



**Associated  
Banc-Corp**

# NEWS RELEASE

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## **Associated earns 37 cents per share in second quarter of 2008, and Board of Directors declares 32 cent dividend**

- **Net income of \$47.4 million, or \$0.37 per share**
- **Provision for loan losses of \$59 million; net charge offs of \$37 million**
- **Allowance for loan losses to loans ratio increased to 1.42% at June 30**
- **Loans up 9% annualized over March 31**
- **Net interest margin of 3.65%, up 7 basis points from first quarter**
- **Core fee-based revenue up 12% over first quarter**
- **Efficiency ratio improved to 50.75% for second quarter**
- **Tangible capital ratio of 6.50%**

**GREEN BAY, Wis.** – July 14, 2008 – Associated Banc-Corp (NASDAQ: ASBC) reported net income of \$47.4 million, or \$0.37 per share, for the second quarter of 2008. Comparatively, net income was \$66.5 million (\$0.52 per share) for first quarter 2008 and \$75.8 million (\$0.59 per share) for the second quarter of 2007. Book value per share rose to \$18.46 at June 30, 2008, up 5 percent over a year ago.

Net income was \$113.8 million, or \$0.89 per share, for the six months ending June 30, 2008, compared to net income of \$149.2 million, or \$1.16 per share, for the first half of 2007.

Associated's Board of Directors declared a regular cash dividend of \$0.32 per share, payable Aug. 15 to shareholders of record Aug. 7. It is the company's 154<sup>th</sup> consecutive quarterly cash dividend. During the second quarter, Associated paid a dividend of \$0.32 cents per share, up 3 percent over the second quarter of last year.

A key variance between the 2008 second and first quarter financial results was the provision for loan losses. The provision for second quarter 2008 was \$59 million (representing approximately \$0.30 per share after tax), compared to \$23 million for first quarter (or approximately \$0.12 per share after tax). Net charge offs were \$37 million for second quarter, compared to \$16 million for first quarter, bringing net charge offs to 67 basis points of average loans for the first half of 2008. Six housing-related commercial credits accounted for \$21 million of the quarter's \$37 million in net charge offs. The allowance for loan losses to total loans ratio increased to 1.42 percent at June 30, compared to 1.32 percent at March 31, 2008.

Nonperforming loans increased \$81 million during the quarter to \$289 million at June 30, attributable primarily to 6 commercial credits all related to the housing industry, including five construction credits totaling \$51 million and a \$20 million commercial credit.

"The increase in allowance for loan losses was principally due to deterioration of collateral values in a number of commercial real estate and other commercial credits related to and affected by the downturn of the housing industry," said Associated Chairman and CEO Paul S. Beideman. "For the remainder of 2008, we expect nonperforming loans to stabilize at the quarter end levels and net charge offs to continue at levels experienced in the second quarter."

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Net interest income was \$173 million for second quarter 2008, up from \$165 million for first quarter 2008 and \$157 million for the second quarter of 2007, and the net interest margin for the same quarters was 3.65 percent, 3.58 percent and 3.53 percent, respectively. The net interest margin benefited in second quarter 2008 largely from improved loan growth, lower funding costs, and higher average balances of noninterest-bearing demand deposits.

On average, loans were \$16.1 billion for the second quarter of 2008, up \$0.4 billion or 11 percent annualized over the first quarter of 2008, led by home equity growth (up \$0.3 billion) and commercial loan growth (up \$0.2 billion). At June 30, 2008, loans were \$16.1 billion, up \$0.4 billion (9 percent annualized) since March 31.

Deposits, on average, were \$13.5 billion for the second quarter of 2008, down \$0.2 billion compared to first quarter, primarily attributable to lower time deposits. Average second quarter noninterest-bearing demand deposits were \$2.5 billion, up \$0.1 billion over first quarter 2008 and \$0.1 billion (4 percent) over second quarter 2007.

Core fee-based revenues were \$69 million, up \$7 million over the first quarter 2008, and up \$5 million or 7 percent over the second quarter a year ago, led predominantly by increased service charges on deposit accounts for both comparable periods. Net mortgage banking income of \$5 million was down nearly \$2 million from first quarter 2008, primarily due to a \$2 million increase in first quarter from the adoption of recent accounting standards related to fair value measurement.

Total quarterly noninterest expense was \$136 million for both the second and first quarters of 2008 and \$133 million for second quarter 2007. The efficiency ratio improved to 50.75% for the current quarter, benefiting from controlled expenses and growth in total revenues.

For 2008 second quarter, the effective tax rate was 26.61 percent, compared to 24.84 percent for first quarter which included a \$4 million net reduction to income tax expense related to the resolution of certain tax matters, changes in estimated exposure of uncertain tax positions, and a valuation allowance adjustment on certain deferred tax assets.

"Our financial results show improved net interest income and core fee-based revenues, steady loan growth, and controlled expenses," said Beideman. "We recognize the challenging environment in which we are operating. Given our revenue momentum and focus on managing credit risks, we believe we have the ability to generate earnings at levels that will contribute to capital."

Associated will host a conference call for investors and analysts at 10 a.m. Central Time (CT) today, July 14, 2008, rather than as previously announced for July 17. The toll-free dial-in number for the live call is 800-762-8779. The number for international callers is 480-248-5081. Participants should ask the operator for the Associated Banc-Corp second quarter 2008 earnings call, or for call ID number 3901460. A replay of the call will be available starting at 1 p.m. CT July 14, 2008, through Aug. 4, 2008, by calling 800-406-7325 (toll-free) domestically or 303-590-3030 internationally. The call ID number, 3901460, is required to access the replay.

Associated Banc-Corp, headquartered in Green Bay, Wis., is a diversified bank holding company with total assets of \$22 billion. Associated has approximately 300 banking offices serving 180 communities in Wisconsin, Illinois, and Minnesota. The company offers a full range of traditional banking services and a variety of other financial products and services. More information about Associated Banc-Corp is available at [www.associatedbank.com](http://www.associatedbank.com).

Statements made in this document that 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. Forward-looking statements are based on current management expectations and, by their nature, are subject to risks and uncertainties. These statements may be identified by the use of words such as "believe," "expect," "anticipate," "plan," "estimate," "should," "will," "intend," or similar expressions. Outcomes related to such statements are subject to numerous risk factors and uncertainties including those listed in the company's Annual Report filed on Form 10-K.

**Six pages of tables follow.**

**Consolidated Balance Sheets (Unaudited)**  
**Associated Banc-Corp**

| <i>(in thousands)</i>  | June 30,<br>2008     | December 31,<br>2007 | Jun08 vs Dec07<br>% Change | June 30,<br>2007     | Jun08 vs Jun07<br>% Change |
|--|----------------------|----------------------|----------------------------|----------------------|----------------------------|
| <b>Assets</b>  |                      |                      |                            |                      |                            |
| Cash and due from banks  | \$ 600,972           | \$ 553,031           | 8.7%                       | \$ 432,887           | 38.8%                      |
| Interest-bearing deposits in other financial institutions              | 24,448               | 11,671               | 109.5%                     | 10,828               | 125.8%                     |
| Federal funds sold and securities purchased under agreements to resell | 35,852               | 22,447               | 59.7%                      | 18,729               | 91.4%                      |
| Investment securities available for sale, at fair value                | 3,574,373            | 3,543,019            | 0.9%                       | 3,373,700            | 5.9%                       |
| Loans held for sale  | 52,058               | 94,441               | (44.9%)                    | 75,135               | (30.7%)                    |
| Loans  | 16,149,327           | 15,516,252           | 4.1%                       | 15,154,232           | 6.6%                       |
| Allowance for loan losses  | (229,605)            | (200,570)            | 14.5%                      | (206,493)            | 11.2%                      |
| Loans, net   | 15,919,722           | 15,315,682           | 3.9%                       | 14,947,739           | 6.5%                       |
| Premises and equipment, net  | 191,634              | 197,446              | (2.9%)                     | 198,453              | (3.4%)                     |
| Goodwill   | 929,168              | 929,168              | 0.0%                       | 929,168              | 0.0%                       |
| Other intangible assets, net   | 92,621               | 92,220               | 0.4%                       | 100,599              | (7.9%)                     |
| Other assets   | 881,856              | 832,958              | 5.9%                       | 761,902              | 15.7%                      |
| <b>Total assets</b>  | <b>\$ 22,302,704</b> | <b>\$ 21,592,083</b> | <b>3.3%</b>                | <b>\$ 20,849,140</b> | <b>7.0%</b>                |
| <b>Liabilities and Stockholders' Equity</b>                            |                      |                      |                            |                      |                            |
| Noninterest-bearing deposits   | \$ 2,602,026         | \$ 2,661,078         | (2.2%)                     | \$ 2,466,130         | 5.5%                       |
| Interest-bearing deposits, excluding Brokered CDs                      | 10,378,285           | 10,903,198           | (4.8%)                     | 10,859,588           | (4.4%)                     |
| Brokered CDs   | 398,423              | 409,637              | (2.7%)                     | 751,900              | (47.0%)                    |
| Total deposits   | 13,378,734           | 13,973,913           | (4.3%)                     | 14,077,618           | (5.0%)                     |
| Short-term borrowings  | 4,923,462            | 3,226,787            | 52.6%                      | 2,416,371            | 103.8%                     |
| Long-term funding  | 1,436,349            | 1,864,771            | (23.0%)                    | 1,932,194            | (25.7%)                    |
| Accrued expenses and other liabilities                                 | 210,277              | 196,907              | 6.8%                       | 194,046              | 8.4%                       |
| Total liabilities  | 19,948,822           | 19,262,378           | 3.6%                       | 18,620,229           | 7.1%                       |
| Stockholders' Equity   |                      |                      |                            |                      |                            |
| Preferred stock  | -                    | -                    |                            | -                    |                            |
| Common stock   | 1,279                | 1,278                | 0.1%                       | 1,278                | 0.1%                       |
| Surplus  | 1,048,158            | 1,040,694            | 0.7%                       | 1,038,517            | 0.9%                       |
| Retained earnings  | 1,324,476            | 1,305,136            | 1.5%                       | 1,250,989            | 5.9%                       |
| Accumulated other comprehensive loss                                   | (20,031)             | (2,498)              | 701.9%                     | (38,714)             | (48.3%)                    |
| Treasury stock, at cost  | -                    | (14,905)             | (100.0%)                   | (23,159)             | (100.0%)                   |
| Total stockholders' equity   | 2,353,882            | 2,329,705            | 1.0%                       | 2,228,911            | 5.6%                       |
| <b>Total liabilities and stockholders' equity</b>                      | <b>\$ 22,302,704</b> | <b>\$ 21,592,083</b> | <b>3.3%</b>                | <b>\$ 20,849,140</b> | <b>7.0%</b>                |

**Consolidated Statements of Income (Unaudited)**  
**Associated Banc-Corp**

| <i>(in thousands, except per share amounts)</i>   | For The Three Months Ended |                  |                     | For The Six Months Ended |                   | Year-to-Date<br>% Change |
|---|----------------------------|------------------|---------------------|--------------------------|-------------------|--------------------------|
|   | 2008                       | 2007             | Quarter<br>% Change | 2008                     | 2007              |                          |
| <b>Interest Income</b>  |                            |                  |                     |                          |                   |                          |
| Interest and fees on loans  | \$ 237,727                 | \$ 276,981       | (14.2%)             | \$ 492,780               | \$ 550,942        | (10.6%)                  |
| Interest and dividends on investment securities<br>and deposits in other financial institutions |                            |                  |                     |                          |                   |                          |
| Taxable   | 31,878                     | 30,583           | 4.2%                | 63,230                   | 61,109            | 3.5%                     |
| Tax-exempt  | 9,776                      | 9,785            | (0.1%)              | 20,035                   | 19,579            | 2.3%                     |
| Interest on federal funds sold and securities<br>purchased under agreements to resell           | 213                        | 324              | (34.3%)             | 419                      | 507               | (17.4%)                  |
| Total interest income   | <u>279,594</u>             | <u>317,673</u>   | (12.0%)             | <u>576,464</u>           | <u>632,137</u>    | (8.8%)                   |
| <b>Interest Expense</b>   |                            |                  |                     |                          |                   |                          |
| Interest on deposits  | 63,655                     | 101,780          | (37.5%)             | 145,161                  | 200,079           | (27.4%)                  |
| Interest on short-term borrowings   | 24,363                     | 35,423           | (31.2%)             | 52,536                   | 70,606            | (25.6%)                  |
| Interest on long-term funding   | 18,844                     | 22,995           | (18.1%)             | 40,918                   | 44,931            | (8.9%)                   |
| Total interest expense  | <u>106,862</u>             | <u>160,198</u>   | (33.3%)             | <u>238,615</u>           | <u>315,616</u>    | (24.4%)                  |
| <b>Net Interest Income</b>  | <u>172,732</u>             | <u>157,475</u>   | 9.7%                | <u>337,849</u>           | <u>316,521</u>    | 6.7%                     |
| Provision for loan losses   | 59,001                     | 5,193            | 1036.2%             | 82,003                   | 10,275            | 698.1%                   |
| Net interest income after provision for<br>loan losses  | <u>113,731</u>             | <u>152,282</u>   | (25.3%)             | <u>255,846</u>           | <u>306,246</u>    | (16.5%)                  |
| <b>Noninterest Income</b>   |                            |                  |                     |                          |                   |                          |
| Trust service fees  | 10,078                     | 10,711           | (5.9%)              | 20,152                   | 21,020            | (4.1%)                   |
| Service charges on deposit accounts   | 30,129                     | 25,545           | 17.9%               | 53,813                   | 48,567            | 10.8%                    |
| Card-based and other nondeposit fees  | 12,301                     | 11,711           | 5.0%                | 23,726                   | 23,034            | 3.0%                     |
| Retail commissions  | 16,004                     | 15,773           | 1.5%                | 32,119                   | 31,252            | 2.8%                     |
| Mortgage banking, net   | 5,395                      | 9,696            | (44.4%)             | 12,340                   | 19,246            | (35.9%)                  |
| Bank owned life insurance income  | 4,997                      | 4,365            | 14.5%               | 9,858                    | 8,529             | 15.6%                    |
| Asset sale gains (losses), net  | (731)                      | 442              | (265.4%)            | (1,187)                  | 2,325             | (151.1%)                 |
| Investment securities gains (losses), net   | (718)                      | 6,075            | (111.8%)            | (3,658)                  | 7,110             | (151.4%)                 |
| Other   | 9,170                      | 7,170            | 27.9%               | 22,090                   | 13,105            | 68.6%                    |
| Total noninterest income  | <u>86,625</u>              | <u>91,488</u>    | (5.3%)              | <u>169,253</u>           | <u>174,188</u>    | (2.8%)                   |
| <b>Noninterest Expense</b>  |                            |                  |                     |                          |                   |                          |
| Personnel expense   | 78,066                     | 76,277           | 2.3%                | 153,709                  | 150,324           | 2.3%                     |
| Occupancy   | 12,026                     | 11,321           | 6.2%                | 25,290                   | 22,908            | 10.4%                    |
| Equipment   | 4,653                      | 4,254            | 9.4%                | 9,250                    | 8,648             | 7.0%                     |
| Data processing   | 8,250                      | 7,832            | 5.3%                | 15,371                   | 15,510            | (0.9%)                   |
| Business development and advertising  | 5,137                      | 5,068            | 1.4%                | 10,178                   | 9,473             | 7.4%                     |
| Other intangible amortization   | 1,568                      | 1,718            | (8.7%)              | 3,137                    | 3,379             | (7.2%)                   |
| Other   | 26,121                     | 26,174           | (0.2%)              | 55,198                   | 50,538            | 9.2%                     |
| Total noninterest expense   | <u>135,821</u>             | <u>132,644</u>   | 2.4%                | <u>272,133</u>           | <u>260,780</u>    | 4.4%                     |
| <b>Income before income taxes</b>   | <u>64,535</u>              | <u>111,126</u>   | (41.9%)             | <u>152,966</u>           | <u>219,654</u>    | (30.4%)                  |
| Income tax expense  | 17,176                     | 35,301           | (51.3%)             | 39,142                   | 70,434            | (44.4%)                  |
| <b>Net Income</b>   | <u>\$ 47,359</u>           | <u>\$ 75,825</u> | (37.5%)             | <u>\$ 113,824</u>        | <u>\$ 149,220</u> | (23.7%)                  |
| <b>Earnings Per Share:</b>  |                            |                  |                     |                          |                   |                          |
| Basic   | \$ 0.37                    | \$ 0.59          | (37.3%)             | \$ 0.89                  | \$ 1.17           | (23.9%)                  |
| Diluted   | \$ 0.37                    | \$ 0.59          | (37.3%)             | \$ 0.89                  | \$ 1.16           | (23.3%)                  |
| <b>Average Shares Outstanding:</b>  |                            |                  |                     |                          |                   |                          |
| Basic   | 127,433                    | 127,606          | (0.1%)              | 127,365                  | 127,796           | (0.3%)                   |
| Diluted   | 127,964                    | 128,750          | (0.6%)              | 127,880                  | 129,034           | (0.9%)                   |

**Consolidated Statements of Income (Unaudited) - Quarterly Trend**  
**Associated Banc-Corp**

(in thousands, except per share amounts)

|  | 2Q08             | 1Q08             | 4Q07             | 3Q07             | 2Q07             |
|--|------------------|------------------|------------------|------------------|------------------|
| <b>Interest Income</b>   |                  |                  |                  |                  |                  |
| Interest and fees on loans   | \$ 237,727       | \$ 255,053       | \$ 277,647       | \$ 283,330       | \$ 276,981       |
| Interest and dividends on investment securities and deposits in other financial institutions |                  |                  |                  |                  |                  |
| Taxable  | 31,878           | 31,352           | 30,712           | 31,140           | 30,583           |
| Tax-exempt   | 9,776            | 10,259           | 10,394           | 9,924            | 9,785            |
| Interest on federal funds sold and securities purchased under agreements to resell           | 213              | 206              | 214              | 214              | 324              |
| Total interest income  | <u>279,594</u>   | <u>296,870</u>   | <u>318,967</u>   | <u>324,608</u>   | <u>317,673</u>   |
| <b>Interest Expense</b>  |                  |                  |                  |                  |                  |
| Interest on deposits   | 63,655           | 81,506           | 98,678           | 104,596          | 101,780          |
| Interest on short-term borrowings  | 24,363           | 28,173           | 32,470           | 31,548           | 35,423           |
| Interest on long-term funding  | 18,844           | 22,074           | 23,600           | 25,391           | 22,995           |
| Total interest expense   | <u>106,862</u>   | <u>131,753</u>   | <u>154,748</u>   | <u>161,535</u>   | <u>160,198</u>   |
| <b>Net Interest Income</b>   |                  |                  |                  |                  |                  |
|  | <u>172,732</u>   | <u>165,117</u>   | <u>164,219</u>   | <u>163,073</u>   | <u>157,475</u>   |
| Provision for loan losses  | 59,001           | 23,002           | 15,501           | 8,733            | 5,193            |
| Net interest income after provision for loan losses  | <u>113,731</u>   | <u>142,115</u>   | <u>148,718</u>   | <u>154,340</u>   | <u>152,282</u>   |
| <b>Noninterest Income</b>  |                  |                  |                  |                  |                  |
| Trust service fees   | 10,078           | 10,074           | 10,723           | 10,886           | 10,711           |
| Service charges on deposit accounts  | 30,129           | 23,684           | 25,866           | 26,609           | 25,545           |
| Card-based and other nondeposit fees   | 12,301           | 11,425           | 12,088           | 12,436           | 11,711           |
| Retail commissions   | 16,004           | 16,115           | 14,917           | 15,476           | 15,773           |
| Total core fee-based revenue   | <u>68,512</u>    | <u>61,298</u>    | <u>63,594</u>    | <u>65,407</u>    | <u>63,740</u>    |
| Mortgage banking, net  | 5,395            | 6,945            | 498              | 3,006            | 9,696            |
| Bank owned life insurance income   | 4,997            | 4,861            | 4,240            | 4,650            | 4,365            |
| Asset sale gains (losses), net   | (731)            | (456)            | 11,062           | 2,220            | 442              |
| Investment securities gains (losses), net  | (718)            | (2,940)          | (815)            | 1,879            | 6,075            |
| Other  | 9,170            | 12,920           | 7,094            | 7,758            | 7,170            |
| Total noninterest income   | <u>86,625</u>    | <u>82,628</u>    | <u>85,673</u>    | <u>84,920</u>    | <u>91,488</u>    |
| <b>Noninterest Expense</b>   |                  |                  |                  |                  |                  |
| Personnel expense  | 78,066           | 75,643           | 76,487           | 76,617           | 76,277           |
| Occupancy  | 12,026           | 13,264           | 11,784           | 11,967           | 11,321           |
| Equipment  | 4,653            | 4,597            | 4,820            | 4,440            | 4,254            |
| Data processing  | 8,250            | 7,121            | 8,189            | 7,991            | 7,832            |
| Business development and advertising   | 5,137            | 5,041            | 5,482            | 4,830            | 5,068            |
| Other intangible amortization  | 1,568            | 1,569            | 1,758            | 1,979            | 1,718            |
| Other  | 26,121           | 29,077           | 31,582           | 26,185           | 26,174           |
| Total noninterest expense  | <u>135,821</u>   | <u>136,312</u>   | <u>140,102</u>   | <u>134,009</u>   | <u>132,644</u>   |
| <b>Income before income taxes</b>  |                  |                  |                  |                  |                  |
|  | <u>64,535</u>    | <u>88,431</u>    | <u>94,289</u>    | <u>105,251</u>   | <u>111,126</u>   |
| Income tax expense   | 17,176           | 21,966           | 29,498           | 33,510           | 35,301           |
| <b>Net Income</b>  | <u>\$ 47,359</u> | <u>\$ 66,465</u> | <u>\$ 64,791</u> | <u>\$ 71,741</u> | <u>\$ 75,825</u> |
| <b>Earnings Per Share:</b>   |                  |                  |                  |                  |                  |
| Basic  | \$ 0.37          | \$ 0.52          | \$ 0.51          | \$ 0.57          | \$ 0.59          |
| Diluted  | \$ 0.37          | \$ 0.52          | \$ 0.51          | \$ 0.56          | \$ 0.59          |
| <b>Average Shares Outstanding:</b>   |                  |                  |                  |                  |                  |
| Basic  | 127,433          | 127,298          | 127,095          | 126,958          | 127,606          |
| Diluted  | 127,964          | 127,825          | 127,835          | 127,847          | 128,750          |

**Selected Quarterly Information**  
**Associated Banc-Corp**

| <i>(in thousands, except per share and full time equivalent employee data)</i> | YTD 2008      | YTD 2007      | 2nd Qtr 2008  | 1st Qtr 2008  | 4th Qtr 2007  | 3rd Qtr 2007  | 2nd Qtr 2007  |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Summary of Operations</b>   |               |               |               |               |               |               |               |
| Net interest income  | \$ 337,849    | \$ 316,521    | \$ 172,732    | \$ 165,117    | \$ 164,219    | \$ 163,073    | \$ 157,475    |
| Provision for loan losses  | 82,003        | 10,275        | 59,001        | 23,002        | 15,501        | 8,733         | 5,193         |
| Asset sale gains (losses), net   | (1,187)       | 2,325         | (731)         | (456)         | 11,062        | 2,220         | 442           |
| Investment securities gains (losses), net                                      | (3,658)       | 7,110         | (718)         | (2,940)       | (815)         | 1,879         | 6,075         |
| Noninterest income (excluding securities & asset gains)                        | 174,098       | 164,753       | 88,074        | 86,024        | 75,426        | 80,821        | 84,971        |
| Noninterest expense  | 272,133       | 260,780       | 135,821       | 136,312       | 140,102       | 134,009       | 132,644       |
| Income before income taxes   | 152,966       | 219,654       | 64,535        | 88,431        | 94,289        | 105,251       | 111,126       |
| Income taxes   | 39,142        | 70,434        | 17,176        | 21,966        | 29,498        | 33,510        | 35,301        |
| Net income   | 113,824       | 149,220       | 47,359        | 66,465        | 64,791        | 71,741        | 75,825        |
| Taxable equivalent adjustment  | 13,910        | 13,284        | 6,814         | 7,096         | 7,119         | 6,856         | 6,724         |
| <b>Per Common Share Data (1)</b>   |               |               |               |               |               |               |               |
| Net income:  |               |               |               |               |               |               |               |
| Basic  | \$ 0.89       | \$ 1.17       | \$ 0.37       | \$ 0.52       | \$ 0.51       | \$ 0.57       | \$ 0.59       |
| Diluted  | 0.89          | 1.16          | 0.37          | 0.52          | 0.51          | 0.56          | 0.59          |
| Dividends  | 0.63          | 0.60          | 0.32          | 0.31          | 0.31          | 0.31          | 0.31          |
| Market Value:  |               |               |               |               |               |               |               |
| High   | \$ 29.23      | \$ 35.43      | \$ 29.23      | \$ 28.86      | \$ 30.49      | \$ 33.05      | \$ 33.49      |
| Low  | 19.29         | 32.14         | 19.29         | 22.60         | 25.23         | 26.86         | 32.14         |
| Close  | 19.29         | 32.70         | 19.29         | 26.63         | 27.09         | 29.63         | 32.70         |
| Book value   | 18.46         | 17.56         | 18.46         | 18.71         | 18.32         | 18.04         | 17.56         |
| <b>Performance Ratios (annualized)</b>   |               |               |               |               |               |               |               |
| Earning assets yield   | 6.07%         | 7.01%         | 5.82%         | 6.33%         | 6.88%         | 7.05%         | 6.99%         |
| Interest-bearing liabilities rate  | 2.86          | 4.04          | 2.53          | 3.19          | 3.82          | 4.02          | 4.06          |
| Net interest margin  | 3.61          | 3.57          | 3.65          | 3.58          | 3.62          | 3.62          | 3.53          |
| Return on average assets   | 1.05          | 1.47          | 0.87          | 1.25          | 1.23          | 1.38          | 1.48          |
| Return on average equity   | 9.67          | 13.42         | 8.01          | 11.34         | 11.23         | 12.69         | 13.49         |
| Return on tangible average equity (2)  | 16.36         | 22.89         | 13.51         | 19.26         | 19.50         | 22.42         | 23.14         |
| Efficiency ratio (3)   | 51.75         | 52.73         | 50.75         | 52.79         | 56.78         | 53.44         | 53.23         |
| Effective tax rate   | 25.59         | 32.07         | 26.61         | 24.84         | 31.28         | 31.84         | 31.77         |
| Dividend payout ratio (4)  | 70.79         | 51.28         | 86.49         | 59.62         | 60.78         | 54.39         | 52.54         |
| <b>Average Balances</b>  |               |               |               |               |               |               |               |
| Assets   | \$ 21,712,707 | \$ 20,466,452 | \$ 21,975,451 | \$ 21,449,963 | \$ 20,935,023 | \$ 20,678,498 | \$ 20,558,803 |
| Earning assets   | 19,515,429    | 18,519,978    | 19,754,651    | 19,276,208    | 18,849,079    | 18,685,978    | 18,605,024    |
| Interest-bearing liabilities   | 16,801,778    | 15,755,186    | 16,992,508    | 16,611,047    | 16,090,488    | 15,941,683    | 15,834,843    |
| Loans  | 15,914,526    | 15,020,844    | 16,120,732    | 15,708,321    | 15,301,761    | 15,183,444    | 15,082,850    |
| Deposits   | 13,568,535    | 13,630,815    | 13,493,511    | 13,643,559    | 13,760,991    | 13,940,970    | 13,702,872    |
| Wholesale funding  | 5,622,248     | 4,472,630     | 5,950,699     | 5,293,797     | 4,750,471     | 4,386,354     | 4,482,437     |
| Stockholders' equity   | 2,367,799     | 2,241,460     | 2,377,841     | 2,357,757     | 2,289,522     | 2,242,665     | 2,253,872     |
| Stockholders' equity / assets  | 10.91%        | 10.95%        | 10.82%        | 10.99%        | 10.94%        | 10.85%        | 10.96%        |
| <b>At Period End</b>   |               |               |               |               |               |               |               |
| Assets   |               |               | \$ 22,302,704 | \$ 21,903,753 | \$ 21,592,083 | \$ 20,940,007 | \$ 20,849,140 |
| Loans  |               |               | 16,149,327    | 15,785,283    | 15,516,252    | 15,174,758    | 15,154,232    |
| Allowance for loan losses  |               |               | 229,605       | 207,602       | 200,570       | 200,560       | 206,493       |
| Goodwill   |               |               | 929,168       | 929,168       | 929,168       | 929,168       | 929,168       |
| Mortgage servicing rights, net   |               |               | 54,725        | 51,013        | 51,187        | 53,636        | 55,829        |
| Other intangible assets  |               |               | 37,896        | 39,464        | 41,033        | 42,791        | 44,770        |
| Deposits   |               |               | 13,378,734    | 13,882,174    | 13,973,913    | 14,158,369    | 14,077,618    |
| Wholesale funding  |               |               | 6,359,811     | 5,388,923     | 5,091,558     | 4,283,396     | 4,348,565     |
| Stockholders' equity   |               |               | 2,353,882     | 2,382,418     | 2,329,705     | 2,291,182     | 2,228,911     |
| Stockholders' equity / assets  |               |               | 10.55%        | 10.88%        | 10.79%        | 10.94%        | 10.69%        |
| Tangible equity / tangible assets (5)  |               |               | 6.50%         | 6.75%         | 6.59%         | 6.61%         | 6.31%         |
| Shares outstanding, end of period  |               |               | 127,537       | 127,365       | 127,160       | 127,035       | 126,910       |
| Shares repurchased during period, including settlements (6)                    |               |               | -             | -             | -             | 11            | 2,000         |
| Average per share cost of shares repurchased during period (6)                 |               |               | \$ -          | \$ -          | \$ -          | \$ -          | \$ 32.81      |
| YTD shares repurchased during period, including settlements (6)                |               |               | -             | -             | 3,920         | 3,920         | 3,909         |
| YTD average per share cost of shares repurchased during period (6)             |               |               | \$ -          | \$ -          | \$ 34.15      | \$ 34.15      | \$ 34.24      |
| <b>Selected trend information</b>  |               |               |               |               |               |               |               |
| Average full time equivalent employees   |               |               | 5,179         | 5,093         | 5,095         | 5,200         | 5,069         |
| Trust assets under management, at market value                                 |               |               | \$ 5,900,000  | \$ 6,000,000  | \$ 6,100,000  | \$ 6,200,000  | \$ 6,100,000  |
| Mortgage loans originated for sale during period                               |               |               | 431,757       | 516,780       | 333,331       | 353,233       | 455,928       |
| Mortgage portfolio serviced for others   |               |               | 6,584,000     | 6,472,000     | 6,403,000     | 6,297,000     | 6,571,000     |
| Mortgage servicing rights, net / Portfolio serviced for others                 |               |               | 0.83%         | 0.79%         | 0.80%         | 0.85%         | 0.85%         |

(1) Per share data adjusted retroactively for stock splits and stock dividends.

(2) Return on tangible average equity = Net income divided by average equity excluding average goodwill and other intangible assets. This is a non-GAAP financial measure.

(3) Efficiency ratio = Noninterest expense divided by sum of taxable equivalent net interest income plus noninterest income, excluding investment securities gain, net, and asset sales gains, net.

(4) Ratio is based upon basic earnings per share.

(5) Tangible equity to tangible assets = Stockholders' equity excluding goodwill and other intangible assets divided by assets excluding goodwill and other intangible assets.

This is a non-GAAP financial measure.

(6) Does not include shares repurchased for minimum tax withholding settlements on equity compensation.

**Financial Summary and Comparison**  
**Associated Banc-Corp**

| (in thousands)                   | Three months ended |            |          | Six months ended |            |          |
|----------------------------------|--------------------|------------|----------|------------------|------------|----------|
|                                  | June 30,           |            |          | June 30,         |            |          |
|                                  | 2008               | 2007       | % Change | 2008             | 2007       | % Change |
| <b>Allowance for Loan Losses</b> |                    |            |          |                  |            |          |
| Beginning balance                | \$ 207,602         | \$ 203,495 | 2.0%     | \$ 200,570       | \$ 203,481 | (1.4%)   |
| Balance related to acquisition   | -                  | 2,991      | N/M      | -                | 2,991      | N/M      |
| Provision for loan losses        | 59,001             | 5,193      | 1036.2%  | 82,003           | 10,275     | 698.1%   |
| Charge offs                      | (38,238)           | (7,258)    | 426.8%   | (57,732)         | (14,127)   | 308.7%   |
| Recoveries                       | 1,240              | 2,072      | (40.2%)  | 4,764            | 3,873      | 23.0%    |
| Net charge offs                  | (36,998)           | (5,186)    | 613.4%   | (52,968)         | (10,254)   | 416.6%   |
| Ending balance                   | \$ 229,605         | \$ 206,493 | 11.2%    | \$ 229,605       | \$ 206,493 | 11.2%    |

**Credit Quality**

|   | Jun08 vs Mar08 |              |          | Jun08 vs Jun07 |               |              |          |
|---|----------------|--------------|----------|----------------|---------------|--------------|----------|
|   | Jun 30, 2008   | Mar 31, 2008 | % Change | Dec 31, 2007   | Sept 30, 2007 | Jun 30, 2007 | % Change |
| Nonaccrual loans  | \$ 277,100     | \$ 197,498   | 40.3%    | \$ 152,528     | \$ 142,509    | \$ 171,303   | 61.8%    |
| Loans 90 or more days past due and still accruing         | 11,762         | 9,959        | 18.1%    | 10,118         | 8,163         | 8,446        | 39.3%    |
| Restructured loans  | -              | -            | 0.0%     | -              | -             | -            | 0.0%     |
| Total nonperforming loans                                 | 288,862        | 207,457      | 39.2%    | 162,646        | 150,672       | 179,749      | 60.7%    |
| Other real estate owned (OREO)                            | 46,579         | 26,798       | 73.8%    | 26,489         | 20,866        | 19,237       | 142.1%   |
| Total nonperforming assets                                | \$ 335,441     | \$ 234,255   | 43.2%    | \$ 189,135     | \$ 171,538    | \$ 198,986   | 68.6%    |
| Provision for loan losses                                 | 59,001         | 23,002       | 156.5%   | 15,501         | 8,733         | 5,193        | 1036.2%  |
| Net charge offs   | 36,998         | 15,970       | 131.7%   | 15,491         | 14,666        | 5,186        | 613.4%   |
| Allowance for loan losses / loans                         | 1.42%          | 1.32%        |          | 1.29%          | 1.32%         | 1.36%        |          |
| Allowance for loan losses / nonperforming loans           | 79.49          | 100.07       |          | 123.32         | 133.11        | 114.88       |          |
| Nonperforming loans / total loans                         | 1.79           | 1.31         |          | 1.05           | 0.99          | 1.19         |          |
| Nonperforming assets / total loans plus OREO              | 2.07           | 1.48         |          | 1.22           | 1.13          | 1.31         |          |
| Nonperforming assets / total assets                       | 1.50           | 1.07         |          | 0.88           | 0.82          | 0.95         |          |
| Net charge offs / average loans (annualized)              | 0.92           | 0.41         |          | 0.40           | 0.38          | 0.14         |          |
| Year-to-date net charge offs / average loans (annualized) | 0.67           | 0.41         |          | 0.27           | 0.22          | 0.14         |          |

**Nonperforming loans by type:**

|                                      | Jun 30, 2008 | Mar 31, 2008 | % Change | Dec 31, 2007 | Sept 30, 2007 | Jun 30, 2007 | % Change |
|--------------------------------------|--------------|--------------|----------|--------------|---------------|--------------|----------|
| Commercial, financial & agricultural | \$ 78,731    | \$ 54,919    | 43.4%    | \$ 32,610    | \$ 35,695     | \$ 37,230    | 111.5%   |
| Commercial real estate               | 42,280       | 37,367       | 13.1%    | 35,049       | 42,447        | 60,406       | (30.0%)  |
| Real estate - construction           | 110,717      | 56,456       | 96.1%    | 39,837       | 26,602        | 35,796       | 209.3%   |
| Lease financing                      | 522          | 1,316        | (60.3%)  | 1,323        | 79            | 63           | 728.6%   |
| Total commercial                     | 232,250      | 150,058      | 54.8%    | 108,819      | 104,823       | 133,495      | 74.0%    |
| Home equity                          | 23,555       | 18,488       | 27.4%    | 16,209       | 13,529        | 13,662       | 72.4%    |
| Installment                          | 5,184        | 4,184        | 23.9%    | 3,881        | 3,290         | 3,043        | 70.4%    |
| Total retail                         | 28,739       | 22,672       | 26.8%    | 20,090       | 16,819        | 16,705       | 72.0%    |
| Residential mortgage                 | 27,873       | 34,727       | (19.7%)  | 33,737       | 29,030        | 29,549       | (5.7%)   |
| Total nonperforming loans            | \$ 288,862   | \$ 207,457   | 39.2%    | \$ 162,646   | \$ 150,672    | \$ 179,749   | 60.7%    |

**Period End Loan Composition**

|                                      | Jun08 vs Mar08 |               |          | Jun08 vs Jun07 |               |               |          |
|--------------------------------------|----------------|---------------|----------|----------------|---------------|---------------|----------|
|                                      | Jun 30, 2008   | Mar 31, 2008  | % Change | Dec 31, 2007   | Sept 30, 2007 | Jun 30, 2007  | % Change |
| Commercial, financial & agricultural | \$ 4,423,192   | \$ 4,458,639  | (0.8%)   | \$ 4,281,091   | \$ 3,935,976  | \$ 3,958,911  | 11.7%    |
| Commercial real estate               | 3,583,877      | 3,585,779     | (0.1%)   | 3,635,365      | 3,656,937     | 3,703,464     | (3.2%)   |
| Real estate - construction           | 2,351,401      | 2,273,125     | 3.4%     | 2,260,766      | 2,215,264     | 2,137,276     | 10.0%    |
| Lease financing                      | 124,661        | 118,613       | 5.1%     | 108,794        | 95,644        | 88,967        | 40.1%    |
| Total commercial                     | 10,483,131     | 10,436,156    | 0.5%     | 10,286,016     | 9,903,821     | 9,888,618     | 6.0%     |
| Home equity (a)                      | 2,757,684      | 2,387,223     | 15.5%    | 2,269,122      | 2,230,640     | 2,144,357     | 28.6%    |
| Installment                          | 826,895        | 842,564       | (1.9%)   | 841,136        | 866,185       | 865,474       | (4.5%)   |
| Total retail                         | 3,584,579      | 3,229,787     | 11.0%    | 3,110,258      | 3,096,825     | 3,009,831     | 19.1%    |
| Residential mortgage                 | 2,081,617      | 2,119,340     | (1.8%)   | 2,119,978      | 2,174,112     | 2,255,783     | (7.7%)   |
| Total loans                          | \$ 16,149,327  | \$ 15,785,283 | 2.3%     | \$ 15,516,252  | \$ 15,174,758 | \$ 15,154,232 | 6.6%     |

(a) Home equity includes home equity lines and residential mortgage junior liens.

**Period End Deposit Composition**

|   | Jun08 vs Mar08 |               |          | Jun08 vs Jun07 |               |               |          |
|---|----------------|---------------|----------|----------------|---------------|---------------|----------|
|   | Jun 30, 2008   | Mar 31, 2008  | % Change | Dec 31, 2007   | Sept 30, 2007 | Jun 30, 2007  | % Change |
| Noninterest-bearing demand  | \$ 2,602,026   | \$ 2,516,265  | 3.4%     | \$ 2,661,078   | \$ 2,407,026  | \$ 2,466,130  | 5.5%     |
| Savings   | 921,000        | 891,806       | 3.3%     | 853,618        | 919,891       | 966,673       | (4.7%)   |
| Interest-bearing demand   | 1,697,910      | 1,788,404     | (5.1%)   | 1,947,551      | 1,881,235     | 1,900,227     | (10.6%)  |
| Money market  | 3,917,505      | 3,972,080     | (1.4%)   | 3,923,063      | 3,770,487     | 3,564,539     | 9.9%     |
| Brokered CDs  | 398,423        | 731,398       | (45.5%)  | 409,637        | 800,422       | 751,900       | (47.0%)  |
| Other time deposits   | 3,841,870      | 3,982,221     | (3.5%)   | 4,178,966      | 4,379,308     | 4,428,149     | (13.2%)  |
| Total deposits  | \$ 13,378,734  | \$ 13,882,174 | (3.6%)   | \$ 13,973,913  | \$ 14,158,369 | \$ 14,077,618 | (5.0%)   |
| Network transaction deposits included above in interest-bearing demand and money market | \$ 620,440     | \$ 610,351    | 1.7%     | \$ 664,982     | \$ 483,100    | \$ 536,448    | 15.7%    |
| Customer repo sweeps (b)  | \$ 667,720     | \$ 789,218    | (15.4%)  | \$ 844,414     | \$ 874,737    | \$ 900,964    | (25.9%)  |

(b) Included within short-term borrowings.

N/M - Not meaningful.

**Net Interest Income Analysis - Taxable Equivalent Basis**  
**Associated Banc-Corp**

|   | Six months ended June 30, 2008 |                           |                      | Six months ended June 30, 2007 |                           |                      |
|---|--------------------------------|---------------------------|----------------------|--------------------------------|---------------------------|----------------------|
|   | Average Balance                | Interest Income / Expense | Average Yield / Rate | Average Balance                | Interest Income / Expense | Average Yield / Rate |
| <i>(in thousands)</i>                                   |                                |                           |                      |                                |                           |                      |
| <b>Earning assets:</b>                                  |                                |                           |                      |                                |                           |                      |
| Loans: (1) (2) (3)                                      |                                |                           |                      |                                |                           |                      |
| Commercial  | \$ 10,412,253                  | \$ 314,859                | 6.08%                | \$ 9,697,338                   | \$ 360,976                | 7.51%                |
| Residential mortgage                                    | 2,215,641                      | 66,325                    | 6.00                 | 2,345,020                      | 71,331                    | 6.10                 |
| Retail  | 3,286,632                      | 113,484                   | 6.93                 | 2,978,486                      | 120,172                   | 8.10                 |
| Total loans   | 15,914,526                     | 494,668                   | 6.24                 | 15,020,844                     | 552,479                   | 7.41                 |
| Investments and other                                   | 3,600,903                      | 95,706                    | 5.32                 | 3,499,134                      | 92,942                    | 5.31                 |
| Total earning assets                                    | 19,515,429                     | 590,374                   | 6.07                 | 18,519,978                     | 645,421                   | 7.01                 |
| Other assets, net                                       | 2,197,278                      |                           |                      | 1,946,474                      |                           |                      |
| Total assets  | <u>\$ 21,712,707</u>           |                           |                      | <u>\$ 20,466,452</u>           |                           |                      |
| <b>Interest-bearing liabilities:</b>                    |                                |                           |                      |                                |                           |                      |
| Savings deposits  | \$ 885,883                     | \$ 2,091                  | 0.47%                | \$ 905,620                     | \$ 1,911                  | 0.43%                |
| Interest-bearing demand deposits                        | 1,802,280                      | 9,765                     | 1.09                 | 1,816,668                      | 17,684                    | 1.96                 |
| Money market deposits                                   | 3,919,573                      | 42,000                    | 2.15                 | 3,771,053                      | 71,265                    | 3.81                 |
| Time deposits, excluding Brokered CDs                   | 3,968,095                      | 80,970                    | 4.10                 | 4,325,023                      | 97,001                    | 4.52                 |
| Total interest-bearing deposits, excluding Brokered CDs | 10,575,831                     | 134,826                   | 2.56                 | 10,818,364                     | 187,861                   | 3.50                 |
| Brokered CDs  | 603,699                        | 10,335                    | 3.44                 | 464,192                        | 12,218                    | 5.31                 |
| Total interest-bearing deposits                         | 11,179,530                     | 145,161                   | 2.61                 | 11,282,556                     | 200,079                   | 3.58                 |
| Wholesale funding                                       | 5,622,248                      | 93,454                    | 3.34                 | 4,472,630                      | 115,537                   | 5.20                 |
| Total interest-bearing liabilities                      | 16,801,778                     | 238,615                   | 2.86                 | 15,755,186                     | 315,616                   | 4.04                 |
| Noninterest-bearing demand deposits                     | 2,389,005                      |                           |                      | 2,348,259                      |                           |                      |
| Other liabilities                                       | 154,125                        |                           |                      | 121,547                        |                           |                      |
| Stockholders' equity                                    | 2,367,799                      |                           |                      | 2,241,460                      |                           |                      |
| Total liabilities and stockholders' equity              | <u>\$ 21,712,707</u>           |                           |                      | <u>\$ 20,466,452</u>           |                           |                      |
| Net interest income and rate spread (1)                 |                                | <u>\$ 351,759</u>         | 3.21%                |                                | <u>\$ 329,805</u>         | 2.97%                |
| Net interest margin (1)                                 |                                |                           | 3.61%                |                                |                           | 3.57%                |
| Taxable equivalent adjustment                           |                                | <u>\$ 13,910</u>          |                      |                                | <u>\$ 13,284</u>          |                      |

|   | Three months ended June 30, 2008 |                           |                      | Three months ended June 30, 2007 |                           |                      |
|---|----------------------------------|---------------------------|----------------------|----------------------------------|---------------------------|----------------------|
|   | Average Balance                  | Interest Income / Expense | Average Yield / Rate | Average Balance                  | Interest Income / Expense | Average Yield / Rate |
| <b>Earning assets:</b>                                  |                                  |                           |                      |                                  |                           |                      |
| Loans: (1) (2) (3)                                      |                                  |                           |                      |                                  |                           |                      |
| Commercial  | \$ 10,501,226                    | \$ 150,134                | 5.75%                | \$ 9,811,861                     | \$ 182,536                | 7.46%                |
| Residential mortgage                                    | 2,195,007                        | 32,530                    | 5.94                 | 2,333,225                        | 35,948                    | 6.17                 |
| Retail  | 3,424,499                        | 56,010                    | 6.57                 | 2,937,764                        | 59,351                    | 8.09                 |
| Total loans   | 16,120,732                       | 238,674                   | 5.95                 | 15,082,850                       | 277,835                   | 7.38                 |
| Investments and other                                   | 3,633,919                        | 47,734                    | 5.25                 | 3,522,174                        | 46,562                    | 5.29                 |
| Total earning assets                                    | 19,754,651                       | 286,408                   | 5.82                 | 18,605,024                       | 324,397                   | 6.99                 |
| Other assets, net                                       | 2,220,800                        |                           |                      | 1,953,779                        |                           |                      |
| Total assets  | <u>\$ 21,975,451</u>             |                           |                      | <u>\$ 20,558,803</u>             |                           |                      |
| <b>Interest-bearing liabilities:</b>                    |                                  |                           |                      |                                  |                           |                      |
| Savings deposits  | \$ 910,930                       | \$ 1,009                  | 0.45%                | \$ 928,207                       | \$ 1,110                  | 0.48%                |
| Interest-bearing demand deposits                        | 1,796,373                        | 3,774                     | 0.84                 | 1,833,762                        | 9,097                     | 1.99                 |
| Money market deposits                                   | 3,864,739                        | 17,546                    | 1.83                 | 3,723,407                        | 35,172                    | 3.79                 |
| Time deposits, excluding Brokered CDs                   | 3,892,910                        | 37,229                    | 3.85                 | 4,339,520                        | 49,407                    | 4.57                 |
| Total interest-bearing deposits, excluding Brokered CDs | 10,464,952                       | 59,558                    | 2.29                 | 10,824,896                       | 94,786                    | 3.51                 |
| Brokered CDs  | 576,857                          | 4,097                     | 2.86                 | 527,510                          | 6,994                     | 5.32                 |
| Total interest-bearing deposits                         | 11,041,809                       | 63,655                    | 2.32                 | 11,352,406                       | 101,780                   | 3.60                 |
| Wholesale funding                                       | 5,950,699                        | 43,207                    | 2.92                 | 4,482,437                        | 58,418                    | 5.23                 |
| Total interest-bearing liabilities                      | 16,992,508                       | 106,862                   | 2.53                 | 15,834,843                       | 160,198                   | 4.06                 |
| Noninterest-bearing demand deposits                     | 2,451,702                        |                           |                      | 2,350,466                        |                           |                      |
| Other liabilities                                       | 153,400                          |                           |                      | 119,622                          |                           |                      |
| Stockholders' equity                                    | 2,377,841                        |                           |                      | 2,253,872                        |                           |                      |
| Total liabilities and stockholders' equity              | <u>\$ 21,975,451</u>             |                           |                      | <u>\$ 20,558,803</u>             |                           |                      |
| Net interest income and rate spread (1)                 |                                  | <u>\$ 179,546</u>         | 3.29%                |                                  | <u>\$ 164,199</u>         | 2.93%                |
| Net interest margin (1)                                 |                                  |                           | 3.65%                |                                  |                           | 3.53%                |
| Taxable equivalent adjustment                           |                                  | <u>\$ 6,814</u>           |                      |                                  | <u>\$ 6,724</u>           |                      |

(1) The yield on tax exempt loans and securities is computed on a taxable equivalent basis using a tax rate of 35% for all periods presented and is net of the effects of certain disallowed interest deductions.

(2) Nonaccrual loans and loans held for sale have been included in the average balances.

(3) Interest income includes net loan fees.