Associated Bank

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Associated Banc-Corp Strategic Update

September 9, 2021

ASB LISTED NYSE

Forward-Looking Statements

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New Leadership, New Priorities

We've used the last 120 days to formulate a new growth focused and digital forward vision for Associated

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Growth Focused

- Capitalizing on the opportunities we see in our markets with investments geared to drive the bottom line
- Expanding and diversifying revenue with new commercial and consumer lending verticals

Digital Forward

- Serving our customers where and when they need us via online, mobile, and other channels
- Proactively listening to our customers to deliver differentiated and responsive solutions in real time that add value and deepen engagement

Driving positive core operating leverage and improving ROATCE

Transforming our systems to accelerate growth

Foundational Franchise Strengths

Strong Markets

- **Large Markets:** Midwest footprint holds 19% of the U.S. population[1] and nearly 30% of U.S. manufacturing jobs[2]
- **Resilient Markets:** Most Midwestern states have unemployment rates below the national average (WI and MN both less than 4%)[3]

Deep Roots In Our Communities

- **4,000 Dedicated Colleagues:** Committed to meeting the needs of over 100 communities
- **$3.4 billion** three-year commitment to invest in our communities
- **Over 200 Branches:** 10% deposit market share in WI[4]

Low-Cost Deposit Franchise

- **Franchise Value:** Average cost of interest-bearing deposits[5]:
  - JPM: 0.03%
  - WFC: 0.04%
  - **ASB: 0.10%**
  - USB: 0.11%
  - BMO: 0.24%
  - WTFC: 0.38%

Effective Risk Management

- **Low Credit Risk:** YTD net charge-offs of only $9 million; or 0.08% of average loans as of 6/30/2021
- **Solid Credit Trends:** Expect a further net reserve release in 3Q 2021

Exceptional Customer Service

- **Award-Winning:** Ranked #1 in Customer Satisfaction with Retail Banking in the Upper Midwest by J.D. Power[6]
- 24/7/365 Midwest-based Customer Care

[1] U.S. Census Bureau, Annual Estimates of the Resident Population for the United States as of July 1, 2020.
[2] U.S. Bureau of Labor Statistics, Manufacturing Industry Employees, seasonally adjusted, July 2021.
[3] U.S. Bureau of Labor Statistics, State Employment and Unemployment, seasonally adjusted, July 2021.
[4] Based on FDIC Summary of Deposits survey data as of June 30, 2021.
[5] As reported by S&P Capital IQ Pro. Financial data for the quarter ended June 30, 2021. BMO represents BMO Harris Bank, National Association.
[6] Tied in 2021. For J.D. Power 2021 award information, visit jdpower.com/awards.

How We Build on our Strong Foundation

Our strategic vision is expected to drive Positive Operating Leverage and improved ROATCE

Expanding our Lending Capabilities

- Diversifying our consumer portfolio by growing **Auto Finance**
- Broadening current **Asset-Based Lending** capabilities
- Launching **Equipment Finance** vertical in our commercial business

Growing our Core Businesses

- Accelerating core **Commercial Middle Market** lending growth
- Enhancing **Small Business, Consumer Direct** and **HELOC** lending
- Retooling our Mass Affluent strategy

Investing in our Digital Transformation

- Redirecting **$50M of spend over the next five years** to digital
- Deploying new mobile and online systems in the **next six months**
- Transforming our legacy IT infrastructure to deliver greater differentiation

Optimizing Capital Proactively

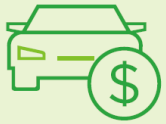
- Optimizing Tangible Common Equity to **accelerate ROATCE expansion**
- Paying a dividend commensurate with performance
- Reducing our preferred capital layers

What We've Done so Far

We have advanced our vision with concrete actions to date

Expanding our Lending Capabilities	▪ Hired 40+ colleagues to drive our new **Auto Finance** initiative ▪ Bolstered existing **Asset-Based Lending** capability with a new leader ▪ Initiated a new **Equipment Finance** vertical launching in 1Q 2022
Growing our Core Businesses	▪ Hired several experienced **Commercial Middle Market** team leaders and relationship managers in Milwaukee and Chicago ▪ Deployed new **Consumer** loan system and added **Business** bankers ▪ Refocused our Wealth Management strategy under a new leader
Investing in our Digital Transformation	▪ Elevated our **Digital Delivery** strategy under new leadership ▪ Deployed **cloud-enabled** online systems with top-rated response times ▪ New consumer digital architecture expected to be deployed in 1Q 2022
Optimizing Capital Proactively	▪ Repurchased ~3 million shares ($60mm) of common stock during 3Q ▪ Increased the recent common dividend by 11% ▪ Redeeming $165mm of Preferred Stock in 2021

Expanding our Lending Capabilities

	2021 Progress	2022-23 Outlook
Rolling out Auto Finance 	▪ Over 550 dealers signed up as of September 1st ▪ Origination and servicing systems in place ▪ Expect to book loans in early 4Q 2021	▪ Expect over $1 billion in loan balances by the end of 2022 ▪ Targeted portfolio net yields of ~3% ▪ Projecting to grow auto loans to $2+ billion in 2023
Expanding Asset-Based Lending 	▪ Origination and servicing systems in place ▪ Expect to have several specialists in place by year-end	▪ Expect over $150 million in loan balances by the end of 2022 ▪ Targeted portfolio net yields of ~3% ▪ Projecting to grow ABL loans to $300+ million in 2023
Launching Equipment Finance 	▪ Servicing systems in place ▪ Exploring meaningful opportunities in our Midwest manufacturing client base ▪ Expect hiring to begin in 4Q	▪ Expect over $150 million in loan balances by the end of 2022 ▪ Targeted portfolio net yields of ~3% ▪ Projecting to grow equipment loans to $300+ million in 2023

Expanding our Lending Capabilities

Our expansion into higher yielding assets is expected to drive both incremental revenue and margins



- In addition to expected core loan growth in our existing C&I and CRE portfolios, we expect our initiatives will add over $2.6 billion of incremental balances to our 2023 year-end loan outstandings
- We expect these new predominantly fixed-rate asset classes will come to represent more than 10% of our loan portfolio and dampen our natural asset sensitivity over time
- We expect our core mortgage portfolio to remain relatively flat over this same horizon

2022-2023 Projected Loan Outstandings[1]

($ in millions)	FY 2022	FY 2023
Targeted Total Balances		
Auto	$1,000	$2,000
Asset-Based & Equipment	$300	$600
Total for New Asset Classes	**$1,300**	**$2,600**
Expected Yields	**~3%**	**~3%**
Incremental Revenue	**~$20MM**	**~$60MM**

[1] As of and for the years ended December 31, 2022 and December 31, 2023.

Growing our Core Businesses

	2021 Progress	2022-23 Outlook
Accelerating Core Middle Market Growth 	▪ Several pending offers outstanding to round out our growing teams in Milwaukee and Chicago with additional hires expected before year-end	▪ Expect to add **10+ commercial relationship managers** across the footprint by year-end 2022, with a focus on Milwaukee and Chicago ▪ Projecting **incremental loan growth of $100+ million per year**
Enhancing Small Business and Consumer Direct Lending 	▪ Expanding our sales teams ▪ Enhancing small business and consumer unsecured lending to streamline approvals ▪ Retooling our HELOC product to streamline originations and enable end-to-end digital processing	▪ Targeted net portfolio yields of 4%+ ▪ Projecting **incremental** growth in the small business and unsecured lending portfolios of **$50-100 million per year** ▪ Expect to stabilize HELOC balances and grow the portfolio
Retooling Mass Affluent Strategy 	▪ Adding a new affluent consumer division focused on bridging the market between our core retail and Private Banking customers; to attract and deepen high-value households	▪ Developing compelling and differentiated product and pricing offerings ▪ Expect to add approximately **$50+ million in incremental loans and deposits per year**

Digital Transformation: Already Underway

We have begun shifting our investment priorities to ensure Associated has a digital forward focus

Leveraged our Strong Digital Foundation[1]

- **64%** retail digital adoption
- **80%** digital activation among new-to-bank retail customers
- Peer-leading mobile check deposit usage of **33%[2]**



Aligned Internal Capabilities

- Centralized leadership under a single executive
- Integrated our product, marketing, digital UI/UX and infrastructure teams which will **enable ASB-driven innovation**

AB Labs

Accelerated our Digital Experience

- Moved external website to the Cloud in 2021, **achieving top rated response times**
- **Moving off** our rigid mobile and online banking platforms



[1] All metrics for the quarter ended June 30, 2021.
[2] Percentage of retail customers. Associated Bank usage as compared to regional bank peers in internal benchmark analysis.

Near-Term Digital Rollout Expected Timeline



1Q 2022

2Q 2022

NCR

salesforce personetics blend

Digital Banking Transformation

- **Complete transformation** of our mobile and web experience for 400K+ retail customers
- Fully integrated **customer insights and personalization**

Digital Sales Transformation

- **Streamline and connect** new consumer and small business sales and account opening solutions
- Integrate **onboarding, analytics and digital deepening tools** into customer experience

Bank-driven digital experience; taking ownership of our digital destiny

Customer-focused journey maps to improve application, onboarding and funding experiences

Transforming Spend: A Shift to Digital

The expected ~$10 million of annual run-rate savings from the initiatives highlighted below should fund the incremental costs of our proposed ~$50 million of digital investments over the next five years

	2021 Progress	Expense Impacts
Branch Consolidation	▪ Consolidating eight branches in 2021 ▪ Two additional consolidations expected to be completed in 2022	▪ Expected severance and facilities exit costs of ~$4 million (3Q and 4Q 2021) ▪ **Expect net savings of ~$5 million per year**
Back-Office Facilities Consolidation	▪ Transitioning nearly 10% of workforce to be primarily remote and consolidating Green Bay Service Center and HQ locations ▪ Exiting additional office space to align with an increasingly remote workforce	▪ Expect facilities and relocation costs of ~$4 million (3Q and 4Q 2021) ▪ **Expect net savings of ~$4 million per year**
Transforming Legacy IT Infrastructure	▪ Co-locating our primary data center ▪ Moving several applications from on-premises to cloud-based environments	▪ Expect bulk of IT infrastructure transformation to culminate in late 2022 ▪ **Expect net savings of ~$1-2 million per year**

Disciplined Expense Management

2021 Noninterest Expense Impact	
Noninterest Expense Outlook as of July 2021	$695 - $700 million
New Initiatives Costs	~$5 million
One-Time Expense: Brick & Mortar Alignment	~$5 million
Revised 2021 Expense Outlook[1]	**$705 - $711 million**

Long-term expense target is ~3.5% growth per year

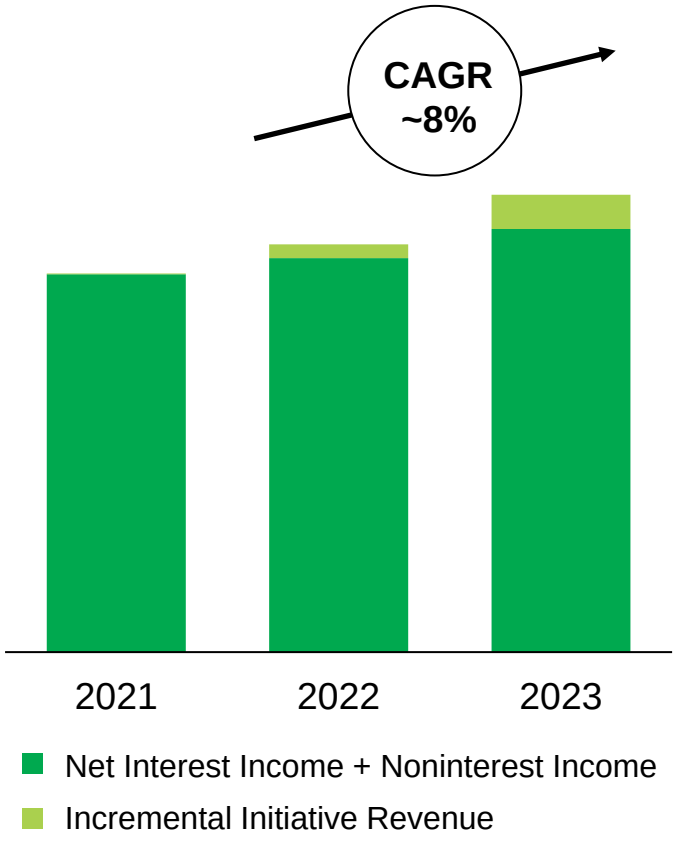
- Before the impact of our new initiatives, we expected total 2021 noninterest expense would be approximately $695 million to $700 million
- Our new initiatives are expected to add $9 million to $11 million to our 2021 noninterest expense, with total expenses now expected to come in between $705 million and $711 million
- Our new growth and efficiency strategies are intended to drive positive operating leverage and expand pre-tax pre-provision income over the next several quarters

[1] Totals may not sum due to rounding.

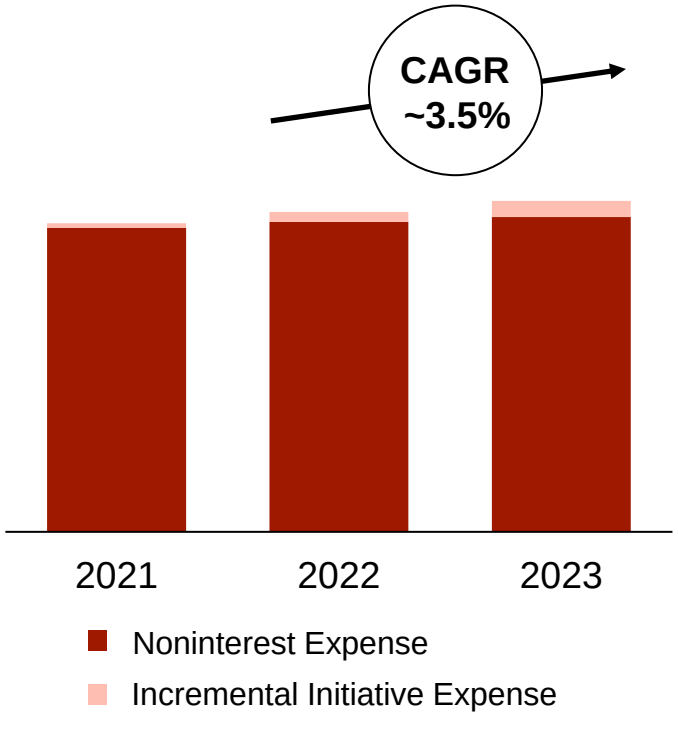
Generating Positive & Increasing Operating Leverage

Our revenue strategies are expected to leverage our people and technology while driving efficiency

Estimated Net Interest Income + Noninterest Income[1]



Estimated Noninterest Expense[2]



[1] Estimated Net Interest Income plus Noninterest Income in 2021 of approximately $1.045 billion to $1.060 billion. Estimated compound annual growth rate of Net Interest Income plus Noninterest Income from the end of 2021 through 2023.

[2] Estimated Noninterest Expense in 2021 of approximately $700 million to $706 million excluding brick and mortar alignment costs. Estimated compound annual growth rate of Noninterest Expense from the end of 2021 through 2023.

Optimizing Capital Proactively

Our priorities are to fund organic growth and pay a competitive dividend, while optimizing our capital structure

	2021 Progress	2022-23 Outlook
Dividends 	▪ Increased common dividend by 11% from $0.18 to $0.20 in 3Q 2021 ▪ Current implied annualized dividend yield of 4%[1]	▪ Targeting a 2022 payout ratio of 40%-50% ▪ Future dividend actions will be contemplated according to our internal dividend policy and against the competitive economic landscape
Share Repurchases 	▪ $18 million of share repurchases completed in 1Q 2021 ▪ $30 million of share repurchases completed in 2Q 2021 ▪ $60 million of share repurchases completed in 3Q 2021	▪ Targeting TCE Ratio of 7.5% ▪ Targeting CET1 of 9.5%
Preferred Stock 	▪ $65 million of Series C preferred stock redeemed in June 2021 ▪ $100 million of Series D preferred stock being redeemed in September 2021	▪ We do not anticipate raising additional preferred capital in 2022 or 2023 ▪ Expected preferred dividends of less than $12 million per year

[1] As of September 8, 2021.

Positioning for Improved Financial Performance

Our growth focused and digital forward vision is expected to drive higher shareholder returns

ASB 3+ Year Operating Targets

Expanding our Lending Capabilities	*2.75% Net Interest Margin*
Growing our Core Businesses	*55%-60% Efficiency Ratio*
Investing in our Digital Transformation	*$50 Million*

Expanding Operating Leverage

7.50% TCE Ratio[1]

Proactively Optimizing Capital and Credit

0.20%-0.35% Net Charge Offs to Average Loans

Higher Returns



Mid-Teens ROATCE

[1] Tangible common equity / tangible assets. This is a non-GAAP financial measure.

Associated: Capitalizing on our Momentum

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Growth Focused

Digital Forward

Higher Returns

Appendix: Updated 2021 Full-Year Outlook

Updated 2021 Full-Year Outlook

	Previous Guidance (7/22/2021)	Updated Guidance
Balance Sheet Management	▪ Commercial loan growth, excl. PPP, of 2-4% ▪ Full-year margin of 2.45% to 2.55% ▪ Target investments / total assets ratio of 15%	▪ Lower end of the range ▪ Lower end of the range ▪ Increasing range to 17% to 19%
Fee Businesses	▪ Noninterest income of $315 million to $325 million	▪ No change to range
Expense Management	▪ Approximately $695 million to $700 million of noninterest expense in 2021 ▪ Effective tax rate of 19% to 21%	▪ Increasing range to $705 million to $711 million; including initiatives, proposed facilities exit costs, and contemplated severance costs ▪ No change to range
Capital & Credit Management	▪ Target TCE Ratio 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	▪ No change in targets ▪ Expect a further net reserve release in 3Q