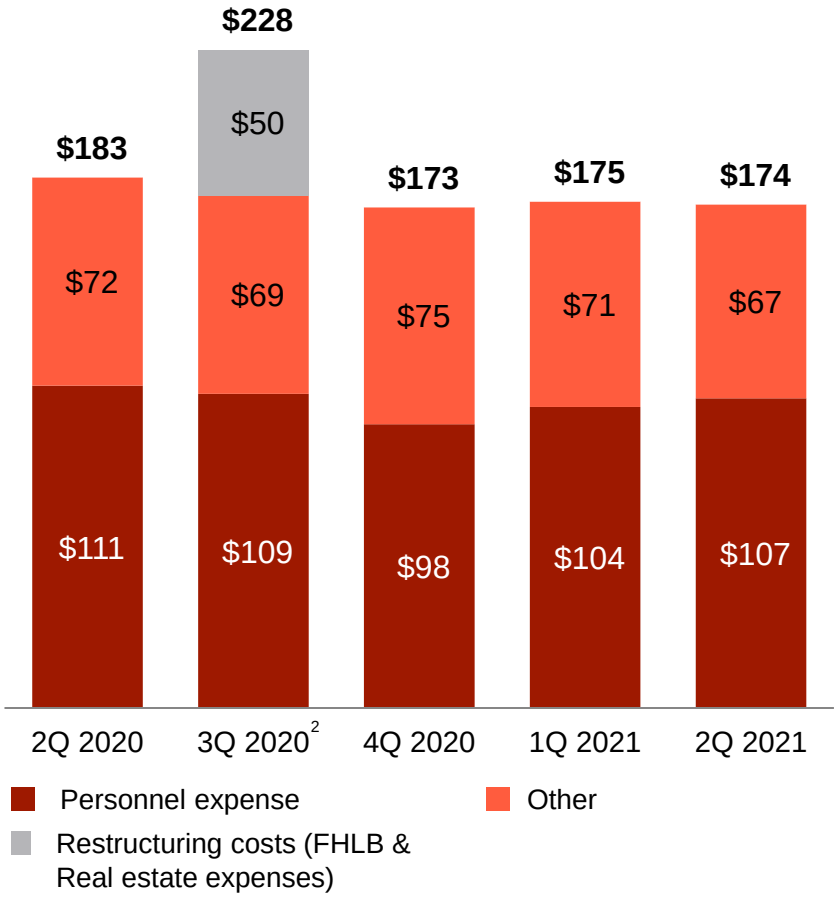
[1] Includes a gain of $163 million from the sale of Associated Benefits & Risk Consulting.
[2] A non-GAAP financial measure. Please refer to the Appendix for fee-based revenue trend information.
[3] Mortgage banking gains and fair value adjustments on loans held for sale.

Noninterest Expense Trends

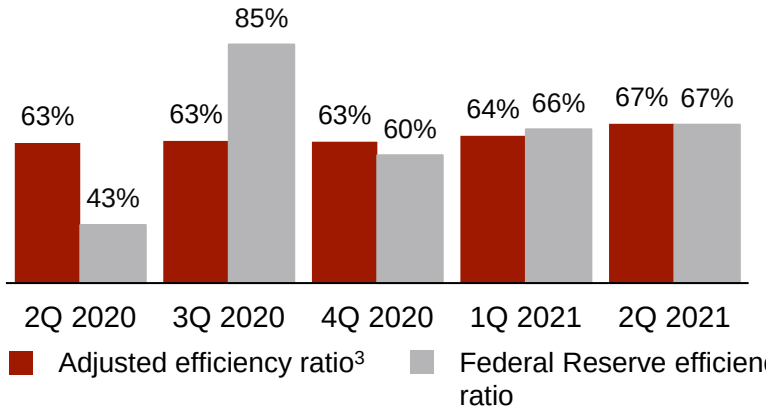
Noninterest expense down 5% YoY, 4% YoY improvement in noninterest expense to average assets ratio[1]

Noninterest Expense Trend

($ in millions)

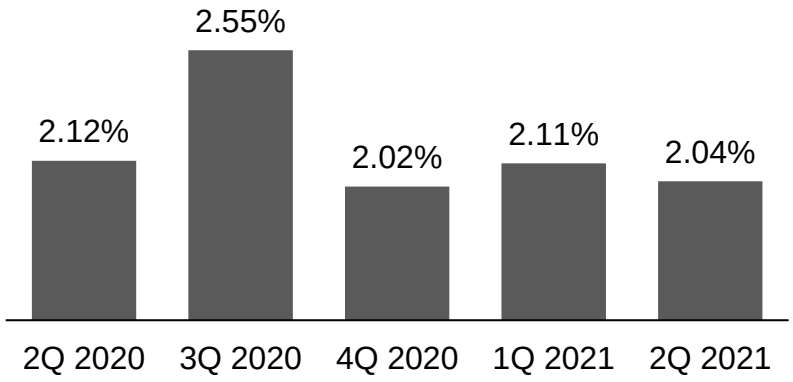


Adjusted Efficiency Ratio[3]



Noninterest Expense / Average Assets[1]

($ in millions)

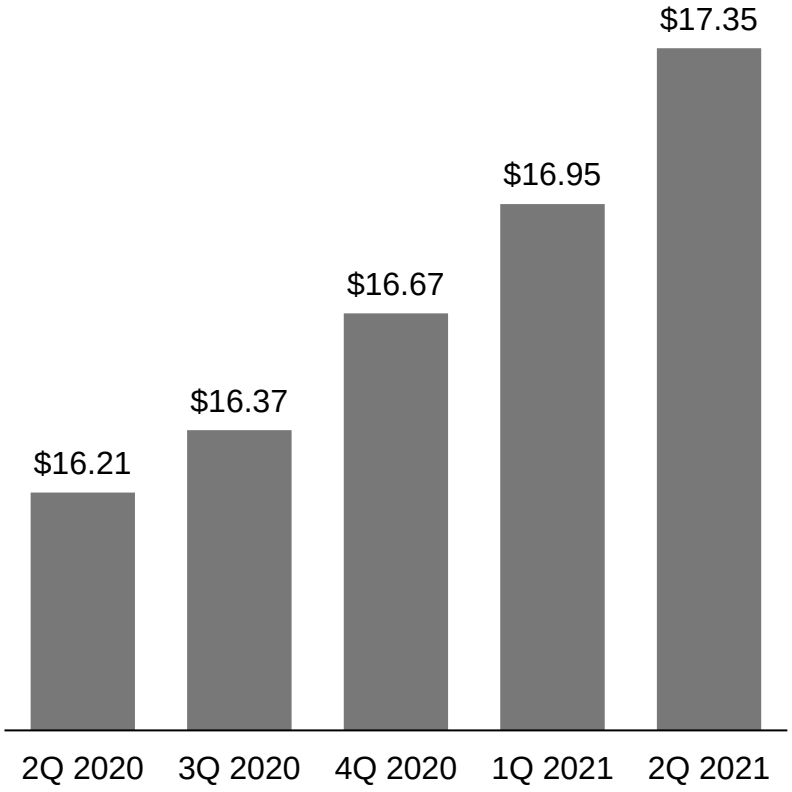


[1] Annualized.
[2] Personnel expense includes $10 million of severance.
[3] A non-GAAP financial measure. Please refer to the Appendix for a reconciliation of the adjusted efficiency ratio to the Federal Reserve efficiency ratio.

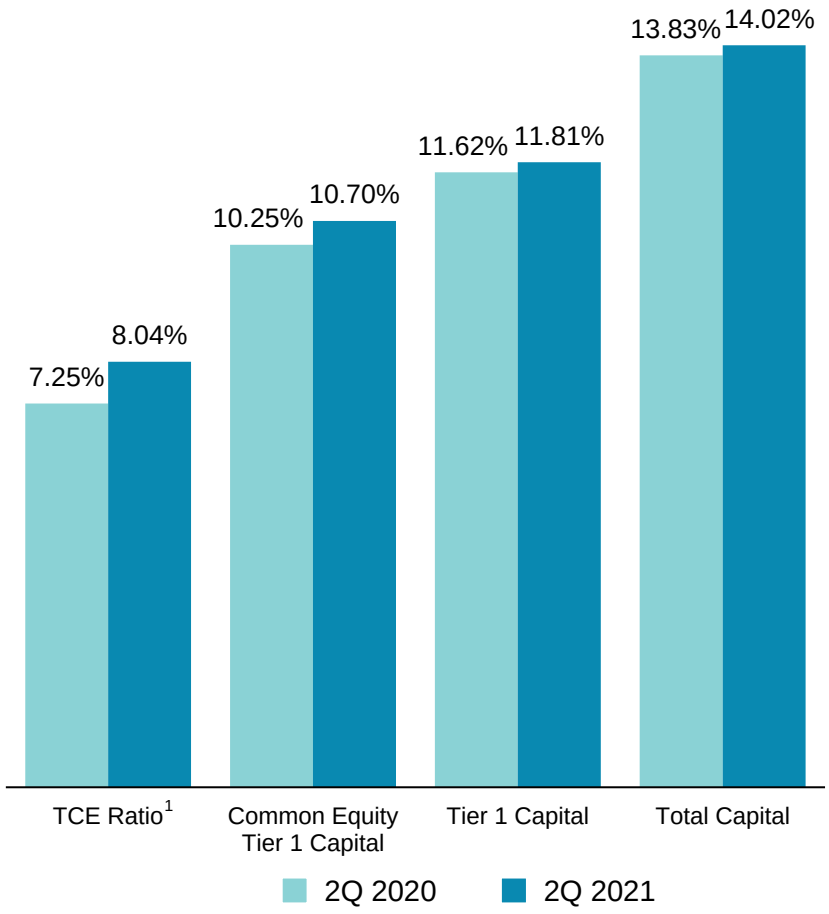
Strong Capital Position

Tangible Book Value has increased 7% from 2Q 2020 through 2Q 2021

Tangible Book Value / Share



Capital Ratios



[1] 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.

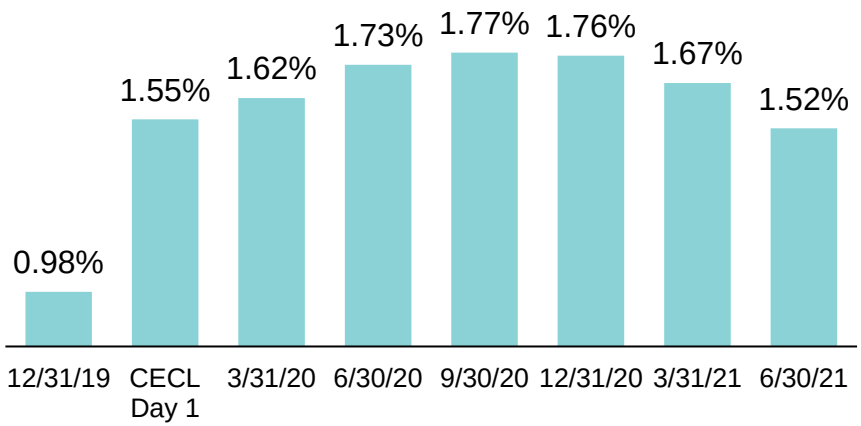
Allowance Update

Net Reserve Release of $40 million, reflecting improving dynamics in every portfolio category

Second Quarter 2021 ACLL

- Allowance for credit losses on loans (ACLL) decreased $40 million at the end of 2Q 2021 from 1Q 2021
- Net Charge-Offs of only $5 million; or 0.08% of average loans
- 2Q 2021 provision of negative $35 million, compared to negative $23 million in 1Q 2021 and provision of $61 million in 2Q 2020
- CECL forward looking assumptions based on Moody's June 2021 Baseline forecast

ACLL / Total Loans



($ in thousands)

Loan Category	ACLL[1] CECL Day 1	ACLL[1] / Loans CECL Day 1	ACLL[1] 3/31/2021	ACLL[1] / Loans 3/31/2021	ACLL[1] 6/30/2021	ACLL[1] / Loans 6/30/2021
C&BL (excl. Oil & Gas and PPP Loans)	$ 92,203	1.19%	$118,841	1.43%	$106,682	1.24%
C&BL Oil & Gas	68,687	14.08%	$ 42,683	16.52%	$ 31,505	16.15%
PPP Loans	-	-	$ 607	0.07%	$ 232	0.06%
CRE - Investor	43,331	1.14%	$ 89,894	2.11%	$ 84,093	1.96%
CRE - Construction	58,261	4.10%	$ 73,552	3.91%	$ 66,842	3.55%
Residential Mortgage	50,175	0.62%	$ 45,215	0.59%	$ 43,230	0.57%
Other Consumer	41,768	3.47%	$ 32,921	3.47%	$ 31,501	3.38%
Total	**$354,425**	**1.55%**	**$403,714**	**1.67%**	**$364,087**	**1.52%**
Total (excl. PPP Loans)	$354,425	1.55%	$403,107	1.73%	$363,854	1.55%

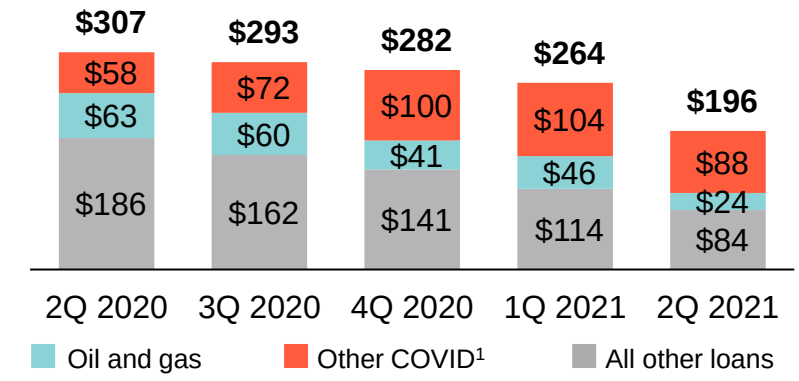
[1] Includes funded and unfunded reserve for loans, excludes reserve for HTM securities.

Credit Quality Trends

Credit metrics continued to improve during 2Q 2021

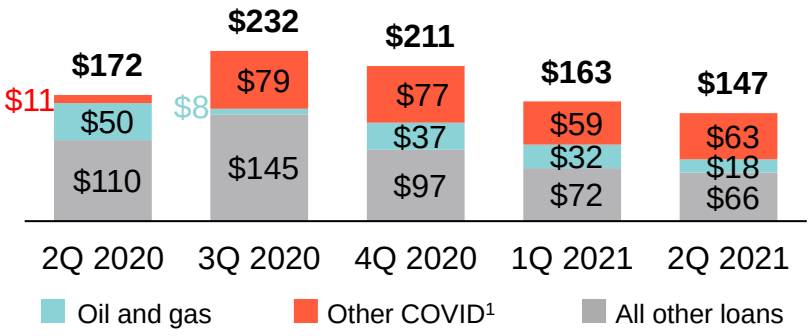
Potential Problem Loans

($ in millions)



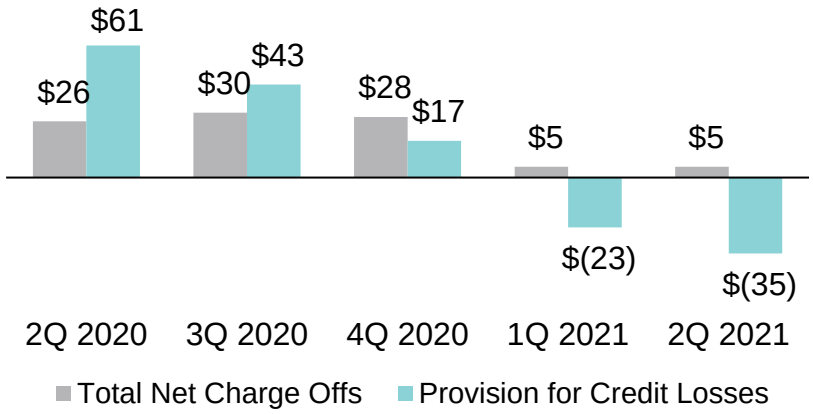
Nonaccrual Loans

($ in millions)



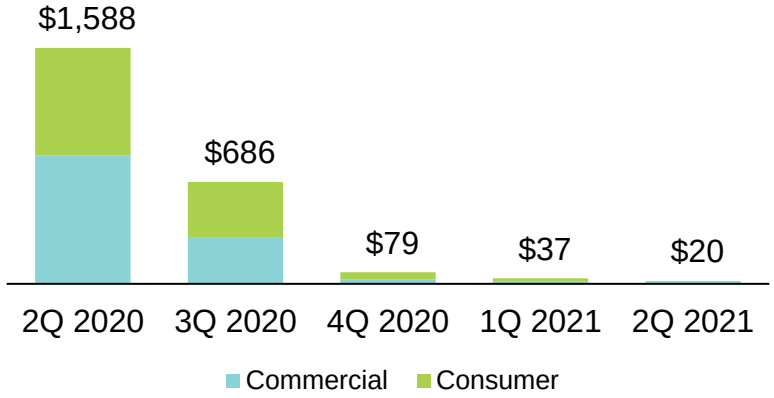
Net Charge Offs and Provision

($ in millions)



Active Loan Deferrals

($ in millions)



[1] Please see Appendix for more detail on our Key COVID Commercial Loan Exposures.

Updated 2021 Full-Year Outlook

We continue to expect loan growth in the second half of the year

Balance Sheet Management

- Commercial loan growth, excluding PPP, of 2-4%
- Full-year margin of 2.45% to 2.55%
- Target investments / total assets ratio of 15%

Expense Management

- **We are withdrawing our prior 2021 total expense guidance**
- **Total expense for 2021 will reflect growth and efficiency initiatives which are under development and expected to be announced later in 3Q**
- **Before the impact of such initiatives, we expect total expense for 2021 would be approximately $695 million to $700 million**
- Full-year expected effective tax rate of 19% to 21%, assuming no change in the corporate tax rate

Fee Businesses

- **Noninterest income of $315 million to $325 million, reflecting strong mortgage activity in the first half and continued Wealth Management strength over the course of the year**

Capital & Credit Management

- Target TCE at or above 7.5%
- Target CET1 at or above 9.5%
- **Provision expected to adjust with changes to risk grade, economic conditions, other indications of credit quality, and loan volume**

Appendix

Total Loans Outstanding Balances as of June 30, 2021

Well-diversified $24 billion loan portfolio

($ in millions)

	6/30/2021[1]	% of Total Loans
C&BL (by NAICS[2])		
Utilities	$ 1,695	7.1%
Wholesale/Manufacturing	1,575	6.6%
Mortgage Warehouse	1,404	5.9%
Real Estate (includes REITs)	1,287	5.4%
Construction	379	1.6%
Finance & Insurance	350	1.5%
Retail Trade	325	1.4%
Health Care and Social Assistance	318	1.3%
Rental and Leasing Services	252	1.1%
Mining[3]	238	1.0%
Professional, Scientific, and Tech. Serv.	211	0.9%
Waste Management	179	0.7%
Transportation and Warehousing	171	0.7%
Accommodation and Food Services	140	0.6%
Financial Investments & Related Activities	120	0.5%
Management of Companies & Enterprises	73	0.3%
Arts, Entertainment, and Recreation	70	0.3%
Information	63	0.3%
Educational Services	54	0.2%
Public Administration	27	0.1%
Agriculture, Forestry, Fishing and Hunting	3	0.0%
Other	263	1.1%
Total C&BL	$ 9,195	38.4%

	6/30/2021[1]	% of Total Loans
CRE (by property type)		
Multi-Family	$ 2,038	8.5%
Office/Mixed	1,283	5.4%
Industrial	1,032	4.3%
Retail	861	3.6%
Single Family Construction	391	1.6%
Hotel/Motel	222	0.9%
Land	101	0.4%
Parking Lots and Garages	73	0.3%
Mobile Home Parks	31	0.1%
Other	150	0.6%
Total CRE	$ 6,182	25.8%
Consumer		
Residential Mortgage	$ 7,638	31.9%
Home Equity	632	2.6%
Student Loans	112	0.5%
Credit Cards	104	0.4%
Other Consumer	85	0.4%
Total Consumer	$ 8,571	35.8%
Total Loans	$ 23,948	100.0%

[1] All values as of period end.
[2] North American Industry Classification System.
[3] Includes oil & gas loans.

Key COVID Commercial Loan Exposures[1]

Key COVID commercial loan exposures are spread across multiple industries without large concentrations

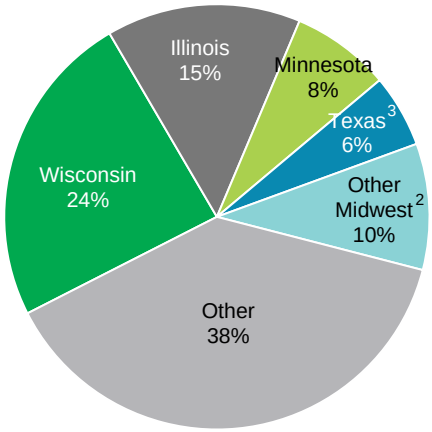
($ in millions)

	C&BL	Utilization	CRE	Utilization	Total	% of total loans
Retailers/Shopping Centers[2]						
Retailers	$ 75.3	39%	$ 662.8	91%	$ 738.1	3.08%
Retail REITs	186.0	48%	58.6	100%	244.6	1.02%
Subtotal	261.3	45%	721.4	92%	982.7	4.10%
Hotels, Amusement & Related						
Hotels	0.5	49%	221.8	92%	222.3	0.93%
Parking Lots and Garages	20.9	63%	95.5	90%	116.4	0.49%
Casinos	23.9	100%	-	-	23.9	0.10%
Recreation & Entertainment	24.8	26%	5.6	95%	30.4	0.13%
Movie Theaters	11.4	36%	-	-	11.4	0.05%
Subtotal	81.6	44%	322.9	91%	404.5	1.69%
Restaurants						
Full-Service	48.5	66%	13.6	100%	62.1	0.26%
Limited-Service & Other	17.2	91%	6.1	71%	23.3	0.10%
Subtotal	65.7	71%	19.7	89%	85.4	0.36%
Transportation & Other						
Transportation Services	49.2	78%	-	-	49.2	0.21%
Fracking Sand Mining	-	-	-	-	-	-
Subtotal	49.2	78%	-	-	49.2	0.21%
Total	$ 457.8	50%	$ 1,064.0	91%	$ 1,521.8	6.35%

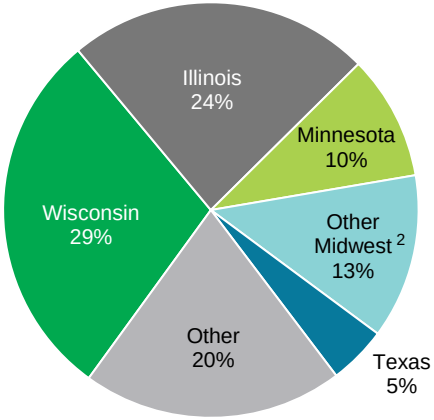
[1] As of 6/30/2021. Excludes $195 million Oil & Gas portfolio.
[2] C&BL excludes grocers, convenience stores, vehicle dealers, auto parts and tire dealers, direct and mail order retailers, and building material dealers; CRE excludes properties primarily anchored by grocers, self-storage facilities, and vehicle dealers.

Loan Stratification Outstandings as of 6/30/2021

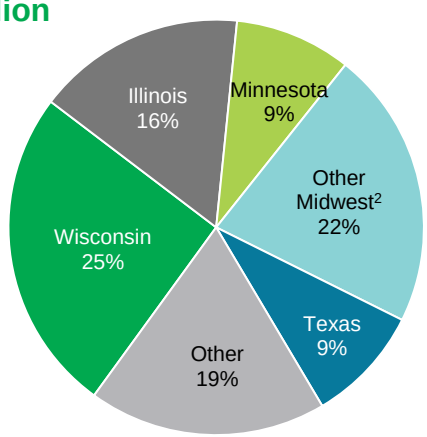
C&BL by Geography $9.2 billion



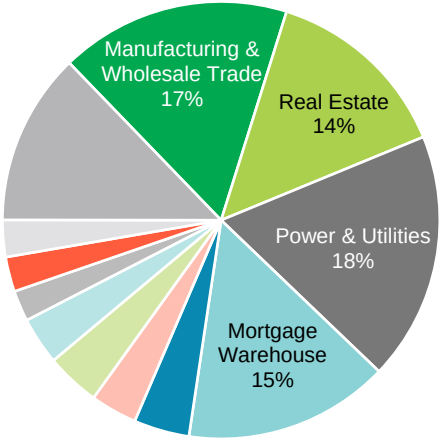
Total Loans[1]



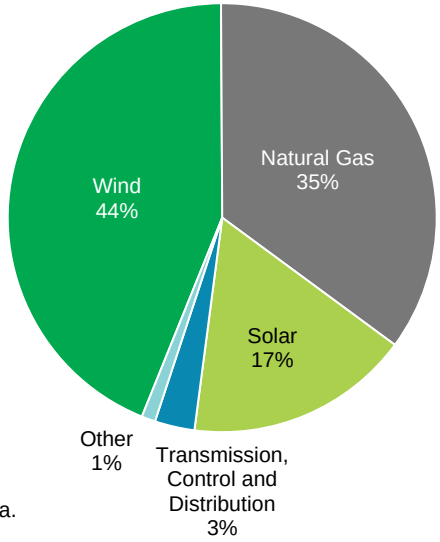
CRE by Geography $6.2 billion



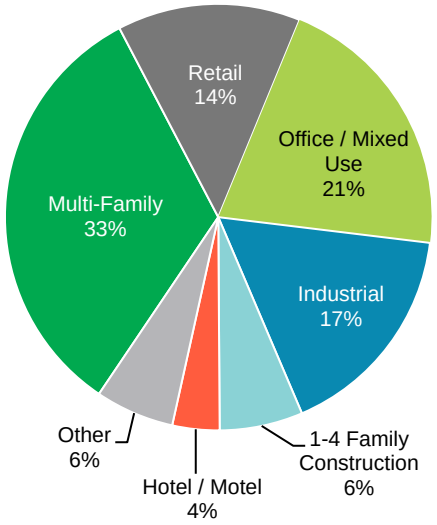
C&BL by Industry $9.2 billion



Power & Utilities Lending $1.7 billion



CRE by Property Type $6.2 billion



[1] Excludes Other Consumer portfolio.
[2] Other Midwest includes Missouri, Indiana, Ohio, Michigan and Iowa.
[3] Principally reflects the oil and gas portfolio.

Reconciliation and Definitions of Non-GAAP Items

($ in millions)

Pre-tax Pre-Provision Income Reconciliation[1]	1Q 2021	2Q 2021
Pre-tax pre-provision income		
Income (loss) before income taxes	$119	$113
Provision for credit losses	(23)	(35)
Pre-tax pre-provision income	$96	$78

Tangible Common Equity and Tangible Assets Reconciliation[2]	2Q 2020	2Q 2021
Common equity	$3,671	$3,820
Goodwill and other intangible assets, net	(1,181)	(1,167)
Tangible common equity	$2,490	$2,652
Total assets	$35,501	$34,153
Goodwill and other intangible assets, net	(1,181)	(1,167)
Tangible assets	$34,321	$32,985

Selected Trend Information[3]	2Q 2020	3Q 2020	4Q 2020	1Q 2021	2Q 2021
Wealth management fees	$21	$21	$22	$22	$23
Service charges and deposit account fees	11	14	15	15	16
Card-based fees	9	10	10	10	11
Other fee-based revenue	5	5	5	5	4
Fee-based revenue	46	51	52	52	53
Other	208	25	33	44	20
Total noninterest income	$254	$76	$86	$95	$73

[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] The ratio tangible common equity to tangible assets excludes goodwill and other intangible assets, net. This financial measure has been included as it is considered to be a critical metric with which to analyze and evaluate financial condition and capital strength.
[3] These financial measures have been included as they provide meaningful supplemental information to assess trends in the Corporation's results of operations.

Reconciliation and Definitions of Non-GAAP Items

Efficiency Ratio Reconciliation	2Q 2020	3Q 2020	4Q 2020	1Q 2021	2Q 2021
Federal Reserve efficiency ratio	43.49%	85.41%	59.68%	65.74%	66.81%
Fully tax-equivalent adjustment	(0.39)%	(1.29)%	(0.84)%	(0.97)%	(1.07)%
Other intangible amortization	(0.65)%	(0.87)%	(0.82)%	(0.82)%	(0.87)%
Fully tax-equivalent efficiency ratio	42.26%	83.25%	58.02%	63.96%	64.88%
Acquisition related costs adjustment	(0.12)%	(0.08)%	--%	(0.01)%	--%
Provision for unfunded commitments adjustment	(1.91)%	2.87%	3.42%	(1.09)%	2.14%
Asset gains (losses), net adjustment	22.10%	(0.11)%	(0.30)%	1.12%	--%
Branch sales	--%	--%	1.68%	0.24%	0.01%
3Q 2020 initiatives	--%	(22.90)%	--%	--%	--%
Adjusted efficiency ratio[1]	62.53%	63.02%	62.83%	64.21%	67.02%

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 excludes the provision for unfunded commitments, other intangible amortization, acquisition related costs, and 3Q20 initiatives, divided by the sum of fully tax-equivalent net interest income plus noninterest income, excluding investment securities gains (losses), net, acquisition related costs, asset gains (losses), net and gain on sale of branches. Management believes the adjusted efficiency ratio is a meaningful measure as it enhances the comparability of net interest income arising from taxable and tax-exempt sources and provides a better measure as to how the Corporation is managing its expenses by adjusting for acquisition related costs, provision for unfunded commitments, asset gains (losses), net, branch sales, and 3Q 2020 initiatives.

[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.