Second Quarter 2023 Earnings Presentation

JULY 20, 2023

ASB LISTED NYSE

Associated Bank
Your money works here.

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.

Second Quarter 2023 Results

ASB reports 2Q 2023 net income available to common equity of $84 million, or $0.56 per common share

2Q 2023 Highlights[1]

- Total period end loan growth of $642 million (+2%)
- Total period end deposit growth of $1.7 billion (+6%)
- Net interest income of $258 million (-6%)
- Net interest margin of 2.80% (-27 bps)
- Pre-tax income of $111 million; pre-tax pre-provision income[2] of $133 million
- Return on average equity of 8.47%; return on average tangible common equity[2] of 12.38%
- CET1 ratio of 9.48%
- NCOs / average loans (annualized) of 0.15%
- Provision for credit losses on loans of $22 million
- ACLL / loans increased 1 basis point to 1.26%
- Tangible book value / share of $18.41

$84 million
Net Income Available to Common Equity
(up slightly vs. 6/30/2022)

$133 million
Pre-Tax Pre-Provision Income[2]
(+21% vs. 6/30/2022)

$111 million
Income Before Income Taxes
(up slightly vs. 6/30/2022)

6%
YoY Operating Leverage
(6/30/2022 to 6/30/2023)

$29.8 billion
Total Period End Loans
(+13% vs. 6/30/2022)

$32.0 billion
Total Period End Deposits
(+12% vs. 6/30/2022)

[1] All figures shown on an end of period basis with comparisons to the first quarter of 2023 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.

Strong Credit Risk Profile

We've significantly de-risked our portfolio since 2009

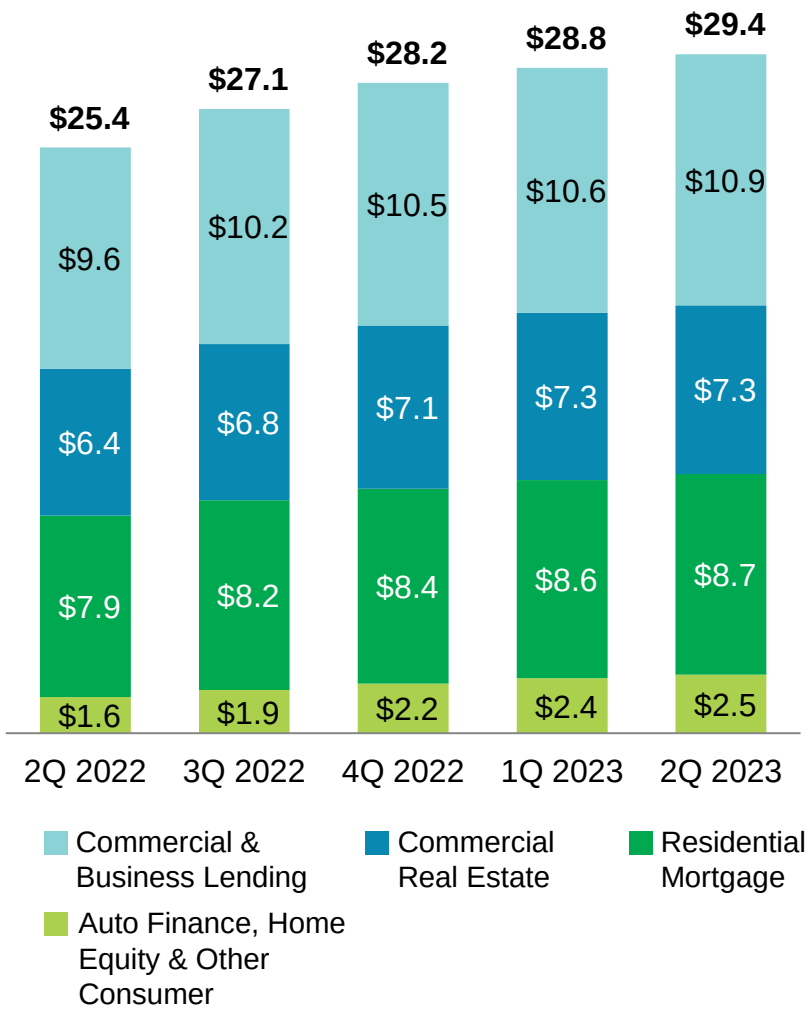
- **Prime/super prime consumer portfolios**
- Geographically anchored in **stable Midwest markets**
- Replaced high-risk portfolios with **lower-risk asset classes**
- Diversified CRE portfolio with **limited urban office exposure**

Quarterly Loan Trends

We continued to add high-quality loans in select segments during 2Q

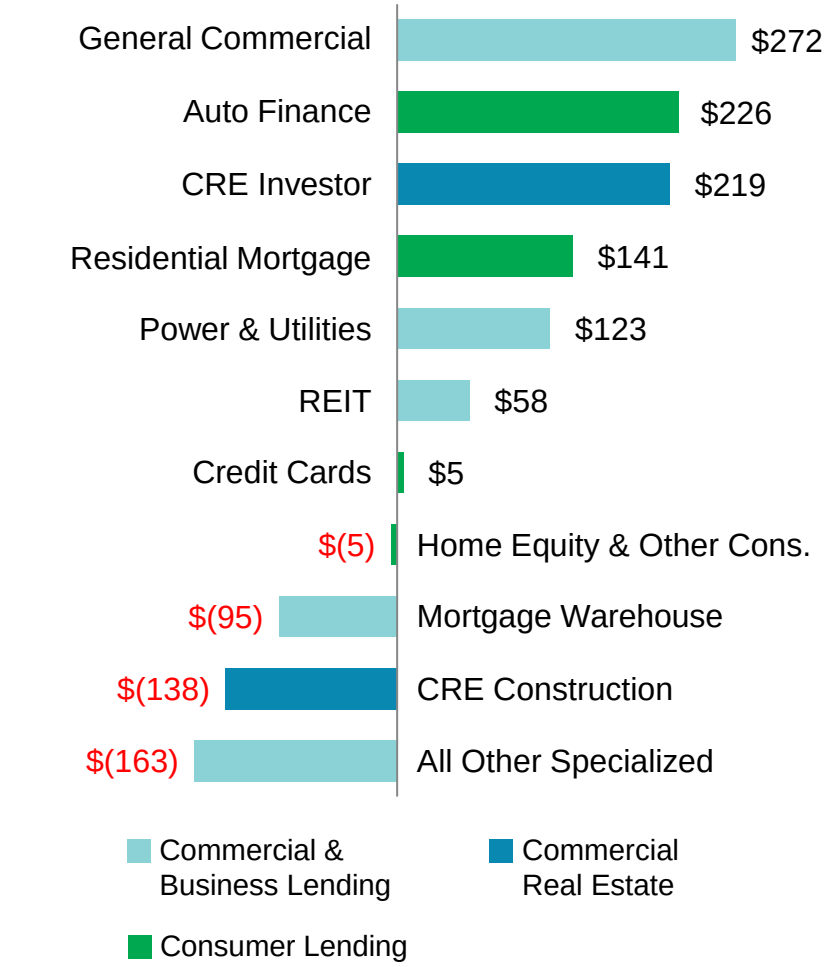
Average Quarterly Loans

($ in billions)



EoP Loan Change (3/31/2023 to 6/30/2023)

($ in millions)

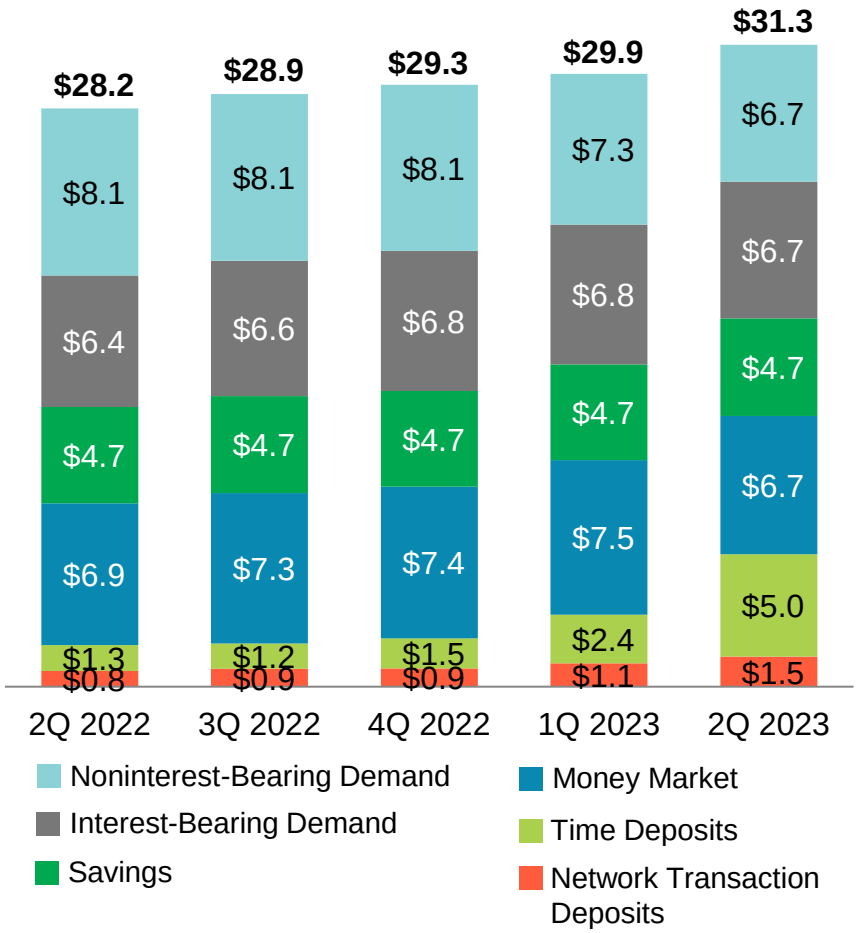


Quarterly Deposit & Funding Trends

We flexed into brokered & network deposits during 2Q to fund growth, build liquidity & pay down FHLB

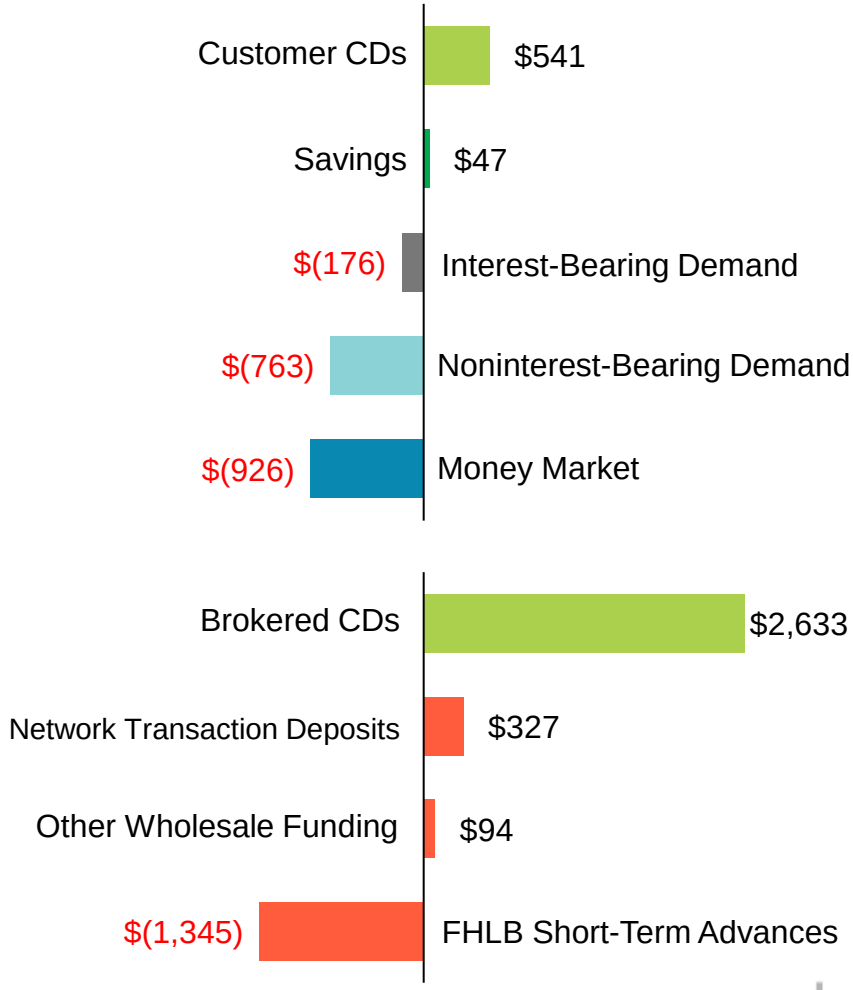
Average Quarterly Deposits

($ in billions)



EoP Funding Change (3/31/2023 to 6/30/2023)

($ in millions)



Expanded Deposit Capabilities

Despite recent industry-wide volatility, our efforts to grow and deepen customer relationships remain on track

- **Expanded Commercial Capabilities**
- **Modernized Digital Banking Experience**
- **Upgraded Product & Service Offerings**
- **Launched Mass Affluent Strategy**
- **Introduced "Champion of You" Brand Strategy**

2Q 2023 Net Growth[1]

in both Consumer and Business Checking Households

11% ↑

Consumer Checking Household Acquisition

2Q 2022 to 2Q 2023

13% ↓

Consumer Checking Household Attrition

2Q 2022 to 2Q 2023

3-Year High

in Digital Banking Customer Satisfaction Scores[2]

2Q 2023

$300M+

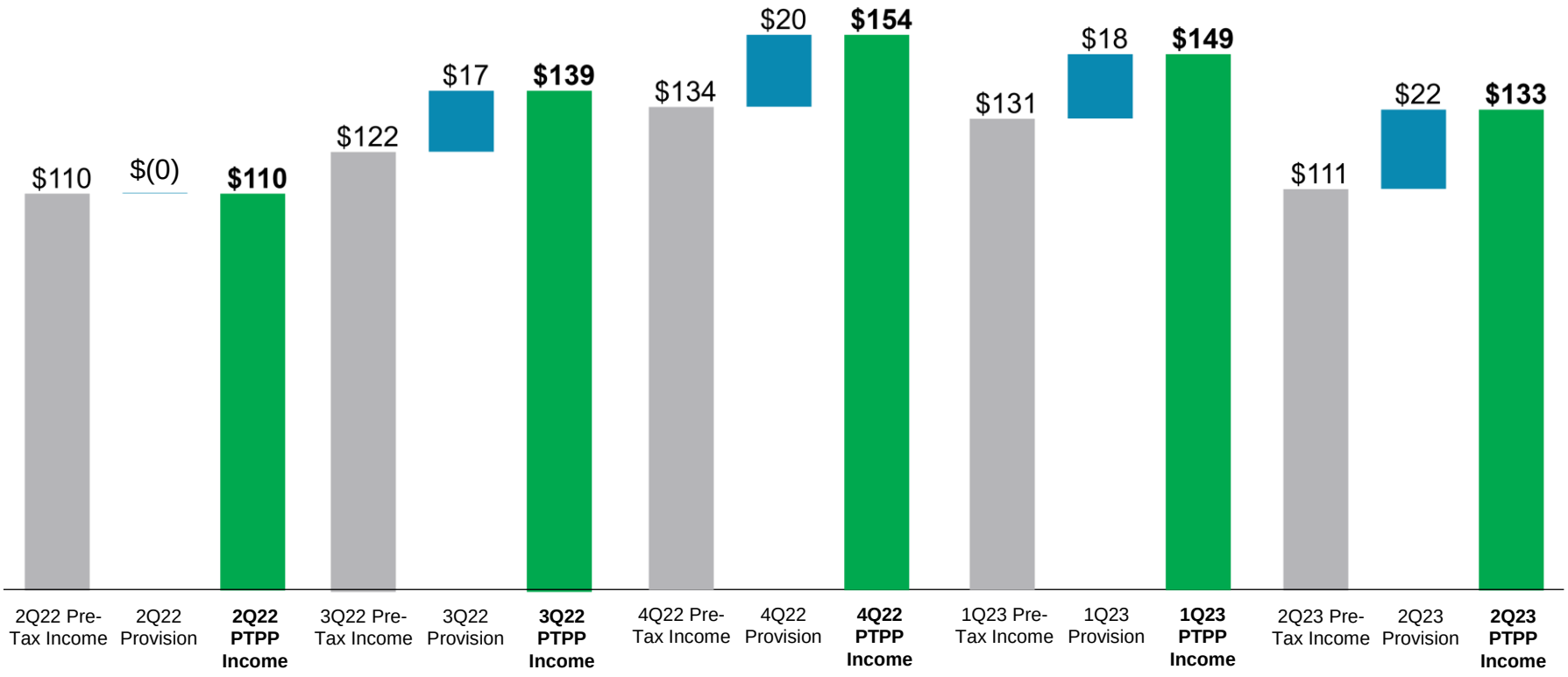
Net New Deposits Added Through Mass Affluent Strategy[3]

[1] As compared to 1Q 2023.
[2] Based on quarterly top box customer satisfaction scores from internal transactional surveys.
[3] Since December 2022 inception.

Pre-Tax Pre-Provision Income[1] Trends

PTPP income was up 21% vs. 2Q 2022, driven by revenue growth and disciplined expense management

($ in millions)

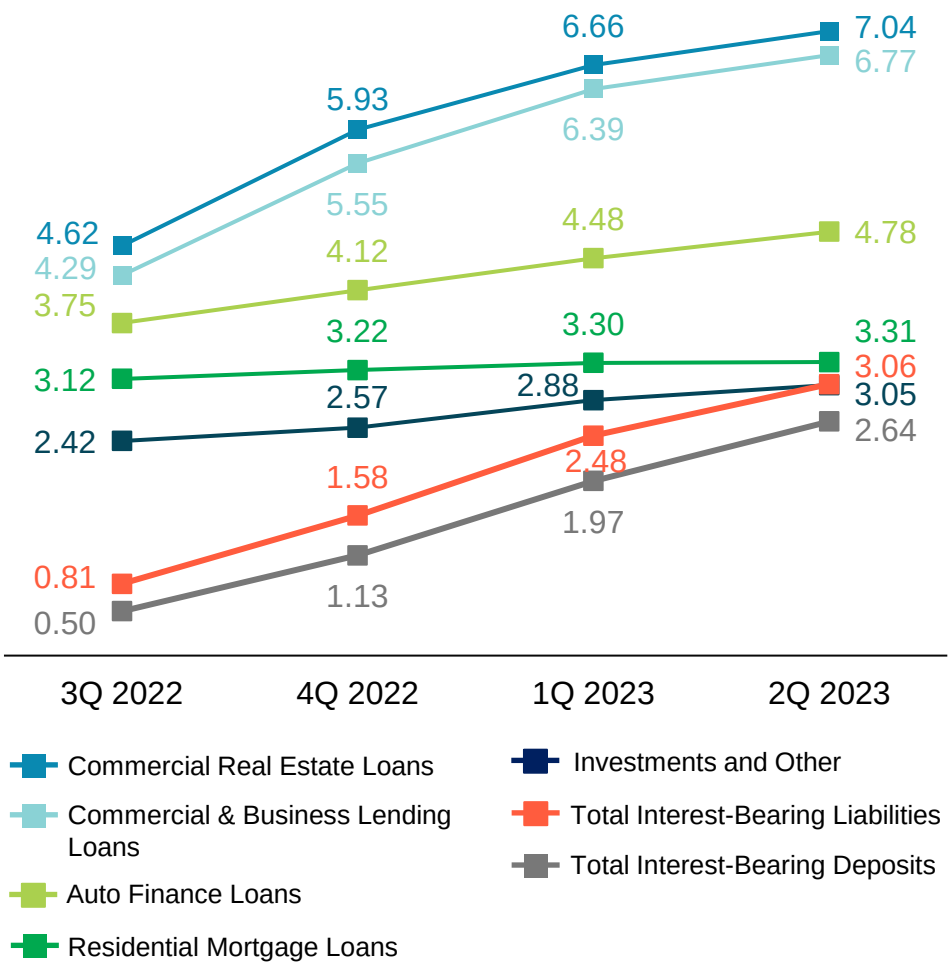


[1] This is a non-GAAP financial measure. Please refer to the appendix for a reconciliation of pre-tax pre-provision income to income before income taxes.

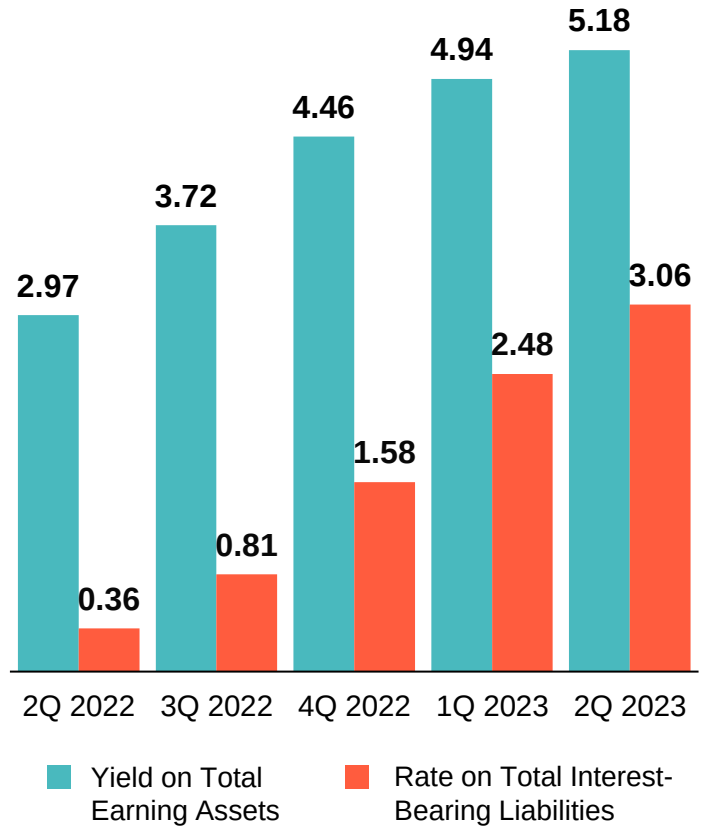
Average Yield Trends

ASB continues to benefit from rising asset yields, while funding costs have risen throughout 1H 2023

Average Yields (%)



Asset & Liability Yield / Rate Trends (%)

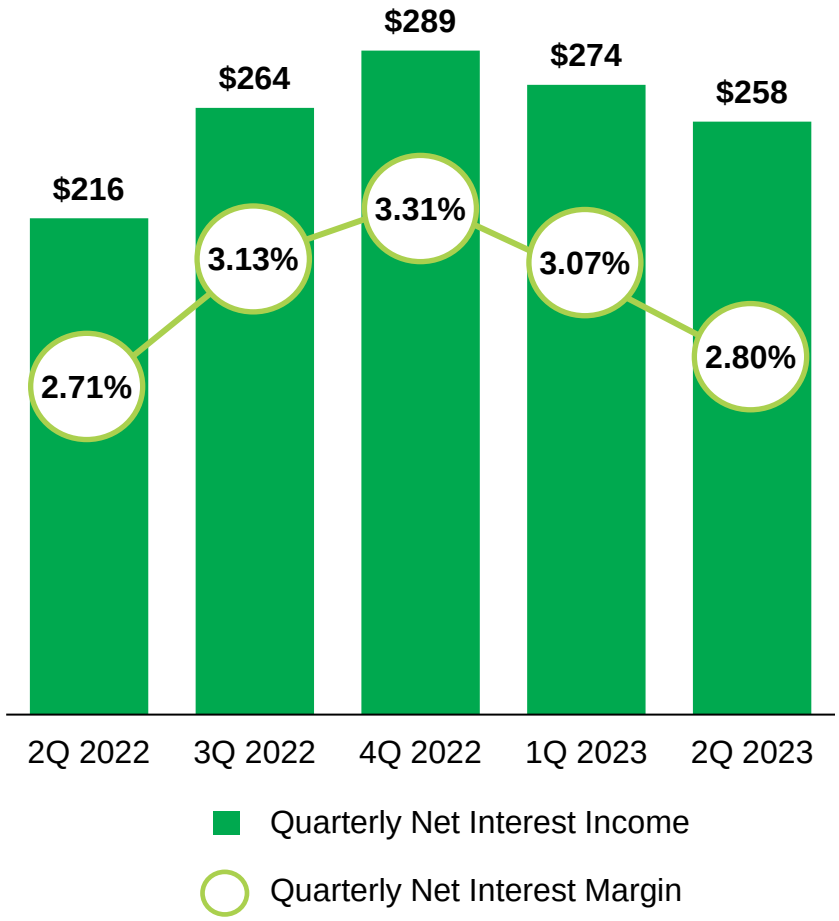


Net Interest Income & Net Interest Margin Trends

NII increased 19% year-over-year despite recent funding cost pressures facing the industry

Net Interest Income & Net Interest Margin

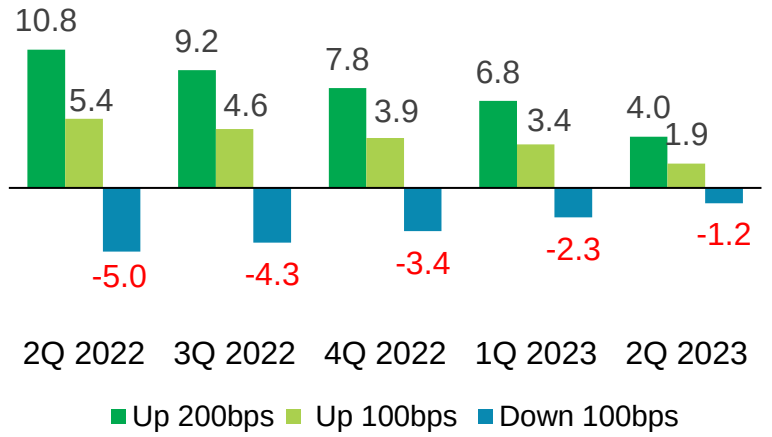
($ in millions)



Maintained receive fixed swaps of
$2.85 billion
in 2Q 2023

Estimated NII Sensitivity Profile (%)

(12-Month Ramp)

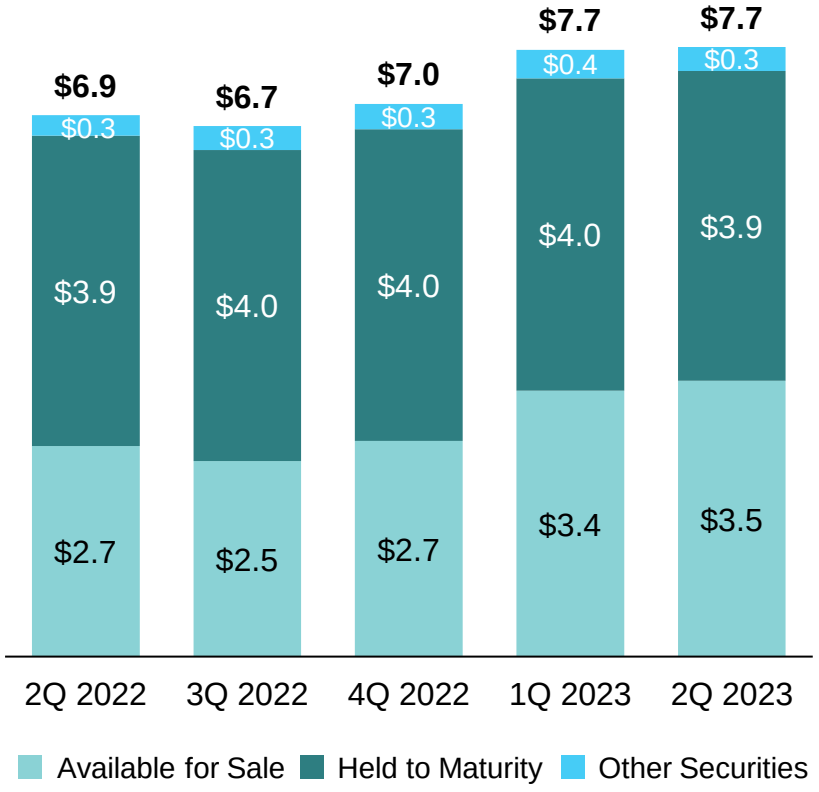


Cash & Investment Securities Portfolio

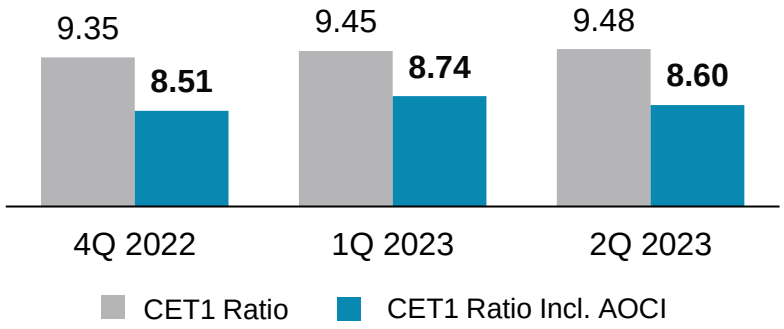
We continue to target investments to total assets of 18% to 20% in 2023

EoP Securities Book Composition

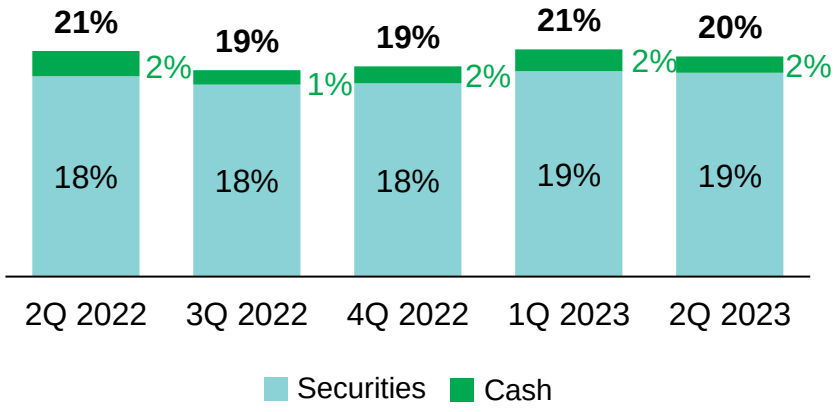
($ in billions)



CET1 Including AOCI[1] (%)



EoP Securities + Cash / Total Assets



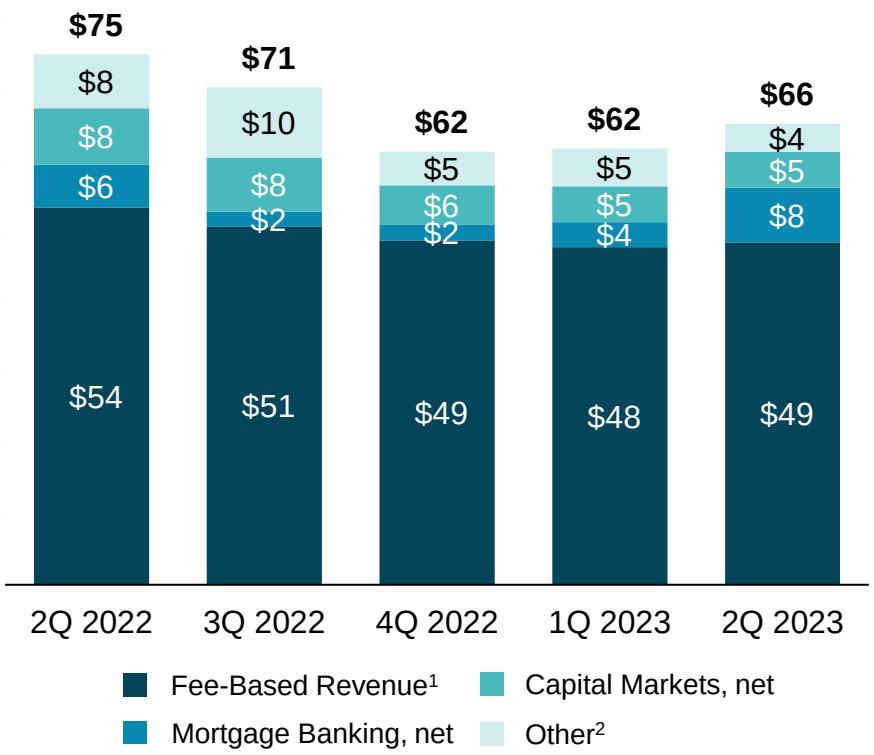
[1] This is a non-GAAP financial measure. See appendix for a reconciliation of non-GAAP financial measures to GAAP financial measures.

Noninterest Income Trends

Noninterest income increased slightly from 1Q 2023, with mortgage banking boosted by MSR valuations

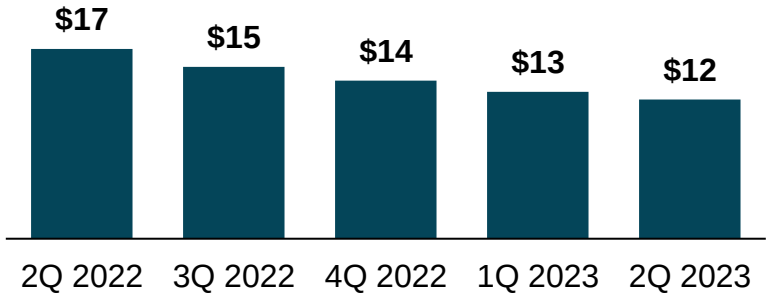
Noninterest Income Trends

($ in millions)



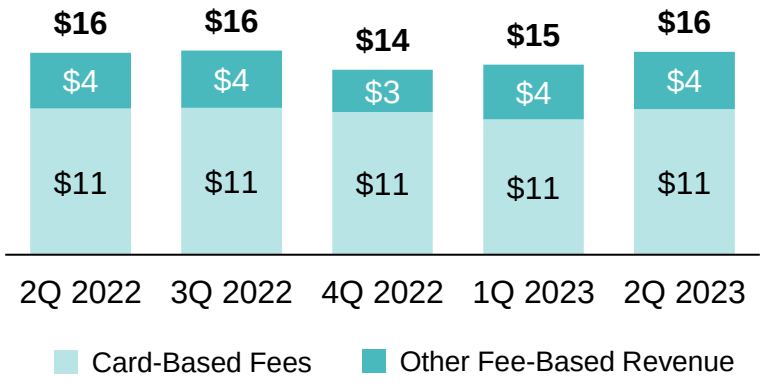
Service Charges & Deposit Account Fees

($ in millions)



Card-Based Fees & Other Fee-Based Revenue

($ in millions)



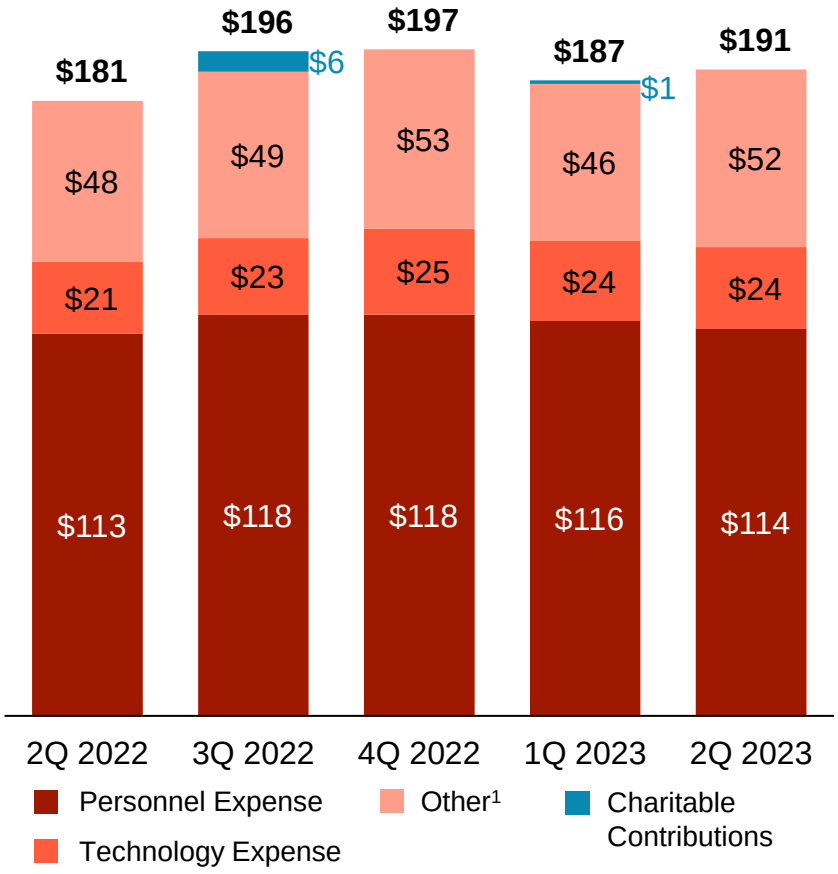
[1] This is a non-GAAP financial measure. Please refer to the appendix for a reconciliation of fee-based revenue to noninterest income.
[2] Other noninterest income is primarily comprised of bank and corporate owned life insurance, asset gains (losses), net and investment securities gains (losses), net.

Noninterest Expense Trends

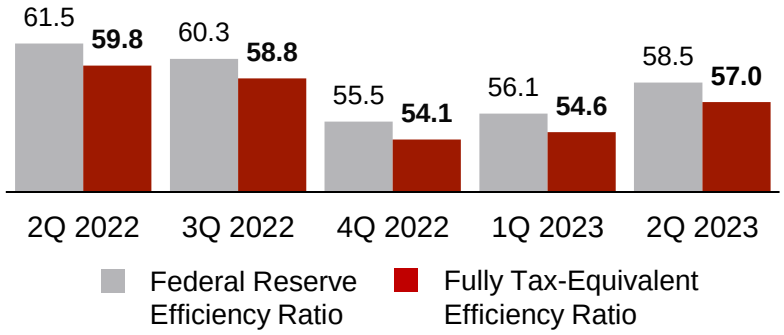
Our noninterest expense to average assets ratio decreased for the third consecutive quarter to 1.89%

Noninterest Expense Trends

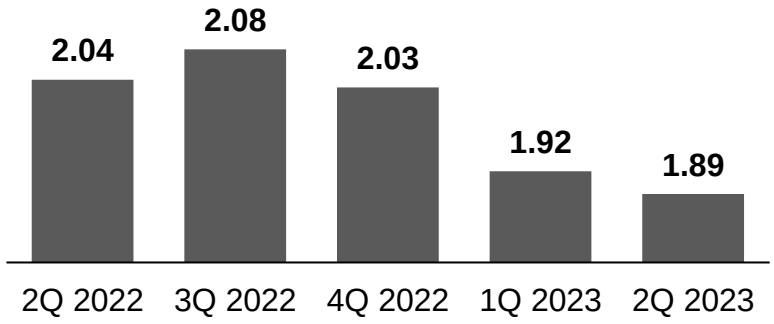
($ in millions)



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



Noninterest Expense / Average Assets (%)

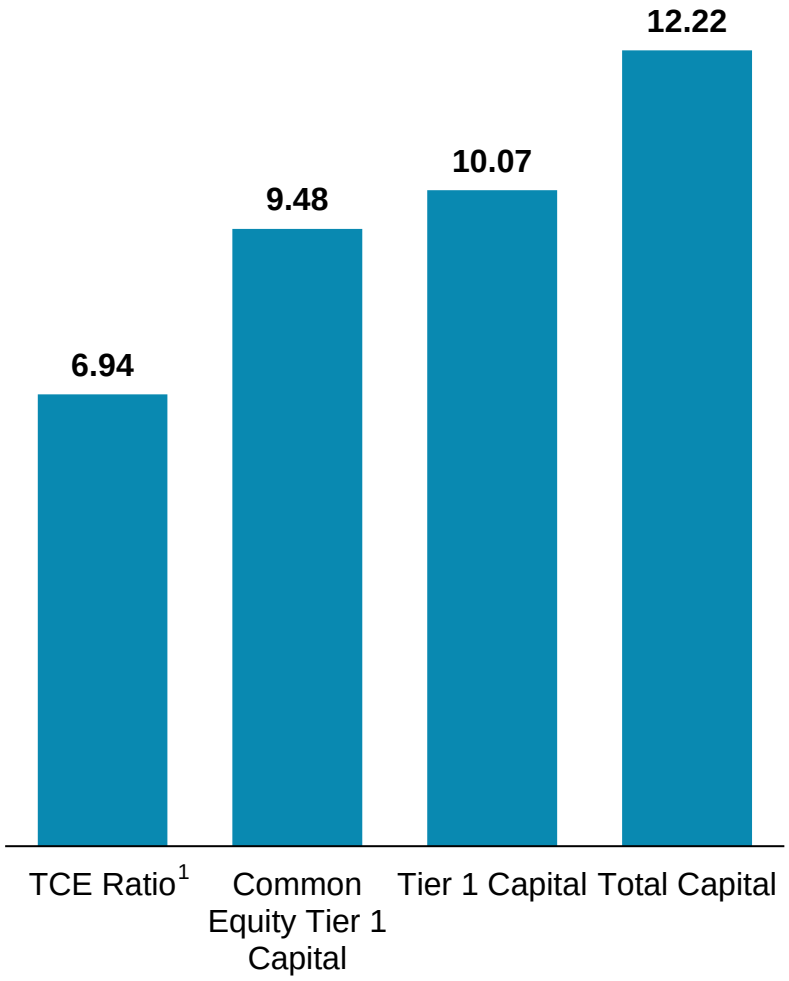


[1] Other expenses are primarily comprised of occupancy, business development & advertising, equipment, legal & professional, and FDIC assessment costs.
[2] This is a non-GAAP financial measure. Please refer to the appendix for a reconciliation of the fully tax-equivalent efficiency ratio to the Federal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

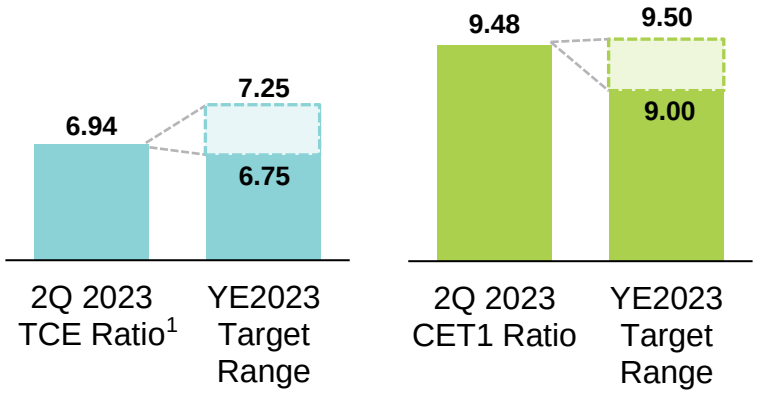
Capital Profile

We continued to manage capital within our target ranges during 2Q

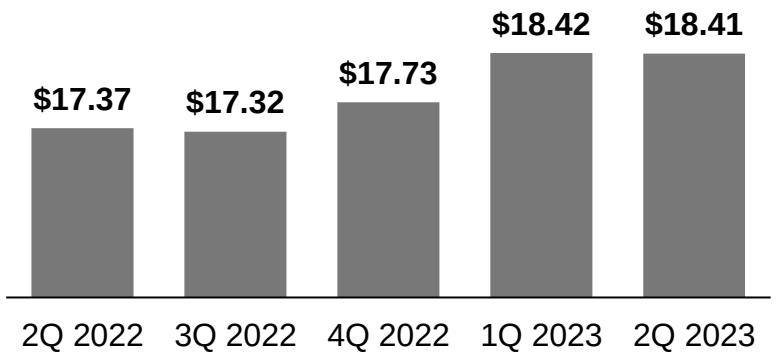
2Q 2023 Capital Ratios (%)



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.

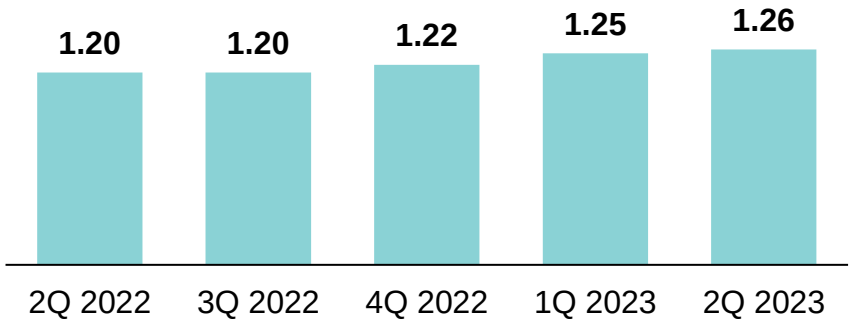
Allowance for Credit Losses on Loans (ACLL) Update

Our ACLL percentage increased slightly to 1.26% as of June 30

2Q 2023 ACLL[1] Update

- ACLL increased $11 million from the prior quarter to $377 million, driven by a mix of portfolio loan growth and nominal credit movement coupled with general macroeconomic trends
- CECL forward-looking assumptions based on Moody's May 2023 Baseline forecast

ACLL / Total Loans (%)



($ in thousands)

	6/30/2022		3/31/2023		6/30/2023	
Loan Category	ACLL	ACLL / Loans	ACLL	ACLL / Loans	ACLL	ACLL / Loans
C&BL	$122,595	1.20%	$147,533	1.35%	$146,335	1.32%
CRE - Investor	65,040	1.36%	55,678	1.09%	67,434	1.27%
CRE - Construction	52,627	2.96%	71,098	3.31%	69,970	3.48%
Residential Mortgage	38,851	0.49%	39,096	0.45%	41,189	0.47%
Other Consumer	38,433	2.21%	52,803	2.16%	52,098	1.95%
Total	**$317,547**	**1.20%**	**$366,208**	**1.25%**	**$377,027**	**1.26%**

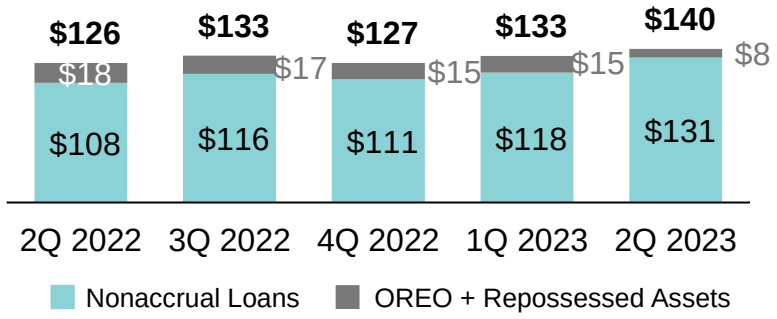
[1] Includes funded and unfunded reserve for loans, excludes reserve for HTM securities.

Credit Quality Trends

Key credit metrics remain stable despite volatility in the macro outlook

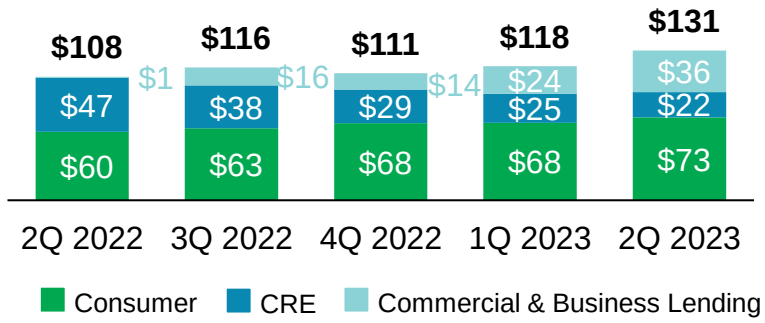
Total Nonperforming Assets

($ in millions)

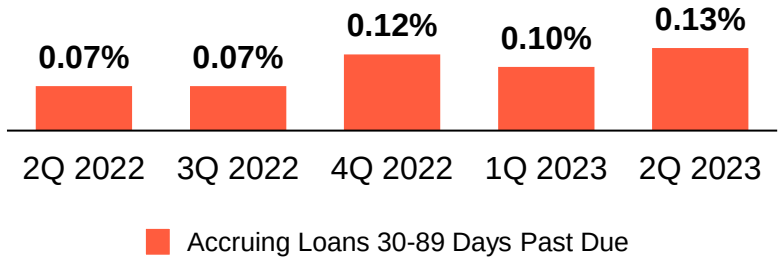


Nonaccrual Loans

($ in millions)

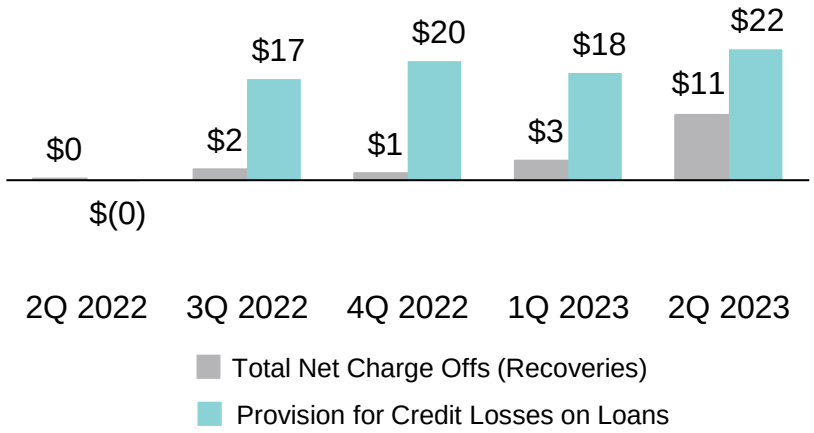


Delinquent Loans / EoP Total Loans



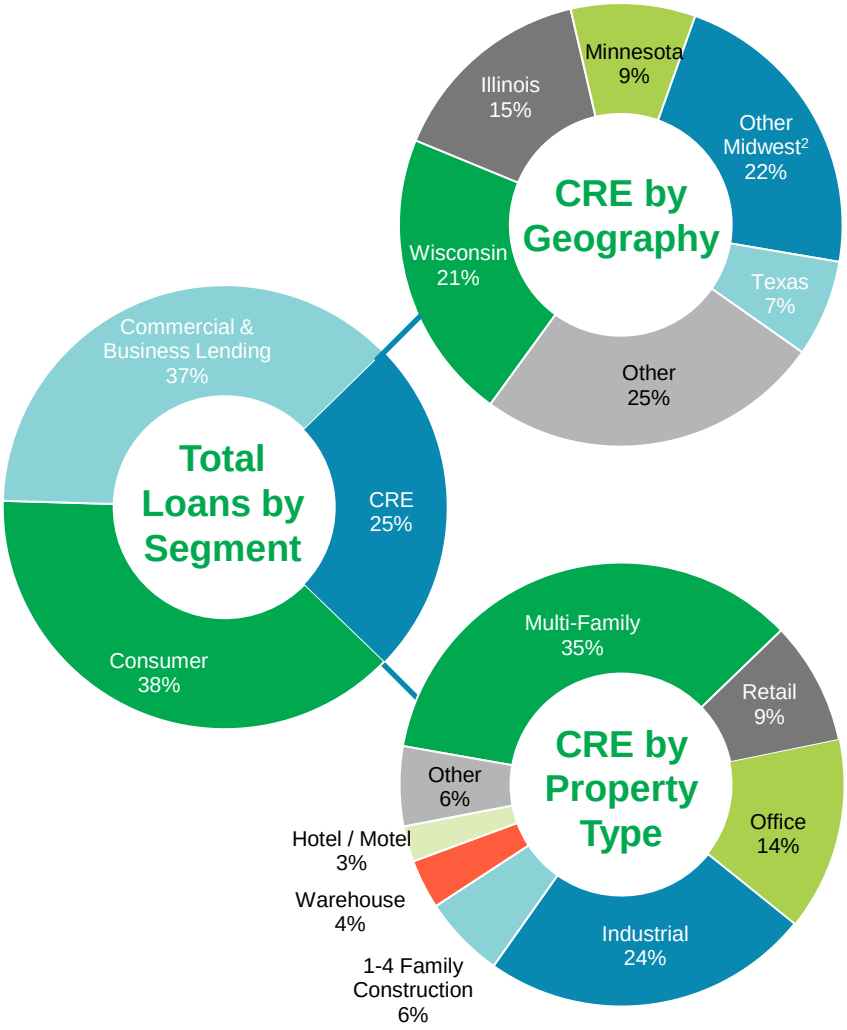
Net Charge Offs (Recoveries) and Provision

($ in millions)



High-Quality Commercial Real Estate Portfolio[1]

ASB has built a diversified CRE portfolio by partnering with well-known developers in stable Midwest markets



CRE Credit Quality

	2Q 22	3Q 22	4Q 22	1Q 23	2Q 23
Portfolio LTV	60%	60%	60%	60%	60%
Delinquencies/Loans	0.08%	0.00%	0.02%	0.00%	0.00%
NALs/Loans	0.72%	0.55%	0.41%	0.35%	0.30%
ACLL/Loans	1.79%	1.65%	1.68%	1.75%	1.88%
NCOs/Avg. Loans[3]	0.00%	0.00%	0.00%	0.00%	(0.12%)

CRE Loan Portfolio Granularity

	% of Total Loans
Largest Single CRE Borrower	0.16%
Top 10 Largest CRE Borrowers	1.35%
Largest CRE Property Type (Multi-Fam)	8.56%
CRE Office Loans	**3.55%**

CRE Office Highlights

WAvg. Debt Service Coverage Ratio[4]	1.20x
2023 Remaining Maturities	$181 million
Urban vs. Suburban	~78% Suburban
Property Class Mix	~51% Class A

[1] All updates as of or for the period ended June 30, 2023 unless otherwise noted.
[2] Other Midwest includes Missouri, Indiana, Ohio, Michigan and Iowa.
[3] Calculated on an annualized basis. Negative values indicate a net recovery.
[4] Calculated based on the 10-year Treasury rate plus 300 basis points/25-year amortization.

2023 Full-Year Outlook Updates[1]

	Previous Guidance (5/11/2023)	Updated Guidance[2]
Balance Sheet Management	▪ Total loan growth of 6% to 8% ▪ Average core customer deposit[3] growth of 1% to 3% ▪ Target investments/total assets ratio of 18% to 20%	▪ Total loan growth of 6% to 8% ▪ End of period core customer deposit[3] compression of 3% (growth of 2% in 2H 2023) ▪ Target investments/total assets ratio of 18% to 20%

Net Interest Income & Noninterest Income	▪ Total net interest income & noninterest income growth of 8% to 10%
	  ▪ Net interest income (GAAP) growth of 13% to 15%
	  ▪ Noninterest income compression of 8% to 10%
		▪ Total net interest income & noninterest income growth of 6% to 8%
		  ▪ Net interest income (GAAP) growth of 10% to 12%
		  ▪ Noninterest income compression of 8% to 10%

Expense Management	▪ Noninterest expense growth of approximately 4% ▪ Effective tax rate of 20% to 21%	▪ Noninterest expense growth of 3% to 4% ▪ 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%	▪ 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 unless otherwise noted.
[2] Updated guidance assumes one additional 25bp Fed Funds increase in September.
[3] This is a non-GAAP financial measure. Please refer to the appendix for a reconciliation of average and end of period core customer deposits to total deposits.

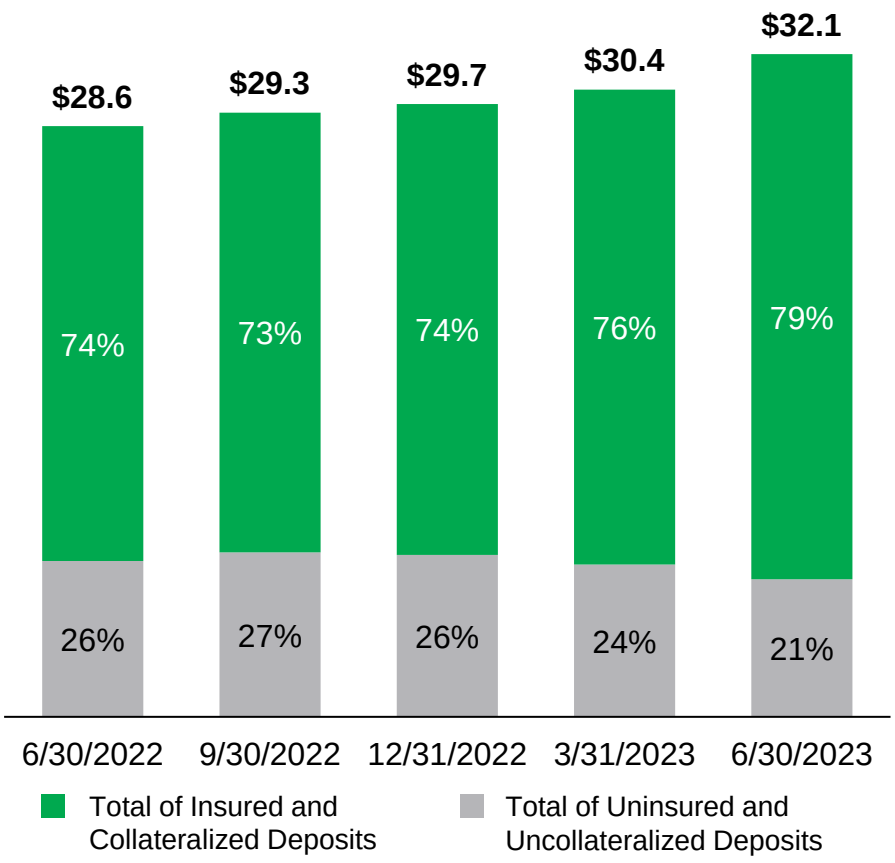
Appendix

Stable, Granular Deposit Portfolio

Uninsured, uncollateralized deposits were only 21% of total deposits as of 6/30/2023

EoP Total Deposit Trends (Associated Bank, N.A.)

($ in billions)



21%

Percentage of total deposits that were uninsured and uncollateralized as of 6/30/2023

114%

Readily available liquidity coverage[1] for uninsured and uncollateralized deposits as of 6/30/2023

179%

Total liquidity coverage for uninsured and uncollateralized deposits as of 6/30/2023

[1] Liquidity coverage based on current levels of readily available (within one business day) funding. See slide 20 for additional details.

Liquidity Sources

As of 6/30/2023, ASB's total liquidity sources covered 179% of uninsured, uncollateralized deposits

($ in millions)

Liquidity Sources	3/31/2023	6/30/2023
Federal Reserve Balance	$504.2	$179.0
Available FHLB Chicago Capacity	$3,453.8	$5,148.4
Available Fed Discount Window Capacity	$1,799.5	$1,635.1
Available Bank Term Funding Program Capacity	$644.9	$633.8
Funding Available Within One Business Day[1]	**$6,402.4**	**$7,596.3**
Available Fed Funds Lines	$2,773.0	$2,623.0
Available Brokered Deposit Capacity[2]	$3,646.4	$761.3
Unsecured Debt Capacity[3]	$1,000.0	$1,000.0
Total Liquidity	**$13,821.7**	**$11,980.6**

114% of uninsured, uncollateralized deposits

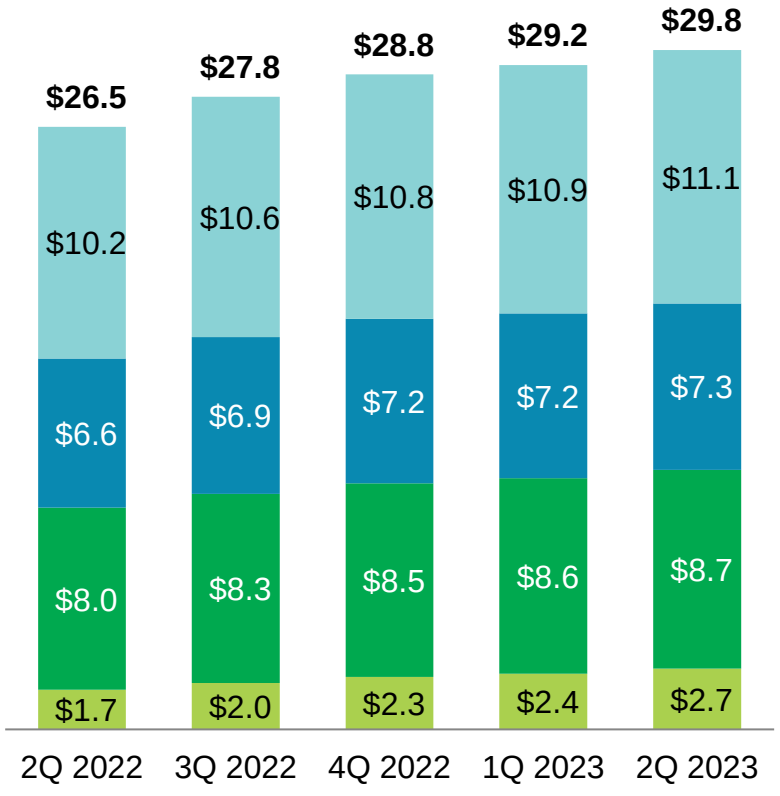
179% of uninsured, uncollateralized deposits

[1] Estimated based on normal course of operations with the indicated institution.
[2] Availability based on internal policy limitations. The Corporation includes outstanding deposits that have received a primary purpose exemption in the brokered deposit classification as they have similar funding characteristics and risk as brokered deposits.
[3] Availability based on internal policy limitations.

Additional Loan Trends

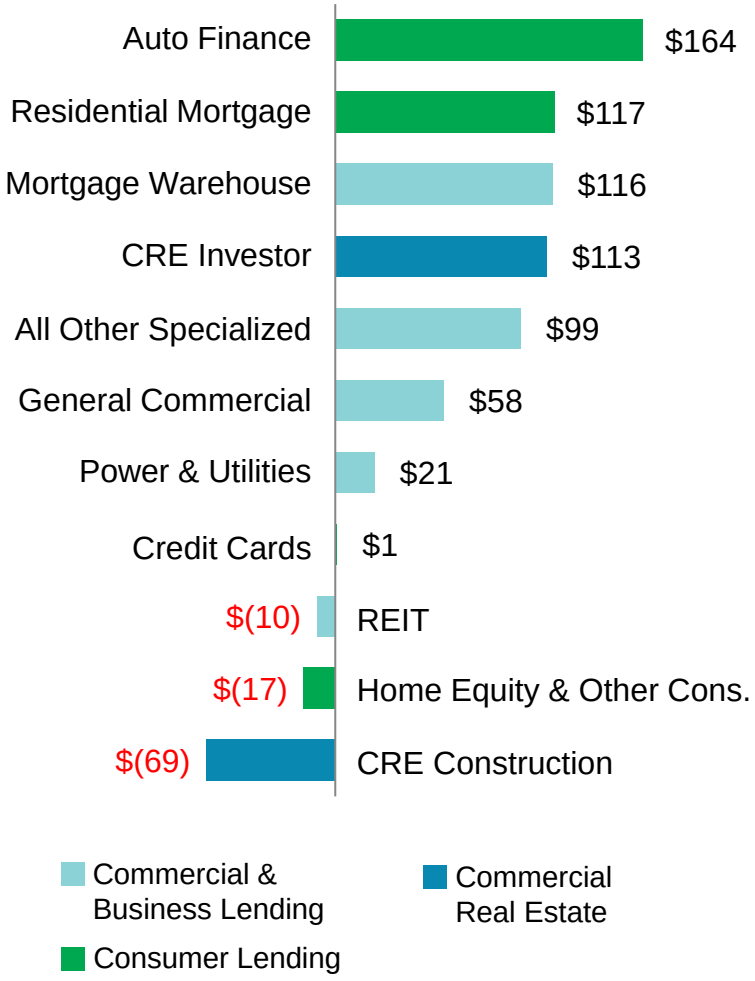
EoP Quarterly Loan Trends

($ in billions)



Average Loan Change (1Q 2023 to 2Q 2023)

($ in millions)



Total Loans Outstanding Balances as of June 30, 2023

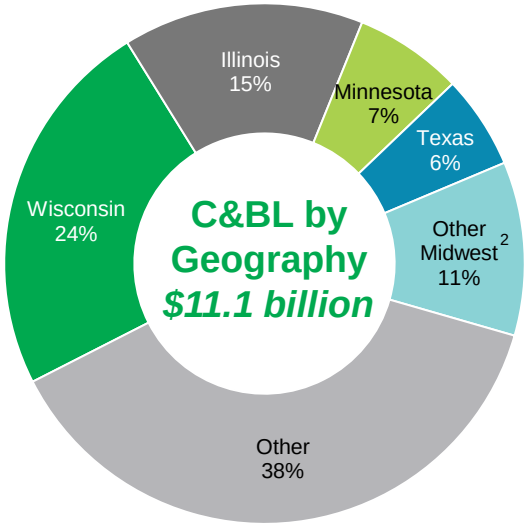
($ in millions)

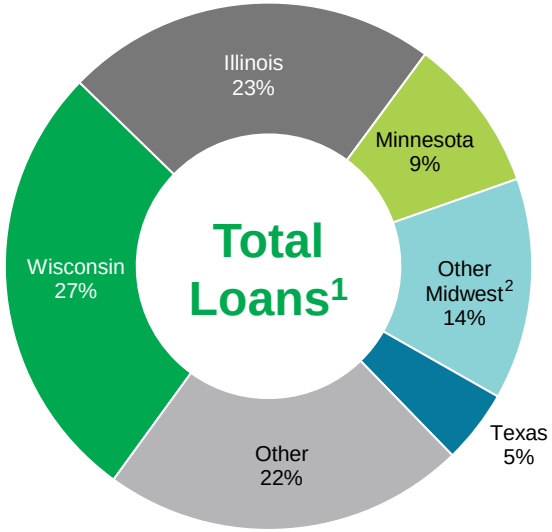
	6/30/2023[1]	% of Total Loans
C&BL (by NAICS[2])		
Utilities	$ 2,324	7.8%
Manufacturing & Wholesale Trade	2,286	7.7%
Real Estate (includes REITs)	1,938	6.5%
Mortgage Warehouse	723	2.4%
Finance & Insurance	548	1.8%
Construction	500	1.7%
Retail Trade	456	1.5%
Health Care and Social Assistance	386	1.3%
Rental and Leasing Services	344	1.2%
Professional, Scientific, and Tech. Serv.	318	1.1%
Transportation and Warehousing	314	1.1%
Waste Management	222	0.7%
Arts, Entertainment, and Recreation	97	0.3%
Financial Investments & Related Activities	89	0.3%
Information	88	0.3%
Accommodation and Food Services	83	0.3%
Management of Companies & Enterprises	82	0.3%
Mining	37	0.1%
Public Administration	25	0.1%
Educational Services	18	0.1%
Agriculture, Forestry, Fishing and Hunting	0	0.0%
Other	236	0.8%
Total C&BL	$ 11,114	37.2%

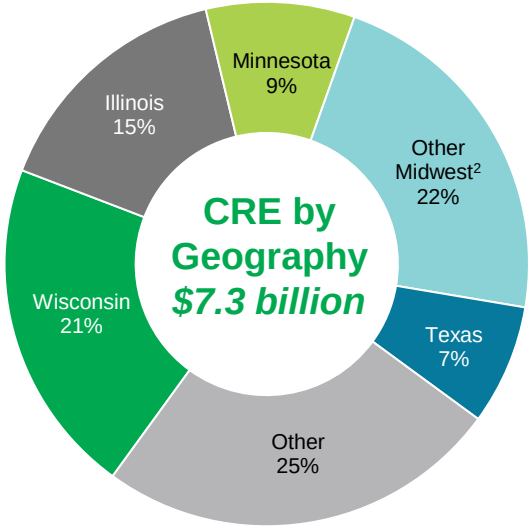
	6/30/2023[1]	% of Total Loans
CRE (by property type)		
Multi-Family	$ 2,554	8.6%
Industrial	1,744	5.8%
Office	1,059	3.5%
Retail	652	2.2%
Single Family Construction	405	1.4%
Warehouse	268	0.9%
Hotel/Motel	190	0.6%
Medical	157	0.5%
Land	119	0.4%
Self Storage	37	0.1%
Other	136	0.5%
Total CRE	$ 7,322	24.5%
Consumer		
Residential Mortgage	$ 8,746	29.3%
Auto Finance	1,778	6.0%
Home Equity	616	2.1%
Credit Cards	132	0.4%
Student Loans	69	0.2%
Other Consumer	72	0.2%
Total Consumer	$ 11,413	38.2%
Total Loans	$ 29,849	100.0%

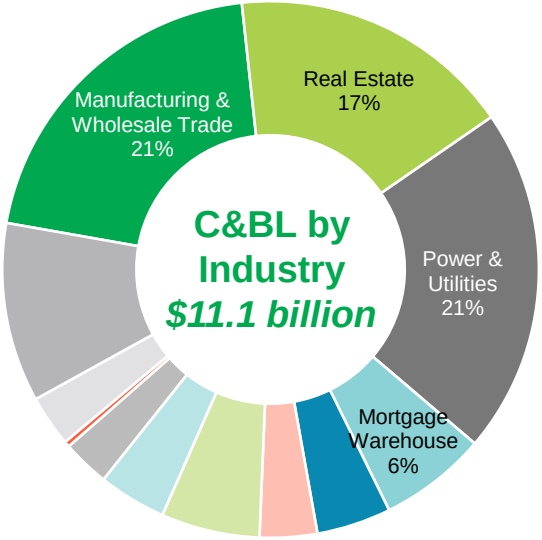
[1] All values as of period end.
[2] North American Industry Classification System.

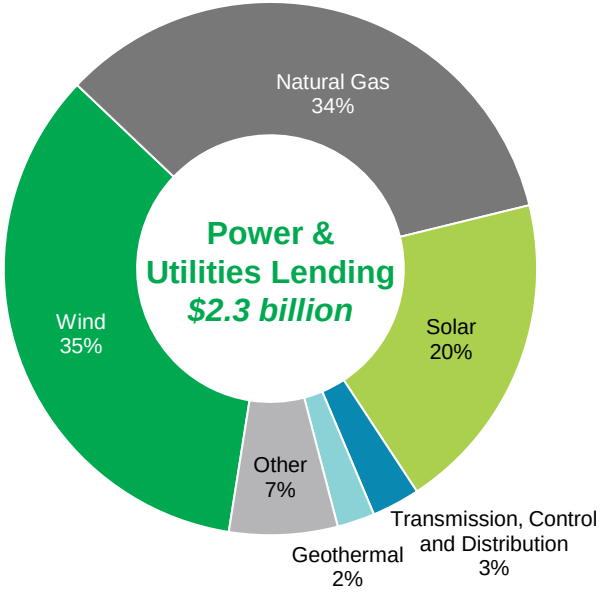
Loan Stratification Outstanding Balances as of June 30, 2023

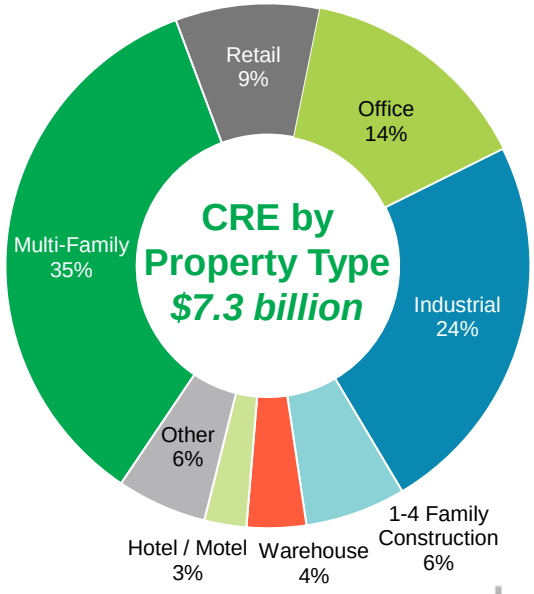












[1] Excludes Other Consumer portfolio.
[2] Other Midwest includes Missouri, Indiana, Ohio, Michigan and Iowa.

Reconciliation and Definitions of Non-GAAP Items

Pre-Tax Pre-Provision Income Reconciliation[1] ($ in millions)	2Q 2022	3Q 2022	4Q 2022	1Q 2023	2Q 2023
Income before income taxes	$110	$122	$134	$131	$111
Provision for credit losses	-	$17	20	18	22
Pre-tax pre-provision income	$110	$139	$154	$149	$133

Average Tangible Common Equity Reconciliation[2] ($ in millions)	2Q 2023
Common equity	$3,935
Goodwill and other intangible assets, net	(1,151)
Tangible common equity	$2,784

Common Equity Tier 1 Capital Ratio Reconciliation	4Q 2022	1Q 2023	2Q 2023
Common equity Tier 1 capital ratio	9.35%	9.45%	9.48%
Accumulated other comprehensive loss adjustment	(0.84)%	(0.72)%	(0.88)%
Common equity Tier 1 capital ratio including accumulated other comprehensive loss	8.51%	8.74%	8.60%

Selected Trend Information[3] ($ in millions)	2Q 2022	3Q 2022	4Q 2022	1Q 2023	2Q 2023
Wealth management fees	$21	$20	$20	$20	$20
Service charges and deposit account fees	17	15	14	13	12
Card-based fees	11	11	11	11	11
Other fee-based revenue	4	4	3	4	4
Fee-based revenue	54	51	49	48	49
Other	22	20	13	14	17
Total noninterest income	$75	$71	$62	$62	$66

[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, provides greater understanding of ongoing operations, and enhances 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

Efficiency Ratio Reconciliation	2Q 2022	3Q 2022	4Q 2022	1Q 2023	2Q 2023
Federal Reserve efficiency ratio	61.53%	60.32%	55.47%	56.07%	58.49%
Fully tax-equivalent adjustment	(0.98)%	(0.87)%	(0.77)%	(0.79)%	(0.85)%
Other intangible amortization	(0.76)%	(0.67)%	(0.62)%	(0.66)%	(0.68)%
Fully tax-equivalent efficiency ratio[1]	59.80%	58.79%	54.08%	54.64%	56.96%

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] ($ in millions)	2Q 2022	3Q 2022	4Q 2022	1Q 2023	2Q 2023
Common equity	$3,766	$3,760	$3,821	$3,932	$3,929
Goodwill and other intangible assets, net	(1,159)	(1,156)	(1,154)	(1,152)	(1,150)
Tangible common equity	$2,608	$2,603	$2,667	$2,779	$2,779
Total assets	$37,236	$38,050	$39,406	$40,703	$41,219
Goodwill and other intangible assets, net	(1,159)	(1,156)	(1,154)	(1,152)	(1,150)
Tangible assets	$36,077	$36,893	$38,251	$39,550	$40,070

Average Core Customer Deposits Reconciliation ($ in millions)	4Q 2022	2Q 2023
Total deposits	$29,328	$31,281
Brokered CDs	(190)	(3,002)
Network transaction deposits	(901)	(1,468)
Core customer deposits	$28,236	$26,811

End of Period Core Customer Deposits Reconciliation ($ in millions)	12/31/2022	6/30/2023
Total deposits	$29,636	$32,014
Brokered CDs	(542)	(3,818)
Network transaction deposits	(979)	(1,601)
Core customer deposits	$28,115	$26,595

[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, provides greater understanding of ongoing operations, and enhances 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.