Fourth Quarter 2022 Earnings Presentation

JANUARY 26, 2023

ASB LISTED NYSE

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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," "project," "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.

Fourth Quarter and Full Year 2022 Results

4Q 2022 Highlights[1]

Associated Banc-Corp Reports Fourth Quarter 2022 Net Income Available to Common Equity of $106 Million, or $0.70 per Common Share

- Total average loan growth of $1.1 billion (+4%)
- Total average deposit growth of $453 million (+2%)
- Net interest income of $289 million (+9%)
- Net interest margin expanded by 18 bps
- Pre-tax income up 10%; pre-tax pre-provision income[2] up 11%
- Return on average equity of 10.81%; return on average tangible common equity[2] of 16.15%
- CET1 ratio of 9.35%
- NCOs / Average Loans (annualized) of 0.02% in 4Q
- $20 million build in provision for credit losses on loans
- ACLL / Loans increased slightly to 1.22%

[1] All figures shown on an end of period basis with comparisons to the third quarter of 2022 unless otherwise noted.
[2] This is a non-GAAP financial measure. See appendix for a reconciliation of non-GAAP financial measures to GAAP financial measures.
[3] Based on net income available to common equity.

2022: The Most Profitable Year in ASB History[3]

$355 million
Net Income Available to Common Equity
(+6% vs. 2021)

$493 million
Pre-Tax Pre-Provision Income[2]
(+41% vs. 2021)

$460 million
Income Before Income Taxes
(+5% vs. 2021)

12%
Full-Year Operating Leverage

$29 billion
Total Period End Loans
(+19% vs. 12/31/2021)

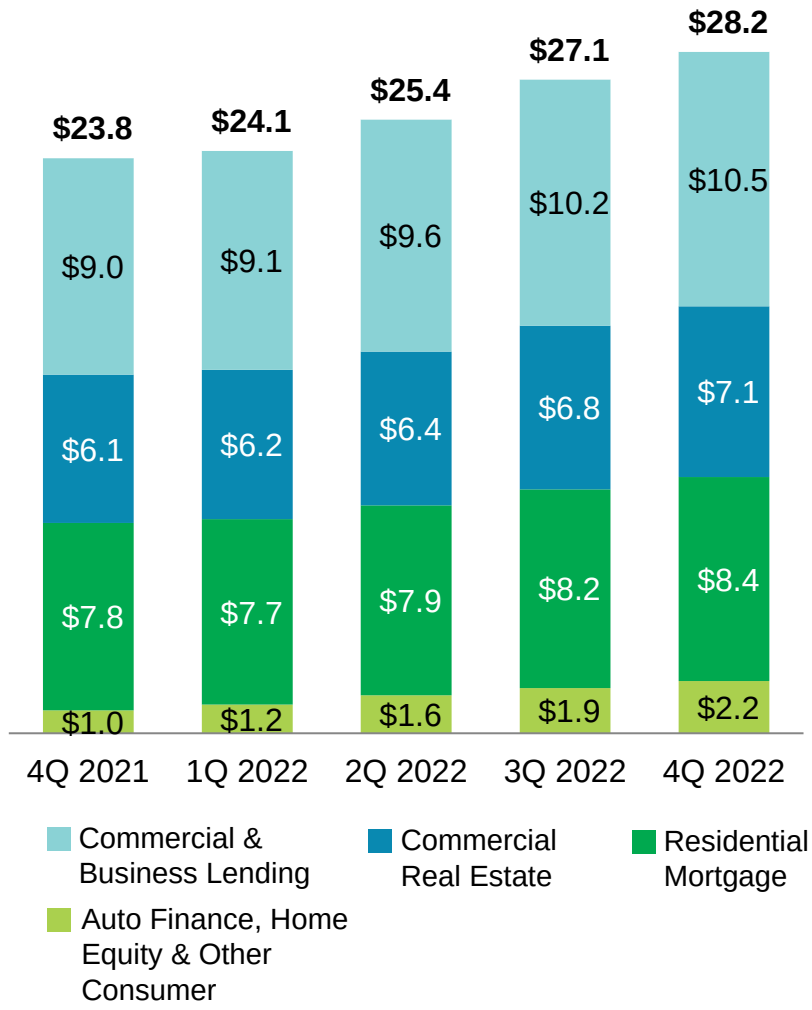
$30 billion
Total Period End Deposits
(+4% vs. 12/31/2021)

Quarterly Loan Trends

Total loans continued to grow in most key categories, but at a slower pace than the prior quarter

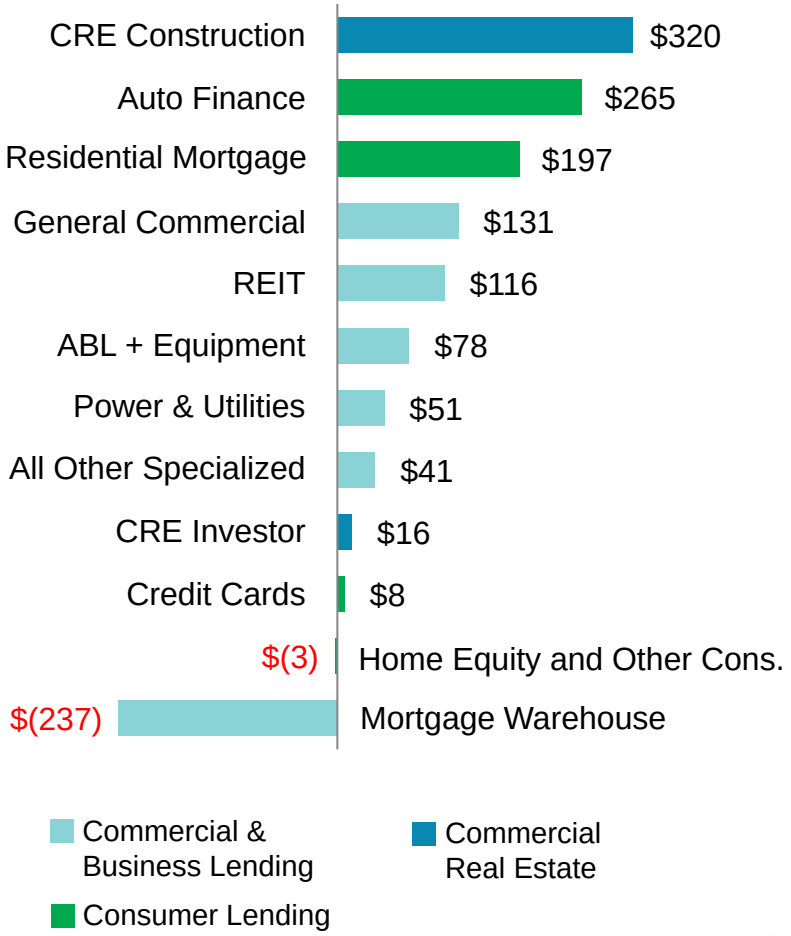
Average Quarterly Loans

($ in billions)



EoP Loan Change (9/30/2022 to 12/31/2022)

($ in millions)

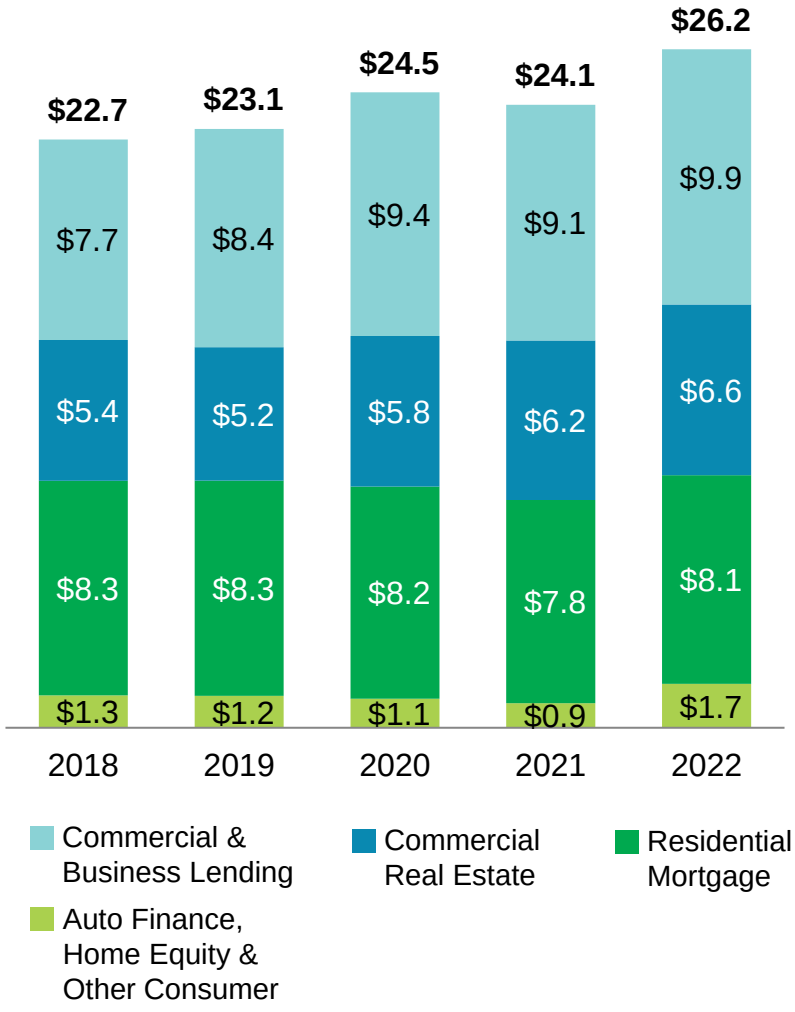


Annual Loan Trends

Successful deployment of our consumer and commercial lending initiatives drove broad growth in 2022

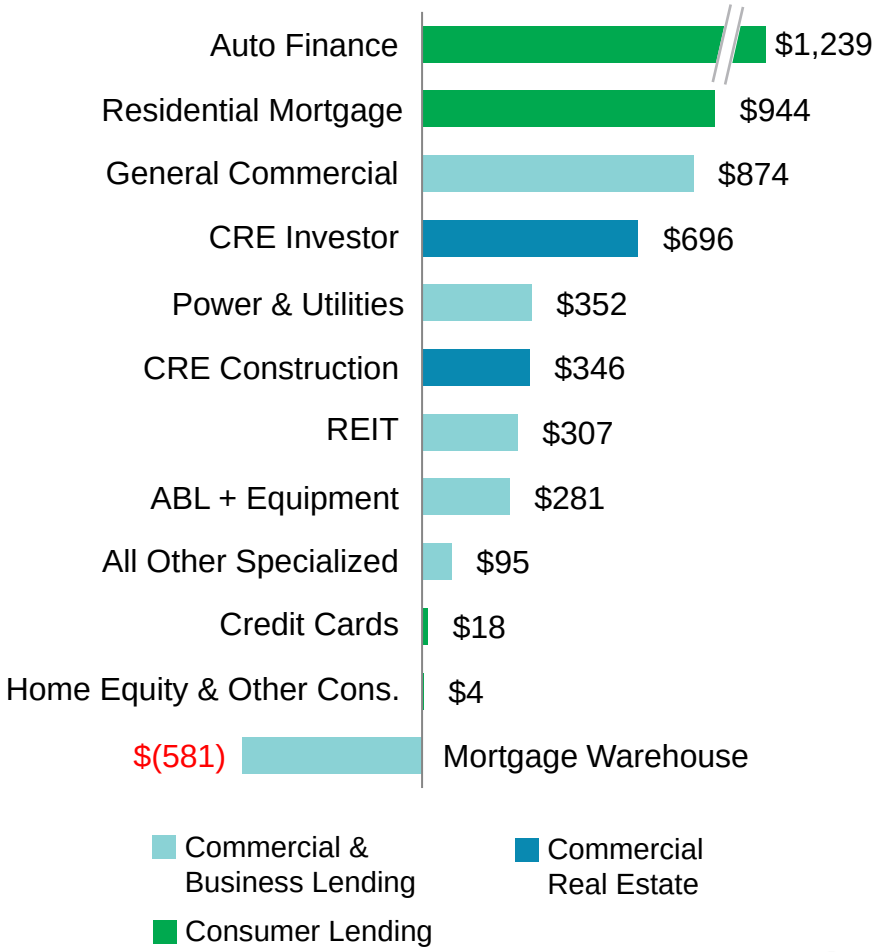
Average Annual Loans

($ in billions)



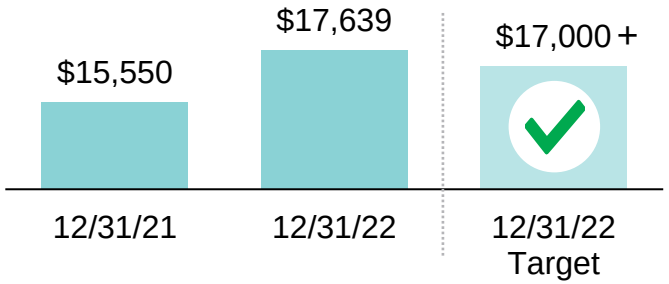
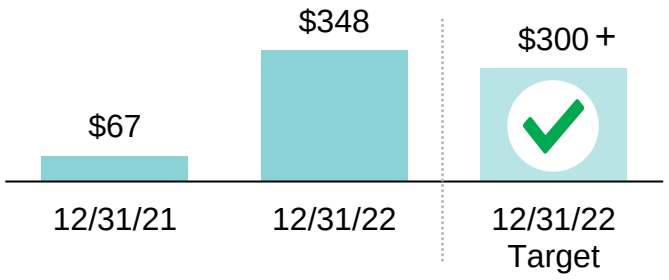
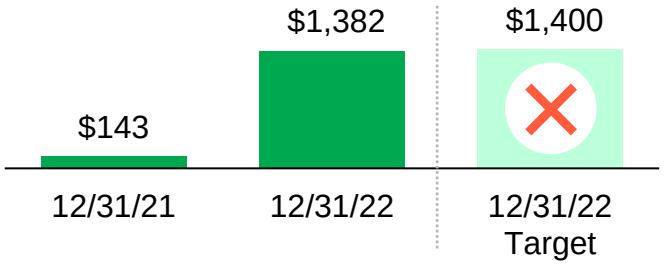
EoP Loan Change (12/31/2021 to 12/31/2022)

($ in millions)



Growing and Expanding our Lending Capabilities

Our strategic lending initiatives have provided additional versatility to drive balanced growth

	Progress Update	Balance Trends *($ in millions)*
Core Commercial[1]	▪ Increasing our total commercial and business relationship manager ranks by 35% from March 2021 to December 2022 enabled us to surpass our core commercial loan growth target in 2022	
New Asset-Based Lending & Equipment Finance[2]	▪ This core growth has been augmented by momentum in our asset-based lending and equipment finance portfolios, where we comfortably achieved our combined target of $300 million for 2022	
Auto Finance	▪ Our experienced auto finance team is continuing to execute a prime/super-prime growth strategy, **but we've selectively slowed our production to align with current market conditions**	

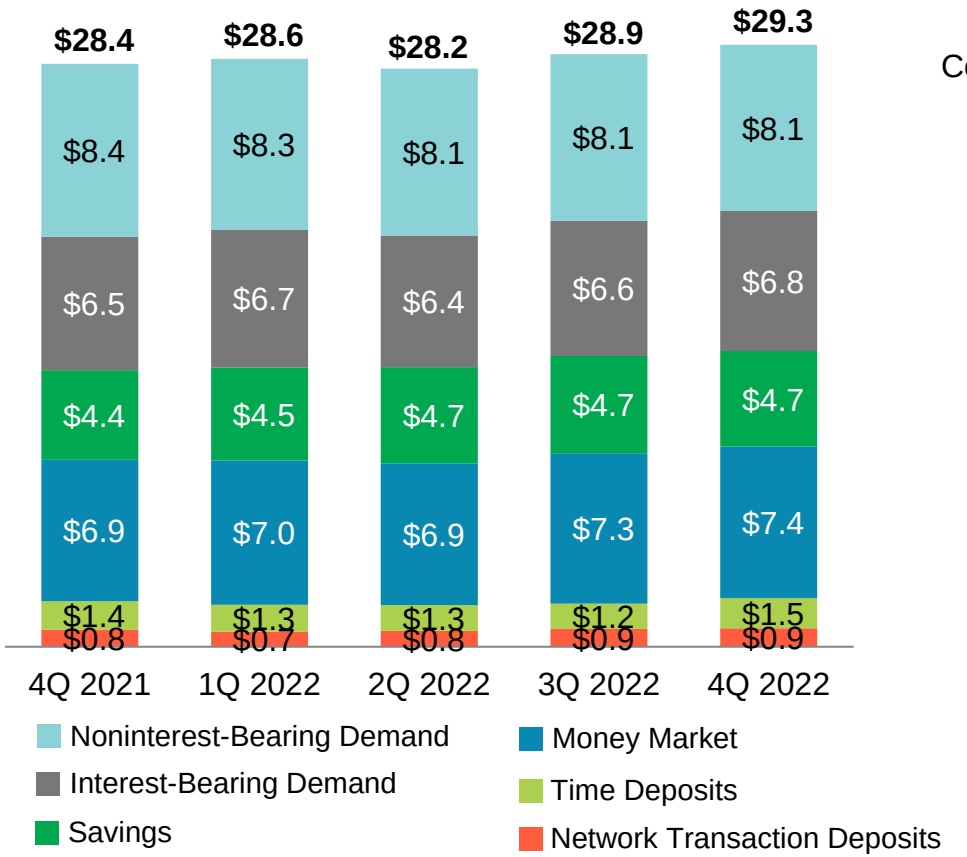
[1] Includes $111 million of legacy baseline asset-based lending & equipment finance balances and excludes the balances captured in footnote 2.
[2] Reflected as balance growth above the 3Q 2021 legacy baseline of $111 million; the baseline balances are reflected in Core Commercial above.

Quarterly Deposit Trends

Average deposits grew by 2% vs. the prior quarter, led by growth in core customer deposits

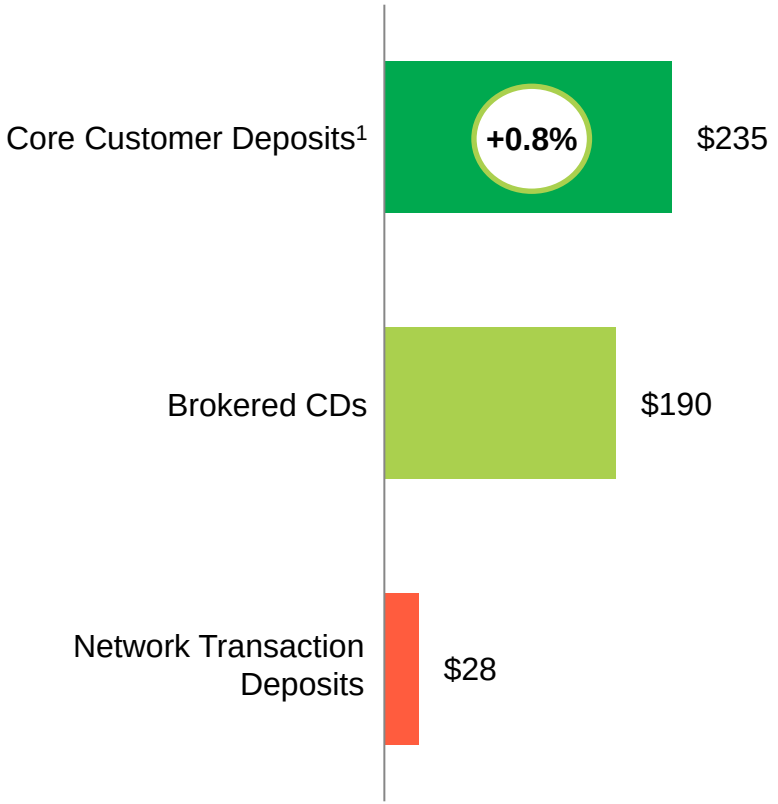
Average Quarterly Deposits

($ in billions)



Average Deposit Change (4Q 2022 vs. 3Q 2022)

($ in millions)



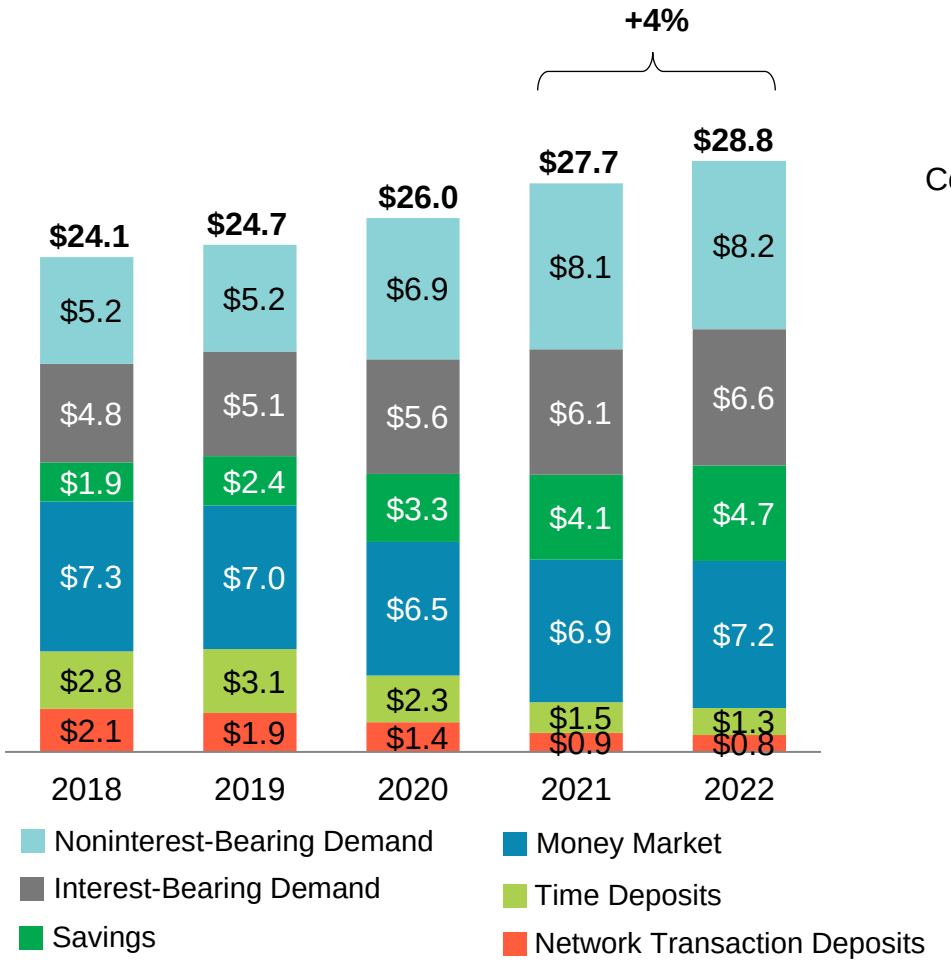
[1] Reflects total deposits, excluding brokered CDs and network transaction deposits.

Annual Deposit Trends

In 2022, average annual deposits grew for the 11th consecutive year

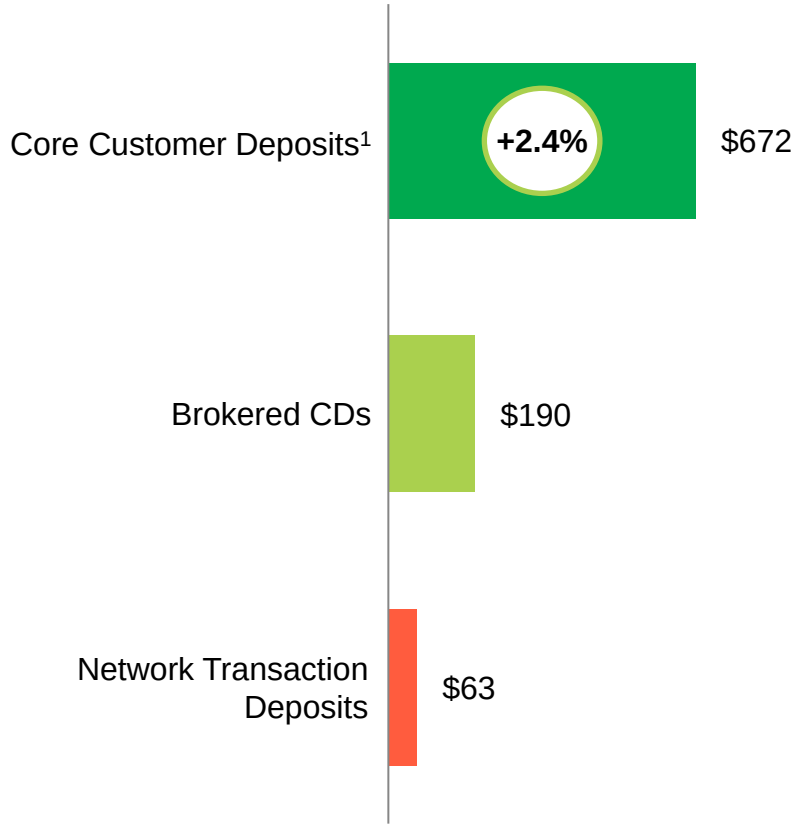
Average Annual Deposits

($ in billions)



Average Deposit Change (4Q 2022 vs. 4Q 2021)

($ in millions)



[1] Reflects total deposits, excluding brokered CDs and network transaction deposits.

Growing and Expanding our Deposit Capabilities

Several initiatives are underway to build on our deposit growth momentum into 2023 and beyond

2022	2023
21% increase in commercial RMs vs. 2021, with a 57% increase in new customer names	*Full-year impact expected in 2023*
Sharpened focus on TM, HSA and other deposit-centric businesses	*Full-year impact expected in 2023*
October: Launched new digital account opening platform for consumers and small businesses	*Full-year impact expected in 2023*
December: Launched new Mass Affluent initiative	*Growth begins in 2023*
	Shifting marketing spend to an acquisition focus; new brand campaign to launch February 2023
	Launching several new consumer products and enhancements beginning in 2Q 2023

2.4%
Core Customer Deposit Growth[1]

3% - 5%
Est. Core Customer Deposit Growth[1]

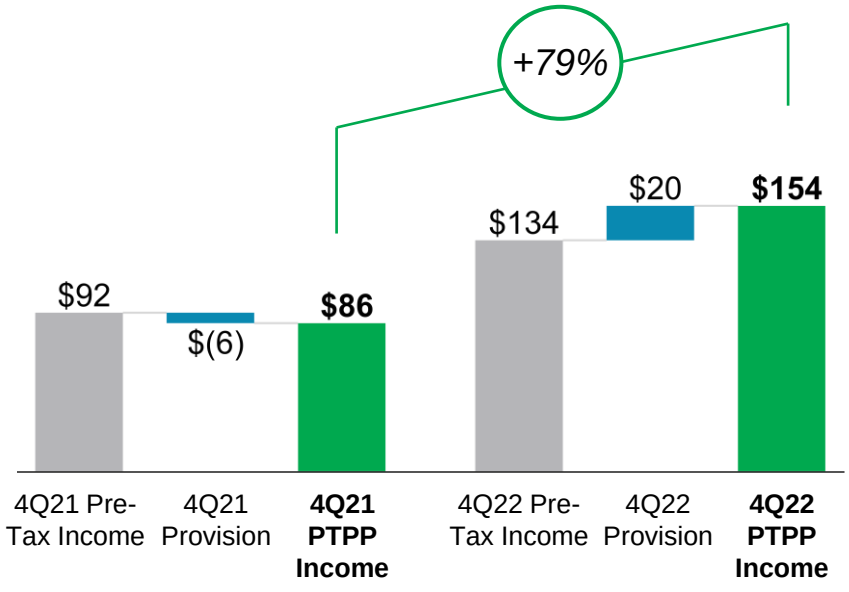
[1] Year-over-year growth based on fourth quarter average balances. Core customer deposits reflect total deposits, excluding brokered CDs and network transaction deposits.

Pre-Tax Pre-Provision Income[1] Trends

Strong revenue growth and disciplined expense management are driving positive operating leverage

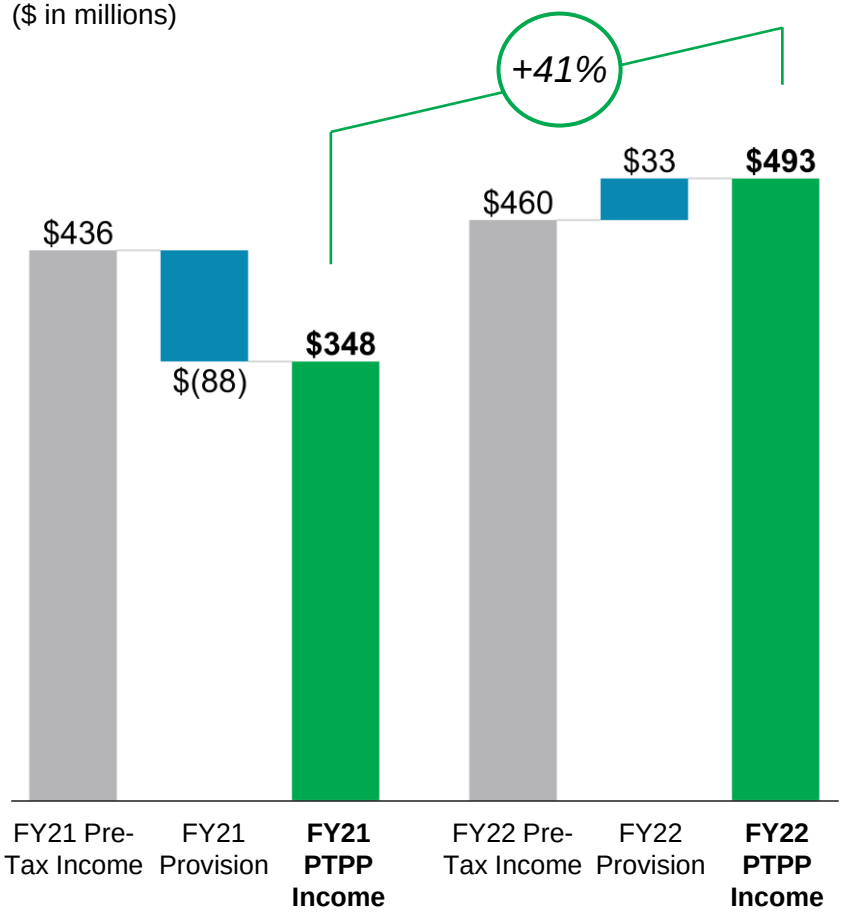
4Q 2022 vs. 4Q 2021

($ in millions)



FY 2022 vs. FY 2021

($ in millions)

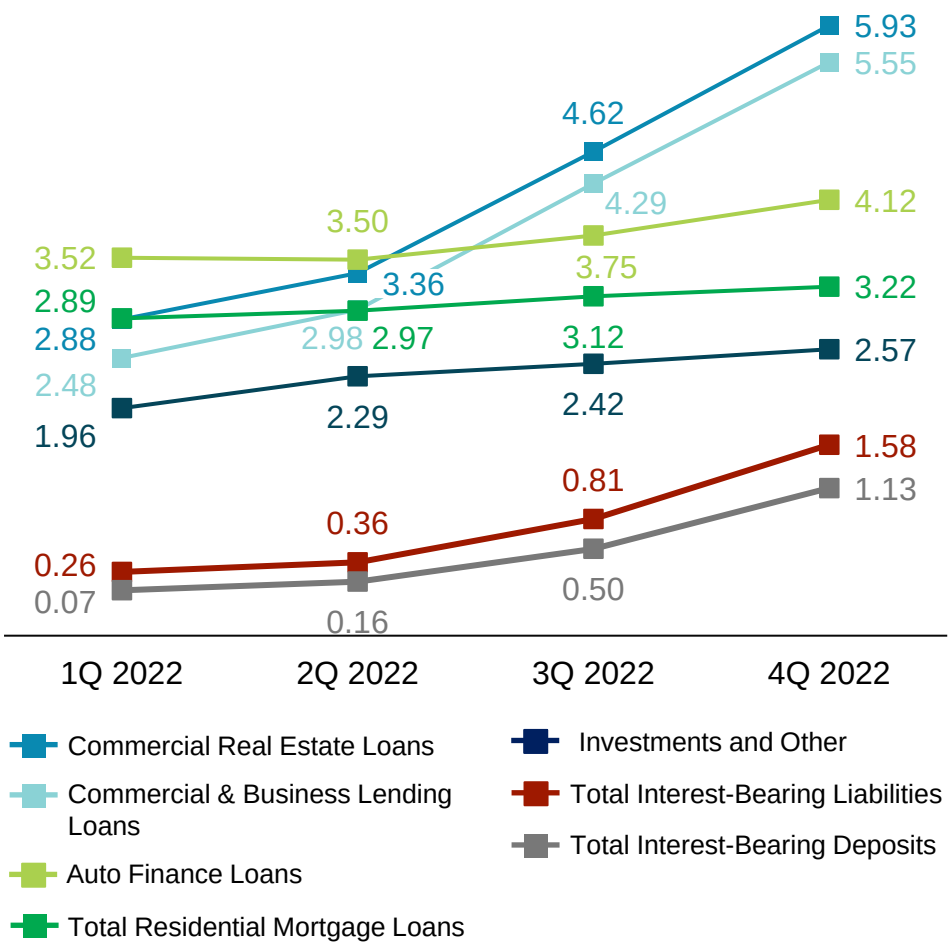


[1] This is a non-GAAP financial measure. Please refer to the appendix for a reconciliation of pre-tax pre-provision income to income before income taxes. Given the adoption of CECL and the volatility of provision, we believe pre-tax pre-provision income provides meaningful disclosure to investors regarding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

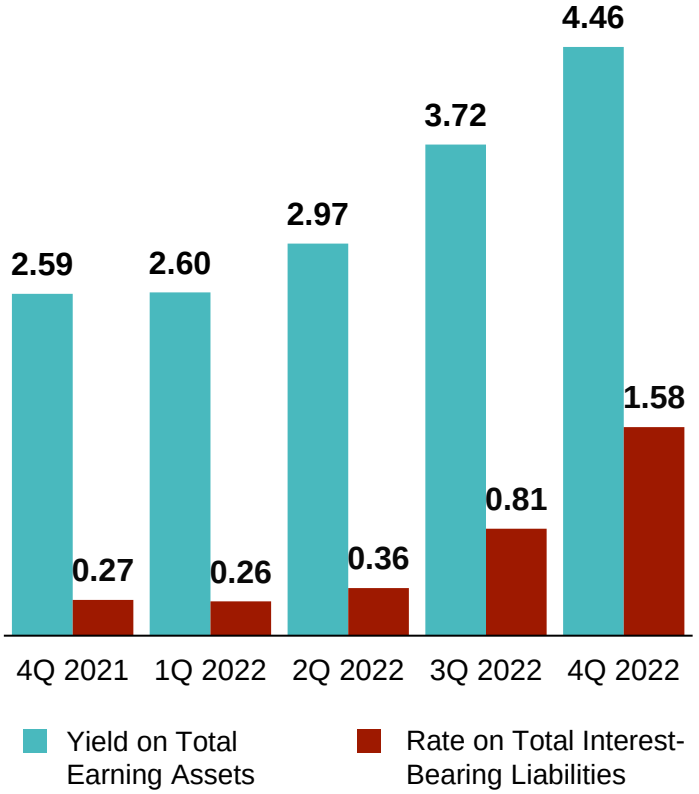
Average Yield Trends

ASB's balance sheet continues to benefit from loan growth and the rising rate environment

Average Yields (%)



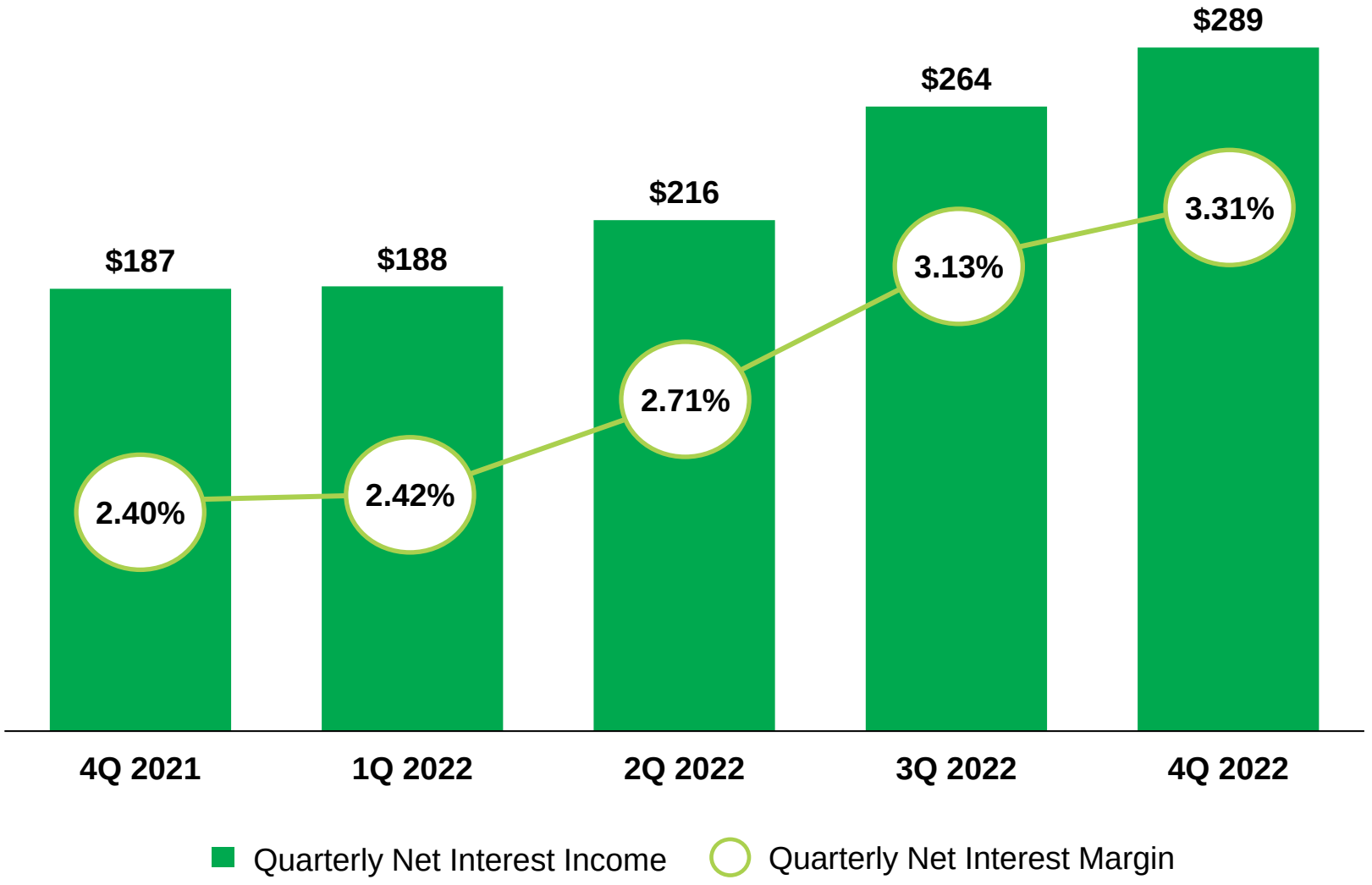
Asset & Liability Yield / Rate Trends (%)



Net Interest Income & Net Interest Margin Trends

NII and NIM continued to grow in 4Q, driven by rising loan yields and controlled deposit costs

($ in millions)



Interest Rate Risk Management

While ASB remains well-positioned to benefit from higher rates, we continue to manage the downside risk

- **We've decreased our reliance on higher-beta network and wholesale funding** since the last rate cycle (19% of total funding in 4Q 2022 vs. 30% in 4Q 2016)
- This higher-beta funding has been replaced by lower-cost, core customer deposits, helping us drive **cumulative interest-bearing deposit betas of ~30% in 2022[1]**
- In the second half of 2022, **we executed over $2 billion of received fixed swaps**

Increased received fixed swaps from $850 million in 3Q 2022 to over

$2 billion

in 4Q 2022

Estimated NII Sensitivity Profile

Δ in interest rates	*2Q 22*	*3Q 22*	*4Q 22*
+200 bps ramp over 12 months	10.8%	9.2%	7.8%
+100 bps ramp over 12 months	5.4%	4.6%	3.9%
-100 bps ramp over 12 months	(5.0%)	(4.3%)	(3.4%)

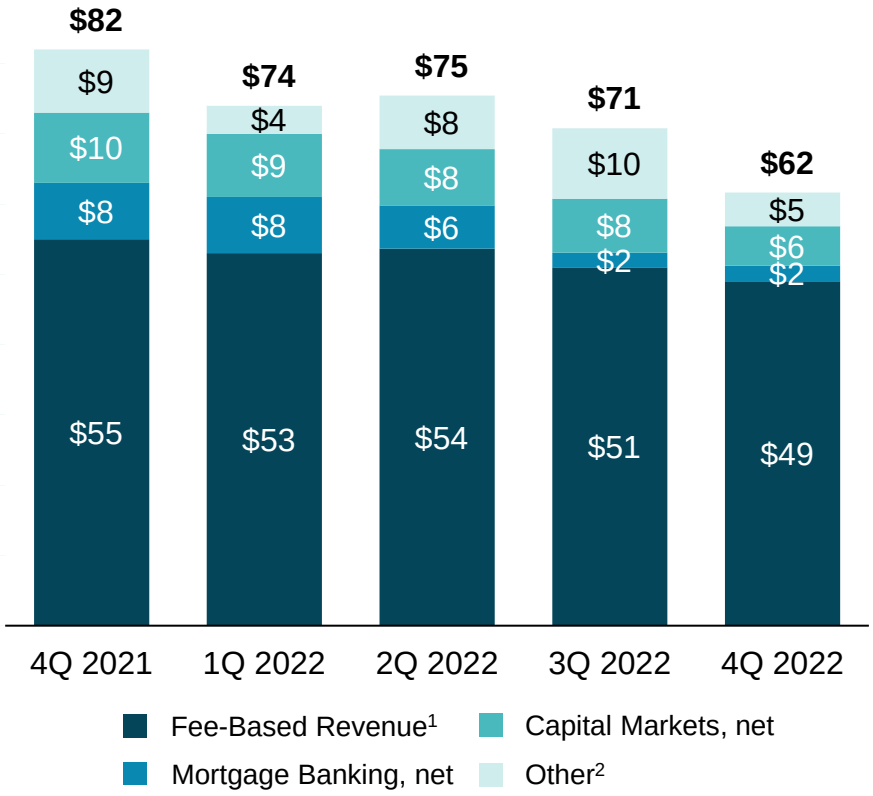
[1] Beta calculated as change in quarterly average yield from 4Q 2021 to 4Q 2022 vs. change in average Fed Effective Rate. Fed data derived from St. Louis FRED database.

Noninterest Income Trends

Noninterest income remains pressured by market dynamics and customer-friendly fee adjustments

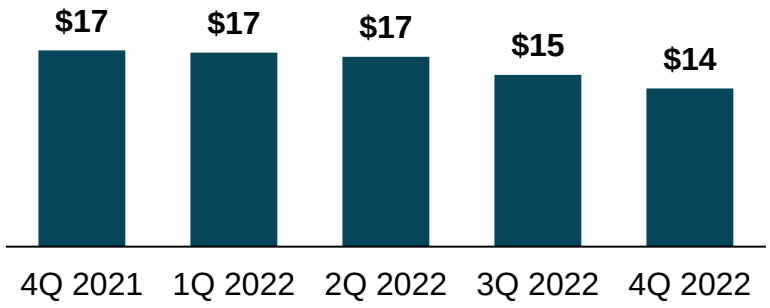
Noninterest Income Trends

($ in millions)



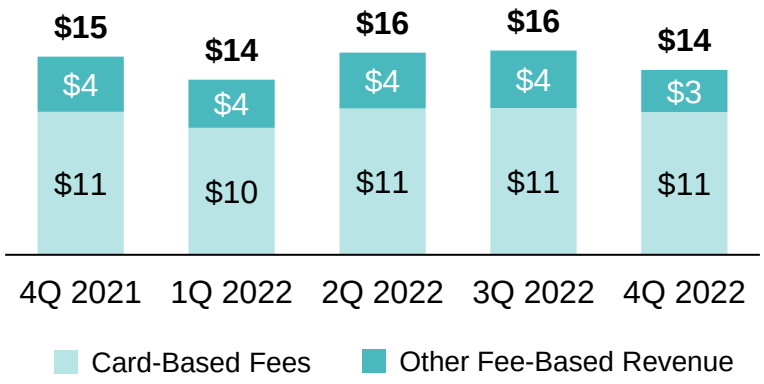
Service Charges & Deposit Account Fees

($ in millions)



Card-Based Fees & Other Fee-Based Revenue

($ in millions)



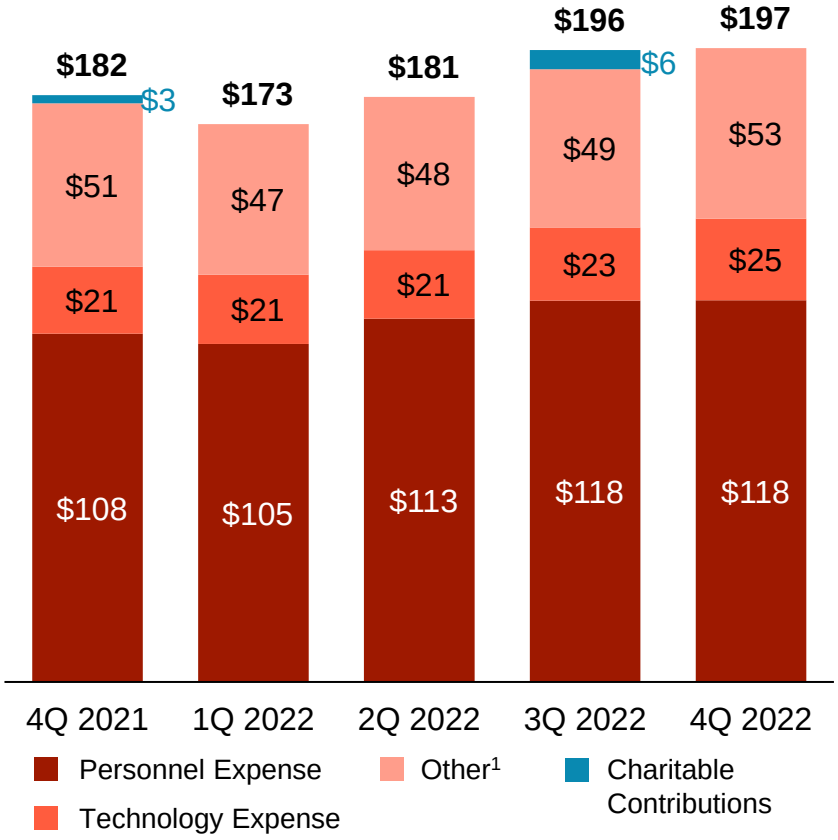
[1] This is a non-GAAP financial measure. Please refer to the appendix for a reconciliation of fee-based revenue to noninterest income.
[2] Other noninterest income is primarily comprised of bank and corporate owned life insurance, asset gains (losses), net and investment securities gains (losses), net.

Noninterest Expense Trends

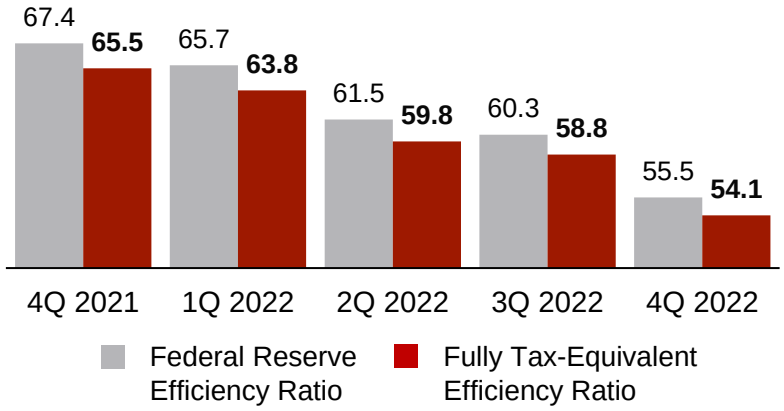
We continue to invest in people and technology while keeping expense growth below total revenue growth

Noninterest Expense Trends

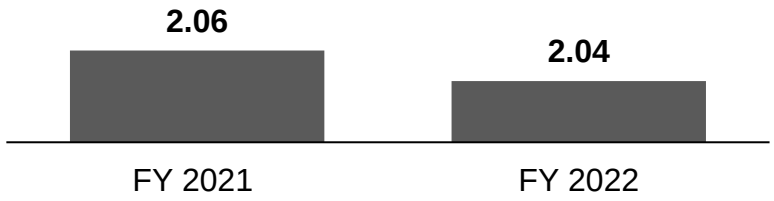
($ in millions)



Fully Tax-Equivalent Efficiency Ratio[2] (%)



Noninterest Expense / Average Assets (%)

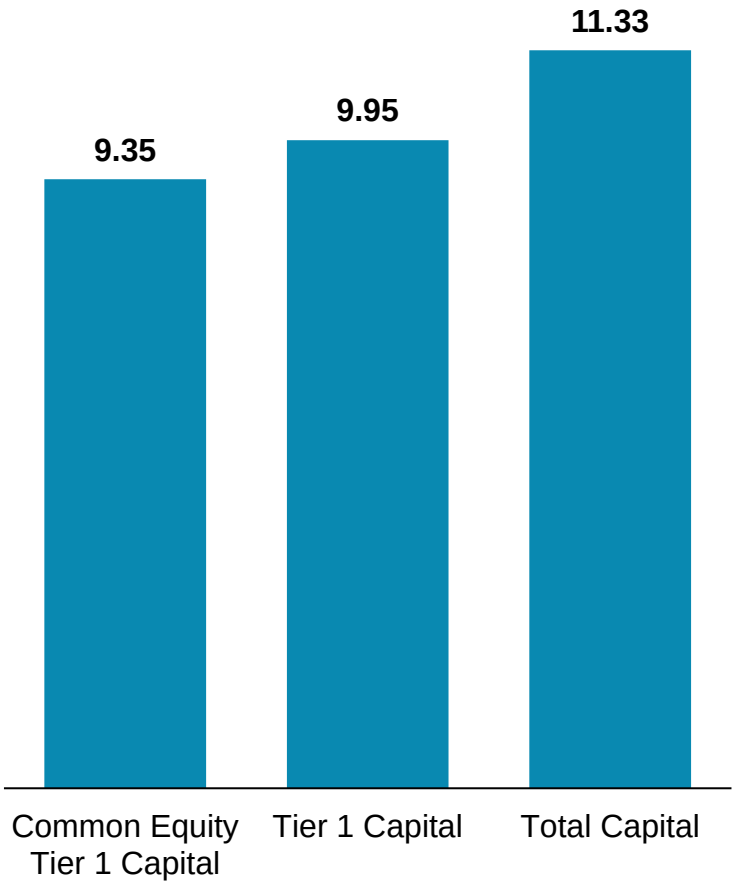


[1] Other expenses are primarily comprised of occupancy, business development & advertising, equipment, legal & professional, and FDIC assessment costs.
[2] This is a non-GAAP financial measure. Please refer to the appendix for a reconciliation of the fully tax-equivalent efficiency ratio to the Federal Reserve efficiency ratio.

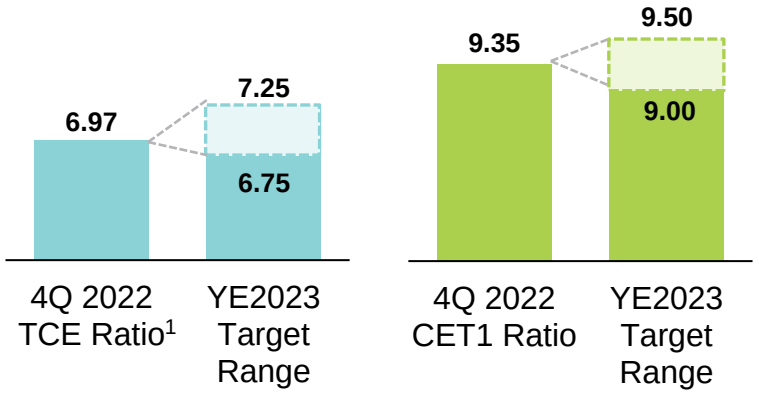
Capital Profile

We are managing capital levels toward our target ranges, while holding TBVPS steady

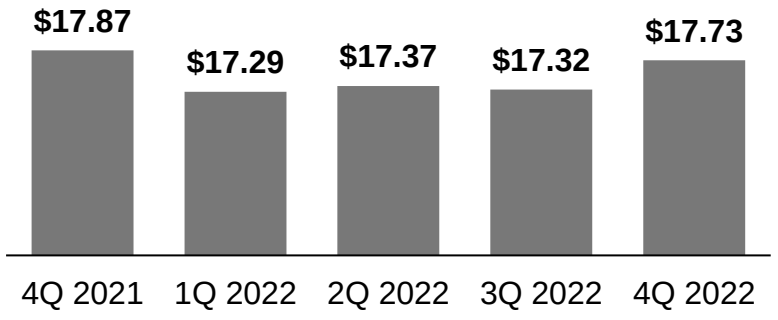
4Q 2022 Regulatory Capital Ratios (%)



Year-End 2023 Capital Targets (%)



Tangible Book Value / Share



[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.

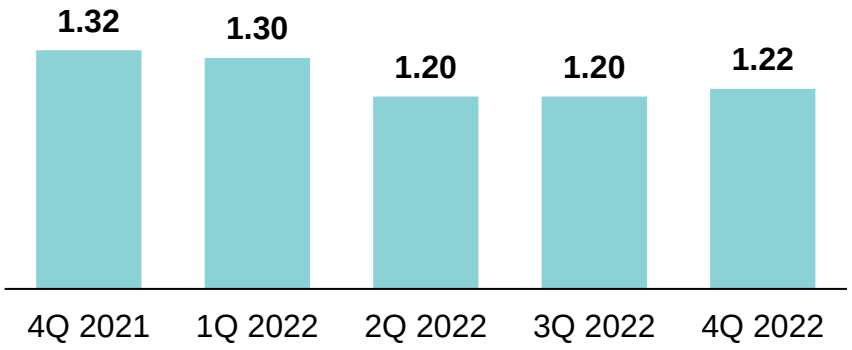
Allowance for Credit Losses on Loans (ACLL) Update

Our ACLL increased slightly to 1.22%, with an allowance build largely driven by loan growth

4Q 2022 ACLL[1] Update

- ACLL ($) increased $19 million from the prior quarter to $351 million, largely driven by loan growth and stable credit factors
- Net charge offs of only $1 million in FY 2022
- CECL forward-looking assumptions based on Moody's November 2022 Baseline forecast

ACLL / Total Loans (%)



($ in thousands)

	12/31/2021		9/30/2022		12/31/2022	
Loan Category	**ACLL**	**ACLL / Loans**	**ACLL**	**ACLL / Loans**	**ACLL**	**ACLL / Loans**
C&BL	$119,997	1.27%	$135,200	1.28%	$141,652	1.32%
CRE - Investor	73,739	1.68%	61,404	1.21%	55,108	1.08%
CRE - Construction	53,229	2.94%	52,557	2.86%	66,171	3.07%
Residential Mortgage	40,787	0.54%	38,907	0.47%	38,298	0.45%
Other Consumer	32,038	3.08%	44,610	2.20%	50,267	2.18%
Total	**$319,791**	**1.32%**	**$332,680**	**1.20%**	**$351,496**	**1.22%**

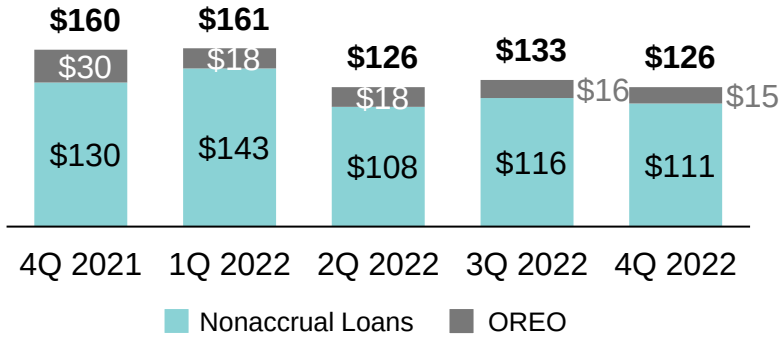
[1] Includes funded and unfunded reserve for loans, excludes reserve for HTM securities.

Credit Quality Trends

Credit remains benign with NPAs, NALs and NCOs all declining vs. the prior quarter

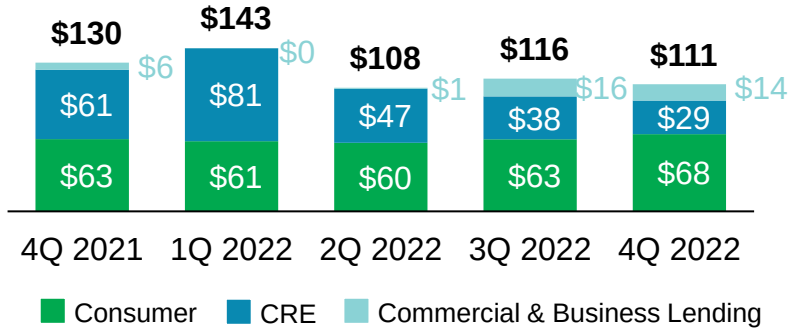
Total Nonperforming Assets

($ in millions)

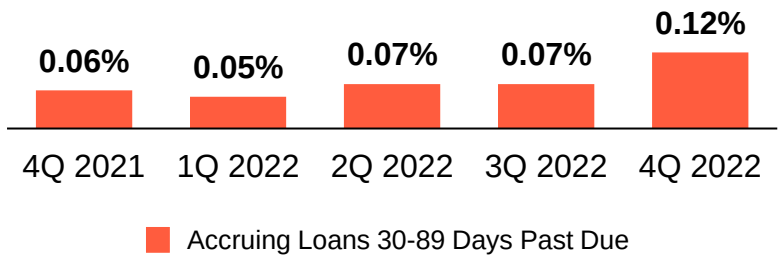


Nonaccrual Loans

($ in millions)

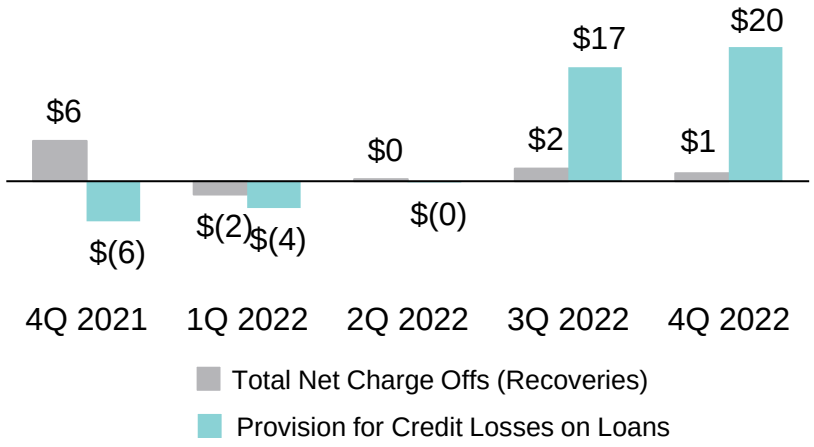


Delinquent Loans / EoP Total Loans (%)



Net Charge Offs (Recoveries) and Provision

($ in millions)



2023 Full-Year Outlook[1]

Balance Sheet Management

- Total loan growth of 7% to 9%
- Target investments/total assets ratio of 18% to 20%

Net Interest Income & Noninterest Income

- Total net interest income & noninterest income growth of 10% to 12%
  - Net interest income (GAAP) growth of 15% to 17%
  - Noninterest income compression of 6% to 8%

Expense Management

- Noninterest expense growth of 4% to 6%
- Effective tax rate of 20% to 21%

Capital Targets

- Target TCE ratio range of 6.75% to 7.25%
- Target CET1 ratio range of 9.00% to 9.50%

[1] Projections are on an end of period basis as of and for the year ended 12/31/2023 as compared to 12/31/2022.

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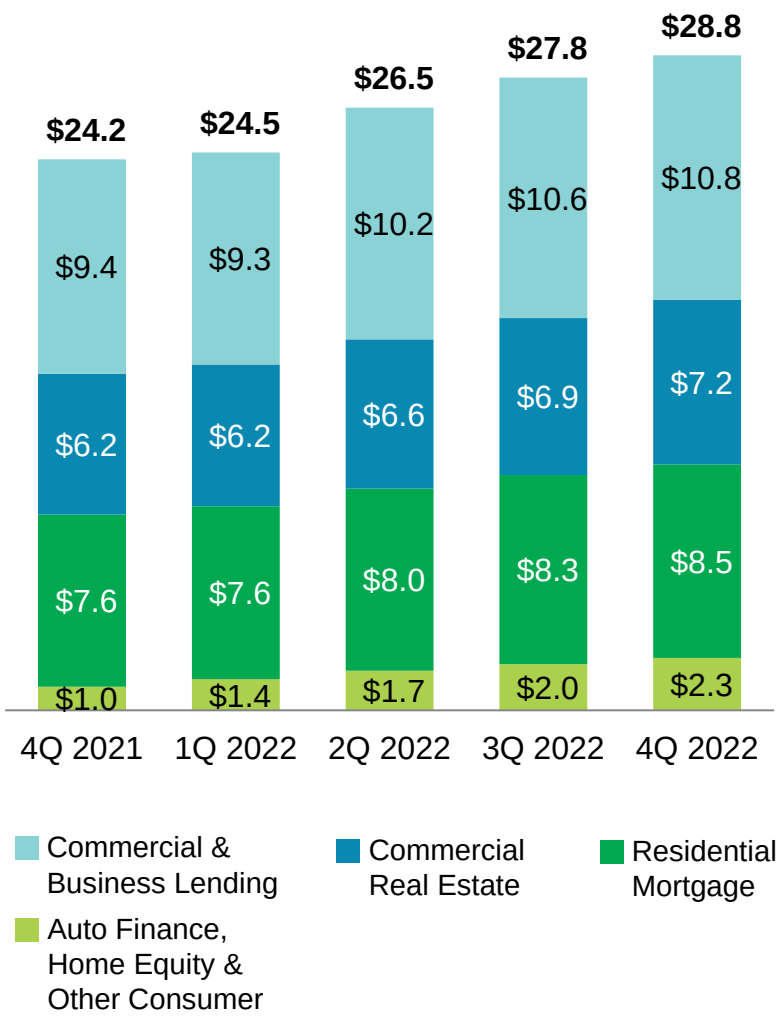


Appendix

Additional Loan Trends

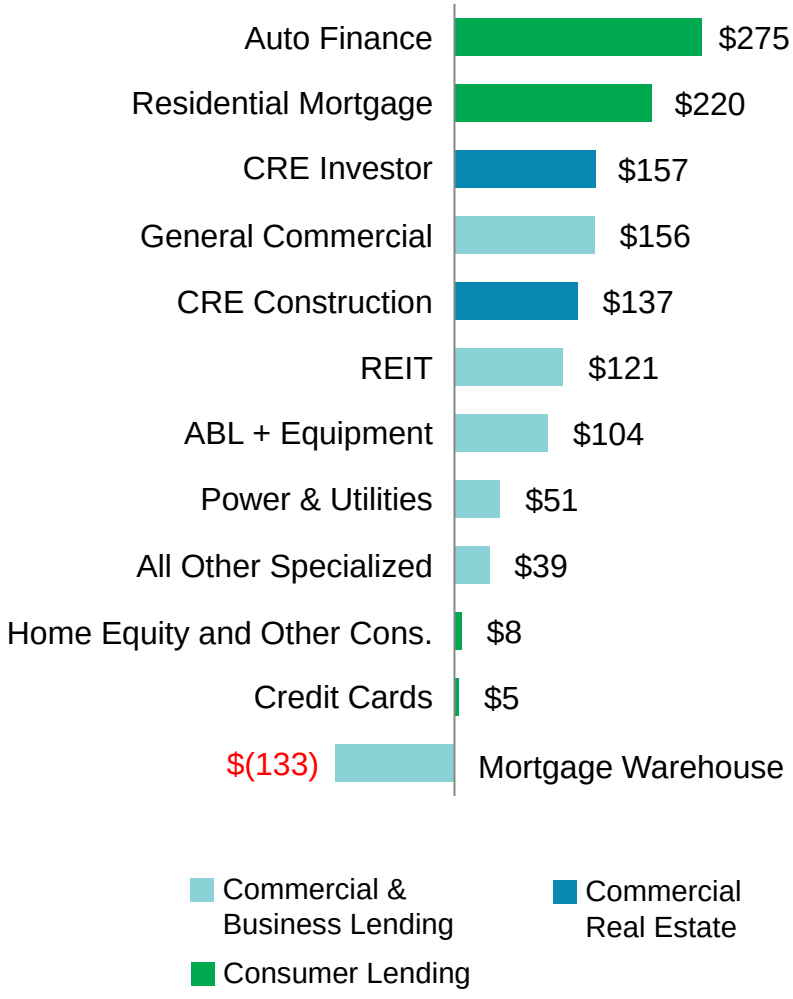
EoP Quarterly Loan Trends

($ in billions)



Average Loan Change (3Q 2022 to 4Q 2022)

($ in millions)



Total Loans Outstanding Balances as of December 31, 2022

Well-diversified $29 billion loan portfolio

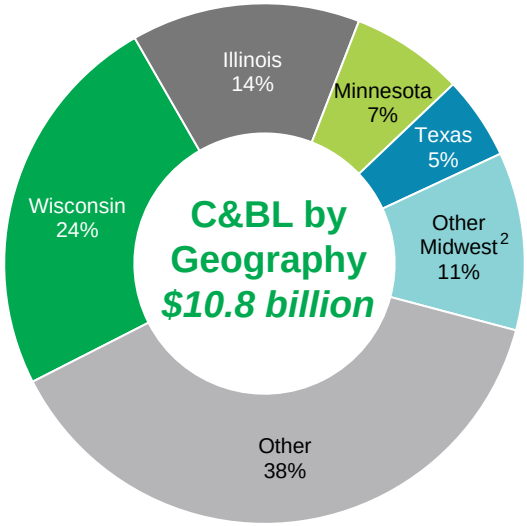
($ in millions)

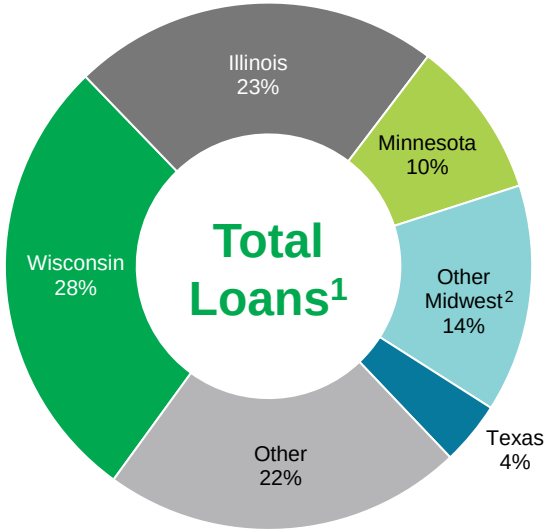
	12/31/2022[1]	% of Total Loans
C&BL (by NAICS[2])		
Manufacturing & Wholesale Trade	$ 2,182	7.6%
Utilities	2,160	7.5%
Real Estate (includes REITs)	1,982	6.9%
Mortgage Warehouse	600	2.1%
Finance & Insurance	577	2.0%
Retail Trade	468	1.6%
Construction	440	1.5%
Health Care and Social Assistance	412	1.4%
Professional, Scientific, and Tech. Serv.	331	1.2%
Rental and Leasing Services	323	1.1%
Transportation and Warehousing	306	1.1%
Waste Management	229	0.8%
Accommodation and Food Services	88	0.3%
Arts, Entertainment, and Recreation	84	0.3%
Management of Companies & Enterprises	81	0.3%
Information	77	0.3%
Financial Investments & Related Activities	74	0.3%
Mining	33	0.1%
Public Administration	27	0.1%
Educational Services	27	0.1%
Agriculture, Forestry, Fishing and Hunting	0	0.0%
Other	248	0.9%
Total C&BL	$ 10,751	37.3%

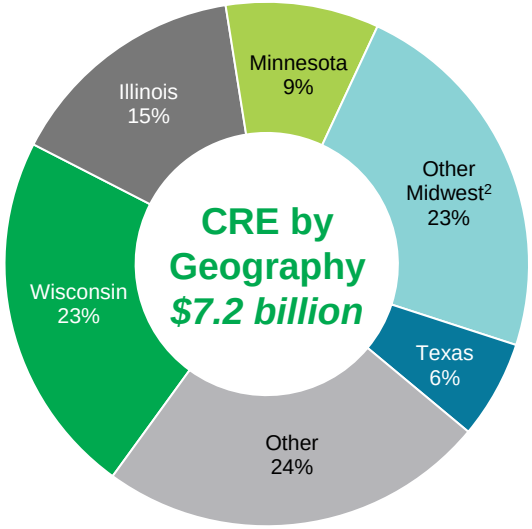
	12/31/2022[1]	% of Total Loans
CRE (by property type)		
Multi-Family	$ 2,487	8.6%
Industrial	1,640	5.7%
Office/Mixed	1,296	4.5%
Retail	683	2.4%
Single Family Construction	491	1.7%
Hotel/Motel	212	0.7%
Land	83	0.3%
Mobile Home Parks	65	0.2%
Parking Lots and Garages	9	0.0%
Other	271	0.9%
Total CRE	$ 7,236	25.1%
Consumer		
Residential Mortgage	$ 8,512	29.6%
Auto Finance	1,382	4.8%
Home Equity	624	2.2%
Credit Cards	132	0.5%
Student Loans	76	0.3%
Other Consumer	87	0.3%
Total Consumer	$ 10,813	37.5%
Total Loans	$ 28,800	100.0%

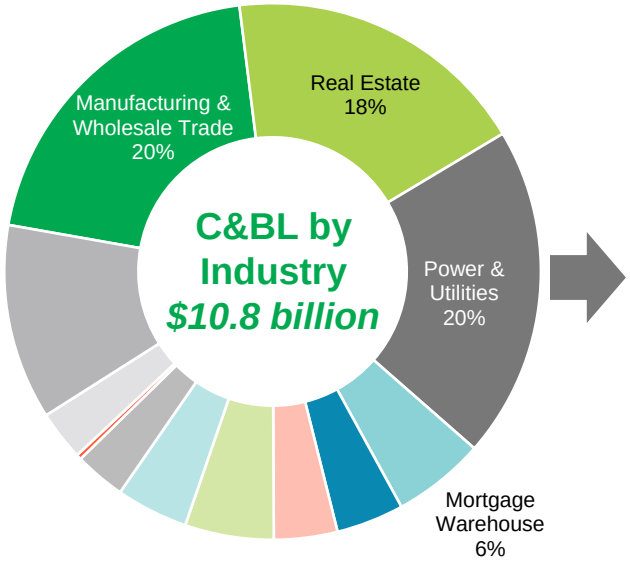
[1] All values as of period end.
[2] North American Industry Classification System.

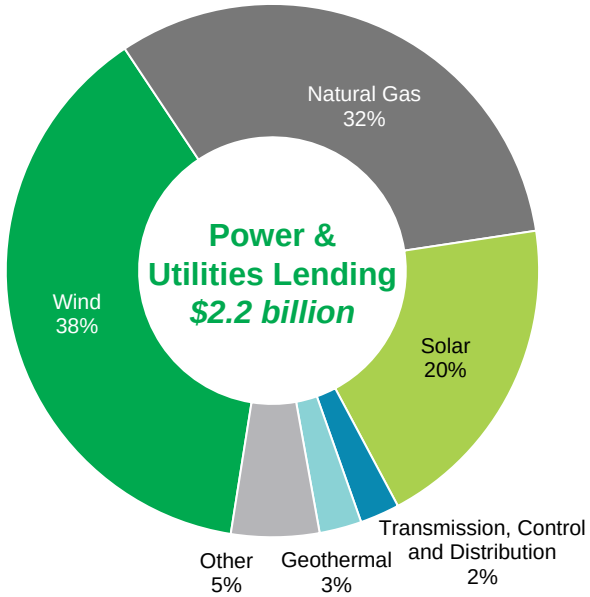
Loan Stratification Outstanding Balances as of December 31, 2022

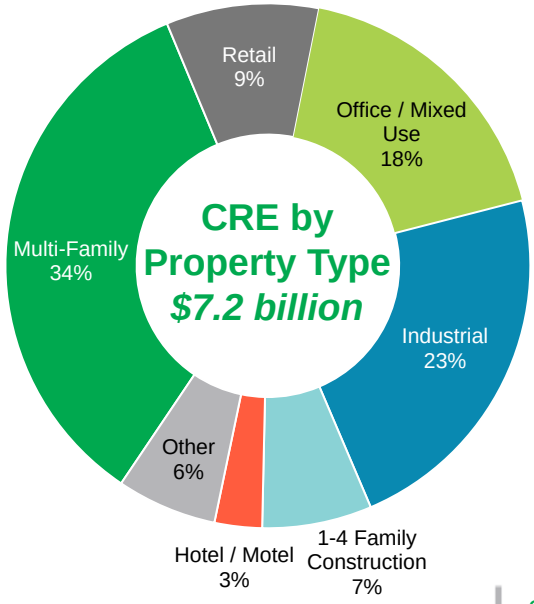












[1] Excludes Other Consumer portfolio.
[2] Other Midwest includes Missouri, Indiana, Ohio, Michigan and Iowa.

Reconciliation and Definitions of Non-GAAP Items

($ in millions)

Pre-Tax Pre-Provision Income Reconciliation[1]	4Q 2021	4Q 2022	YTD Dec 2021	YTD Dec 2022
Income before income taxes	$92	$134	$436	$460
Provision for credit losses	(6)	20	(88)	33
Pre-tax pre-provision income	$86	$154	$348	$493

Average Tangible Common Equity Reconciliation[2]	4Q 2022
Common equity	$3,798
Goodwill and other intangible assets, net	(1,155)
Tangible common equity	$2,642

Selected Trend Information[3]	4Q 2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022
Wealth management fees	$23	$22	$21	$20	$20
Service charges and deposit account fees	17	17	17	15	14
Card-based fees	11	10	11	11	11
Other fee-based revenue	4	4	4	4	3
Fee-based revenue	55	53	54	51	49
Other	26	22	22	20	13
Total noninterest income	$82	$74	$75	$71	$62

[1] Management believes this measure is meaningful because it reflects 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] 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

($ in millions)

Efficiency Ratio Reconciliation	4Q 2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022
Federal Reserve efficiency ratio	67.36%	65.71%	61.53%	60.32%	55.47%
Fully tax-equivalent adjustment	(1.10)%	(1.13)%	(0.98)%	(0.87)%	(0.77)%
Other intangible amortization	(0.82)%	(0.84)%	(0.76)%	(0.67)%	(0.62)%
Fully tax-equivalent efficiency ratio[1]	65.46%	63.76%	59.80%	58.79%	54.08%

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.

Tangible Common Equity and Tangible Assets Reconciliation[2]	4Q 2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022
Common equity	$3,832	$3,755	$3,766	$3,760	$3,821
Goodwill and other intangible assets, net	(1,163)	(1,161)	(1,159)	(1,156)	(1,154)
Tangible common equity	$2,669	$2,594	$2,608	$2,603	$2,667
Total assets	$35,104	$34,956	$37,236	$38,050	$39,406
Goodwill and other intangible assets, net	(1,163)	(1,161)	(1,159)	(1,156)	(1,154)
Tangible assets	$33,941	$33,795	$36,077	$36,893	$38,251

[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.