

CIB Marine Bancshares, Inc. (OTCQB: CIBH). This report provides additional detailed financial information for the quarter and six months ended June 30, 2020. Please see our Shareholder Letter dated August 6, 2020, located at www.cibmarine.com for a summary description of our financial results.

CIB MARINE BANCSHARES, INC.
Net Interest Income (unaudited)

	2020			2019		
	Average Balance	Interest Earned/Paid	Average Yield/Cost	Average Balance	Interest Earned/Paid	Average Yield/Cost
(Dollars in thousands)						
Quarter Ended June 30,						
Interest-earning assets						
Securities (1)	\$116,468	\$661	2.27%	\$123,829	\$868	2.80%
Loans held for sale (1)	53,664	451	3.39	7,518	97	5.16
Loans (1)(2)	544,236	5,540	4.09	499,041	5,811	4.67
Federal funds sold, reverse repos and interest-earning due from banks	9,681	17	0.67	37,975	302	3.19
Total interest-earning assets	724,049	6,669	3.70	668,363	7,078	4.25
Noninterest-earning assets	37,878			38,595		
Total assets	\$761,927			\$706,958		
Interest-bearing liabilities						
Interest-bearing deposits	\$478,212	\$1,263	1.06%	\$486,312	\$1,949	1.61%
Borrowed funds	91,953	80	0.35	56,288	307	2.18
Total interest-bearing liabilities	570,165	1,343	0.95	542,600	2,256	1.67
Noninterest-earning liabilities:						
Noninterest-bearing demand deposits	88,989			64,414		
Accrued interest and other liabilities	5,684			6,963		
Preferred equity	37,464			39,384		
Common equity	59,625			53,597		
Total stockholders' equity	97,089			92,981		
Total liabilities and stockholders' equity	\$761,927			\$706,958		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$153,884	\$5,326	2.76%	\$125,763	\$4,822	2.58%
Net interest margin (1)(4)			2.96%			2.89%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.27			1.23		

	2020			2019		
	Average Balance	Interest Earned/Paid	Average Yield/Cost	Average Balance	Interest Earned/Paid	Average Yield/Cost
(Dollars in thousands)						
Six Months Ended June 30,						
Interest-earning assets						
Securities (1)	\$118,428	\$1,424	2.40%	\$122,477	\$1,672	2.73%
Loans held for sale (1)	33,506	570	3.42	5,094	182	7.20
Loans (1)(2)	527,796	11,243	4.28	494,385	11,504	4.69
Federal funds sold, reverse repos and interest-earning due from banks	9,421	68	1.44	46,311	735	3.20
Total interest-earning assets	689,151	13,305	3.88	668,267	14,093	4.25
Noninterest-earning assets	38,514			40,289		
Total assets	\$727,665			\$708,556		
Interest-bearing liabilities						
Interest-bearing deposits	\$469,973	\$2,775	1.19%	\$483,202	\$3,754	1.57%
Borrowed funds	76,876	257	0.67	61,682	680	2.22
Total interest-bearing liabilities	546,849	3,032	1.11	544,884	4,434	1.64
Noninterest-earning liabilities:						
Noninterest-bearing demand deposits	79,708			63,584		
Accrued interest and other liabilities	5,068			7,764		
Preferred equity	37,476			39,384		
Common equity	58,564			52,940		
Total stockholders' equity	96,040			92,324		
Total liabilities and stockholders' equity	\$727,665			\$708,556		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$142,302	\$10,273	2.77%	\$123,383	\$9,659	2.61%
Net interest margin (1)(4)			3.00%			2.91%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.26			1.23		

(1) Balance totals include respective nonaccrual assets.

(2) Interest earned on loans includes a nominal amount of amortized loan costs for all periods presented.

(3) Net interest spread is the yield on average interest-earning assets less the rate on interest-bearing liabilities.

(4) Net interest margin is the ratio of net interest income to average interest-earning assets.

Net interest income increased \$0.5 million during the second quarter of 2020 compared to the same quarter of 2019 and increased \$0.6 million for the first six months ended June 30, 2020, compared to the same period of 2019. The increases in net interest income relate to higher balances in Paycheck Protection Program loans and residential loans held for sale, and sharp declines in the cost of funds and corresponding interest expense. The net interest margin increased by 7 basis points over the quarterly period and 9 basis points over the year to date period compared to the same periods the prior year, primarily due to the greater decrease in the cost of interest-bearing liabilities compared to the decrease in earning asset yields. The cost of funds declined due to a number of factors, including a fall in general market interest rates, reduced competition for funding as loan growth has slowed, and the repricing of short term borrowings and promotional deposit accounts in a lower rate environment.

CIB MARINE BANCSHARES, INC.
Loans and Allowance for Loan and Losses

	Loan Portfolio Segments (unaudited)					
	June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)					
Commercial	\$78,892	14.7%	\$44,415	8.7%	\$61,125	11.9%
Commercial real estate	260,366	48.6	266,391	51.9	255,646	49.8
Construction and development	18,741	3.5	18,472	3.6	20,065	4.0
Residential real estate	156,545	29.2	157,788	30.7	151,465	29.5
Home equity	18,791	3.5	22,332	4.4	20,974	4.1
Purchased home equity pools	2,467	0.4	2,935	0.6	3,339	0.6
Other consumer	356	0.1	835	0.1	431	0.1
Gross loans	<u>536,158</u>	<u>100.0%</u>	<u>513,168</u>	<u>100.0%</u>	<u>513,045</u>	<u>100.0%</u>
Deferred loan costs (fees)	(466)		537		710	
Loans	<u>535,692</u>		<u>513,705</u>		<u>513,755</u>	
Allowance for loan losses	(8,483)		(8,007)		(7,251)	
Loans, net	<u>\$527,209</u>		<u>\$505,698</u>		<u>\$506,504</u>	

Nonperforming Assets and Selected Asset Quality Ratios (unaudited)

	June 30, 2020	December 31, 2019	June 30, 2019
	(Dollars in thousands)		
Nonperforming assets			
Nonaccrual loans:			
Commercial	\$—	\$262	\$698
Commercial real estate	3,914	4,284	3,931
Construction and development	—	26	—
Residential real estate	407	425	441
Home equity	610	595	690
Other consumer	—	—	—
	<u>4,931</u>	<u>5,592</u>	<u>5,760</u>
Loans held for sale	—	—	—
Total nonaccrual loans	4,931	5,592	5,760
Other real estate owned	2,334	2,396	2,466
Total nonperforming assets	<u>\$7,265</u>	<u>\$7,988</u>	<u>\$8,226</u>
Restructured loans accruing			
Commercial	\$—	\$—	\$—
Commercial real estate	198	208	218
Residential real estate	421	973	1,132
Home equity	—	—	—
Purchased home equity pools	190	292	296
Other consumer	—	—	—
Total restructured loans accruing	<u>\$809</u>	<u>\$1,473</u>	<u>\$1,646</u>
90 days or more past due still accruing	<u>\$—</u>	<u>\$42</u>	<u>\$43</u>

Ratios

Nonaccrual loans to total loans (1)	0.92%	1.09%	1.12%
Other real estate owned to total assets	0.29	0.34	0.35
Nonperforming assets to total assets (1)	0.92	1.13	1.16
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (1)	1.07	1.38	1.45
Nonperforming assets, restructured loans and 90 days or more past due and still accruing loans to total assets (1)	1.02	1.35	1.40

(1) Excludes loans held for sale from nonaccrual loans, nonperforming assets, restructured loans accruing and 90 days or more past due and still accruing loans.

Allowance for Loan Losses (unaudited)

	Commercial	Commercial Real Estate	Construction and Development	Residential Real Estate	Home Equity	Purchased Home Equity Pools	Other Consumer	Total
(Dollars in thousands)								
Quarter ended June 30, 2020								
Balance at beginning of period	\$753	\$5,382	\$536	\$876	\$456	\$98	\$6	\$8,107
Provision for (reversal of) loan losses	(39)	349	(100)	(50)	(9)	97	1	249
Charge-offs	—	—	—	—	—	(50)	(1)	(51)
Recoveries	83	1	—	75	5	14	—	178
Balance at end of period	\$797	\$5,732	\$436	\$901	\$452	\$159	\$6	\$8,483
Quarter ended June 30, 2019								
Balance at beginning of period	\$1,994	\$4,327	\$253	\$656	\$497	\$131	\$7	\$7,865
Provision for (reversal of) loan losses	141	(279)	79	60	(36)	(37)	5	(67)
Charge-offs	(570)	—	—	—	—	(39)	(6)	(615)
Recoveries	6	1	—	6	6	49	—	68
Balance at end of period	\$1,571	\$4,049	\$332	\$722	\$467	\$104	\$6	\$7,251
Six months ended June 30, 2020								
Balance at beginning of period	\$899	\$5,292	\$476	\$763	\$478	\$89	\$10	\$8,007
Provision for (reversal of) loan losses	(89)	491	(14)	32	(42)	75	(2)	451
Charge-offs	(102)	(52)	(26)	—	—	(50)	(2)	(232)
Recoveries	89	1	—	106	16	45	—	257
Balance at end of period	\$797	\$5,732	\$436	\$901	\$452	\$159	\$6	\$8,483
Six months ended June 30, 2019								
Balance at beginning of period	\$1,924	\$4,248	\$408	\$688	\$549	\$125	\$5	\$7,947
Provision for (reversal of) loan losses	240	(200)	(76)	25	(136)	(85)	7	(225)
Charge-offs	(605)	—	—	—	—	(39)	(6)	(650)
Recoveries	12	1	—	9	54	103	—	179
Balance at end of period	\$1,571	\$4,049	\$332	\$722	\$467	\$104	\$6	\$7,251

Nonaccrual loan volumes decreased \$0.7 million since the start of the year due to some individual loan improvements. Such improvements combined with overall higher loan volumes related to the PPP loans led to a decline in the nonaccrual loans to total loans ratio from 1.09% at December 31, 2019, to 0.92% at June 30, 2020.

Provisions for loan losses were \$0.2 million and \$0.5 million during the second quarter and the six months ended June 30, 2020, respectively, compared to a reversal of loans losses of \$0.1 million and \$0.2 million during the same periods of 2019, respectively. The increase in provisions during 2020 are primarily due to adjustments in environmental and qualitative factors related to the impact COVID-19 has had on the economy. Environmental and qualitative factors alone have been \$0.6 million and \$0.9 million during the second quarter and six months ended June 30, 2020, but outstanding balance changes, net recoveries, changes in individual credits and segment composition have offset some of the increase.

CIB Marine may record recoveries in excess of charge-offs from time to time. Although it cannot be certain in advance due to a number of factors related to the determination of the provision for loan losses, a net recovery may result in a credit provision (i.e., a reversal of provisions for loan losses) in the period of the net recovery. A net recovery has the potential to increase CIB Marine's net income by an amount up to the net recovery. However, there can be no certainty as to whether CIB Marine will experience improved credit quality or recoveries during future quarters so as to permit it to record further credit provisions or reversals of provisions for loan losses for any of the portfolio segments or in total.

Past Due Accruing Loans (unaudited)

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
	(Dollars in thousands)					
<u>At June 30, 2020</u>						
Commercial	\$—	\$23	\$—	\$23	\$78,869	\$78,892
Commercial real estate	—	580	—	580	255,872	256,452
Construction and development	—	—	—	—	18,741	18,741
Residential real estate	36	—	—	36	156,102	156,138
Home equity	27	95	—	122	18,059	18,181
Purchased home equity pools	119	104	—	223	2,244	2,467
Other consumer	—	—	—	—	356	356
Deferred loan costs	—	(1)	—	(1)	(465)	(466)
Total	\$182	\$801	\$—	\$983	\$529,778	\$530,761
<u>At December 30, 2019</u>						
Commercial	\$—	\$—	\$—	\$—	\$44,153	\$44,153
Commercial real estate	—	—	—	—	262,107	262,107
Construction and development	18	—	—	18	18,428	18,446
Residential real estate	739	234	42	1,015	156,348	157,363
Home equity	678	90	—	768	20,969	21,737
Purchased home equity pools	—	—	—	—	2,935	2,935
Other consumer	1	—	—	1	834	835
Deferred loan costs	2	—	—	2	535	537
Total	\$1,438	\$324	\$42	\$1,804	\$506,309	\$508,113
<u>At June 30, 2019</u>						
Commercial	\$—	\$—	\$—	\$—	\$60,427	\$60,427
Commercial real estate	—	—	—	—	251,715	251,715
Construction and development	233	36	—	269	19,796	20,065
Residential real estate	236	190	—	426	150,598	151,024
Home equity	47	—	43	90	20,194	20,284
Purchased home equity pools	27	34	—	61	3,278	3,339
Other consumer	—	—	—	—	431	431
Deferred loan costs	1	—	—	1	709	710
Total	\$544	\$260	\$43	\$847	\$507,148	\$507,995

CIB MARINE BANCSHARES, INC.
Capital (unaudited)

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in thousands)						
June 30, 2020 (1)						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$83,017	15.49%				
CIBM Bank	80,514	15.05	42,798	8.00	\$53,498	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$76,294	14.23%				
CIBM Bank	73,805	13.80	32,099	6.00	\$42,798	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	\$76,294	10.82%				
CIBM Bank	73,805	10.48	28,174	4.00	\$35,218	5.00%
Common Equity Tier 1 (2)						
CIBM Bank	\$73,805	13.80%	\$24,074	4.50%	\$34,773	6.50%
December 31, 2019 (1)						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$79,592	15.19%				
CIBM Bank	76,806	14.68	41,855	8.00	\$52,319	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$73,024	13.94%				
CIBM Bank	70,249	13.43	31,391	6.00	\$41,855	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	\$73,024	10.71%				
CIBM Bank	70,249	10.31	27,247	4.00	\$34,059	5.00%
Common Equity Tier 1 (2)						
CIBM Bank	\$70,249	13.43%	\$23,544	4.50%	\$34,007	6.50%

- (1) Under the new capital regulation implemented January 1, 2015, referred to as Basel III, a capital conservation buffer of 2.5%, comprised of Common Equity Tier 1 ("CET1"), is established above the regulatory minimum capital requirements for capital adequacy purposes. The capital conservation buffer was phased in and became fully effective on January 1, 2019. The capital conservation buffer was 2.5% for both the calendar years 2019 and 2020. Non-compliance with the capital conservation buffer can result in limitations of certain types of compensation for executive and equivalent officers. In addition, CIBM Bank made the one-time accumulated other comprehensive income opt-out election on the first Call Report filed after January 1, 2015, which allows community banks under \$250 billion a one-time opt-out election to remove the impact of certain unrealized capital gains and losses (e.g., unrealized securities gains and losses) from the calculation of capital. The election cannot be changed in future periods.
- (2) CIB Marine is a Small Bank Holding Company under Appendix C of Part 225 of the Federal Reserve regulation and, as a result, the consolidated CIB Marine is exempt from capital adequacy requirements.