

CIB Marine Bancshares, Inc. (OTCQB: CIBH). This report provides additional detailed financial information for the quarter and six months ended June 30, 2019. Please see our Shareholder Letter dated August 8, 2019, located at www.cibmarine.com for a summary description of our financial results.

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

	2019			2018		
	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)	\$123,829	\$868	2.80%	\$115,931	\$720	2.48%
Loans held for sale (1)	7,518	97	5.16	8,470	117	5.52
Loans (1)(2)	499,041	5,811	4.67	480,419	5,372	4.48
Federal funds sold, reverse repos and interest-earning due from banks	37,975	302	3.19	29,795	178	2.41
Total interest-earning assets	668,363	7,078	4.25	634,615	6,387	4.04
Noninterest-earning assets	38,595			42,286		
Total assets	\$706,958			\$676,901		
Interest-bearing liabilities						
Interest-bearing deposits	\$486,312	\$1,949	1.61%	\$417,544	\$1,038	1.00%
Borrowed funds	56,288	307	2.18	86,719	368	1.70
Total interest-bearing liabilities	542,600	2,256	1.67	504,263	1,406	1.12
Noninterest-earning liabilities:						
Noninterest-bearing demand deposits	64,414			72,233		
Accrued interest and other liabilities	6,963			2,156		
Preferred equity	39,384			50,990		
Common equity	53,597			47,259		
Total stockholders' equity	92,981			98,249		
Total liabilities and stockholders' equity	\$706,958			\$676,901		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$125,763	\$4,822	2.58%	\$130,352	\$4,981	2.92%
Net interest margin (1)(4)			2.89%			3.15%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.23			1.26		

	2019			2018		
	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)	\$122,478	\$1,672	2.73%	\$116,075	\$1,495	2.58%
Loans held for sale (1)	5,094	182	7.20	7,544	190	5.07
Loans (1)(2)	494,385	11,504	4.69	480,061	10,497	4.41
Federal funds sold, reverse repos and interest-earning due from banks	46,311	735	3.20	18,573	214	2.32
Total interest-earning assets	668,267	14,093	4.26	622,253	12,396	4.02
Noninterest-earning assets	40,289			41,478		
Total assets	\$708,555			\$663,731		
Interest-bearing liabilities						
Interest-bearing deposits	\$483,202	\$3,754	1.57%	\$414,025	\$1,986	0.97%
Borrowed funds	61,682	680	2.22	79,267	605	1.54
Total interest-bearing liabilities	544,884	4,434	1.64	493,292	2,591	1.06
Noninterest-earning liabilities:						
Noninterest-bearing demand deposits	63,584			70,304		
Accrued interest and other liabilities	7,764			2,149		
Preferred equity	39,384			50,995		
Common equity	52,939			46,991		
Total stockholders' equity	92,323			97,986		
Total liabilities and stockholders' equity	\$708,555			\$663,731		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$123,383	\$9,659	2.62%	\$128,961	\$9,805	2.96%
Net interest margin (1)(4)			2.92%			3.18%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.23			1.26		

(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 declined \$0.2 million during the second quarter of 2019 compared to the second quarter of 2018. The net interest margin declined by 26 basis points primarily due to the 55 basis point increase in the cost of interest-bearing liabilities compared to the 21 basis point increase in earning asset yields. Net interest income declined \$0.1 million during the six months ended June 30, 2019, compared to the same period of 2018. The net interest margin declined by 26 basis points primarily due to the 58 basis point increase in the cost of interest-bearing liabilities compared to the 24 basis point increase in earning asset yields. Higher costs of interest bearing liabilities over both time periods was the result of rising short term interest rates which affected our rates paid on borrowed funds and time deposits and money market deposit accounts, as well as higher rate competition in our markets for deposits.

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

	Loan Portfolio Segments (unaudited)					
	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)					
Commercial	\$61,125	11.9%	\$53,631	10.9%	\$56,794	11.6%
Commercial real estate	255,646	49.8	244,764	49.8	253,106	51.9
Construction and development	20,065	4.0	22,279	4.5	16,971	3.5
Residential real estate	151,465	29.5	143,008	29.2	132,468	27.2
Home equity	20,974	4.1	22,740	4.7	23,450	4.8
Purchased home equity pools	3,339	0.6	3,850	0.8	4,427	0.9
Other consumer	431	0.1	484	0.1	635	0.1
Gross loans	<u>513,045</u>	<u>100.0%</u>	<u>490,756</u>	<u>100.0%</u>	<u>487,851</u>	<u>100.0%</u>
Deferred loan costs	710		581		911	
Loans	<u>513,755</u>		<u>491,337</u>		<u>488,762</u>	
Allowance for loan losses	(7,251)		(7,947)		(8,055)	
Loans, net	<u>\$506,504</u>		<u>\$483,390</u>		<u>\$480,707</u>	

Nonperforming Assets and Selected Asset Quality Ratios (unaudited)

	June 30, 2019	December 31, 2018	June 30, 2018
	(Dollars in thousands)		
Nonperforming assets			
Nonaccrual loans:			
Commercial	\$698	\$1,490	\$1,626
Commercial real estate	3,931	4,085	—
Construction and development	—	—	—
Residential real estate	441	223	242
Home equity	690	802	743
Other consumer	—	—	—
	<u>5,760</u>	<u>6,600</u>	<u>2,611</u>
Loans held for sale	—	—	—
Total nonaccrual loans	5,760	6,600	2,611
Other real estate owned	2,466	2,486	2,494
Total nonperforming assets	<u>\$8,226</u>	<u>\$9,086</u>	<u>\$5,105</u>
Restructured loans accruing			
Commercial	\$—	\$—	\$—
Commercial real estate	218	227	235
Residential real estate	1,132	809	753
Home equity	—	—	—
Purchased home equity pools	296	333	362
Other consumer	—	—	—
Total restructured loans accruing	<u>\$1,646</u>	<u>\$1,369</u>	<u>\$1,350</u>
90 days or more past due still accruing	<u>\$43</u>	<u>\$—</u>	<u>\$47</u>

Ratios

Nonaccrual loans to total loans (1)	1.12%	1.34%	0.53%
Other real estate owned to total assets	0.35	0.34	0.36
Nonperforming assets to total assets (1)	1.16	1.26	0.73
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (1)	1.45	1.62	0.82
Nonperforming assets, restructured loans and 90 days or more past due and still accruing loans to total assets (1)	1.40	1.45	0.94

(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, 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
Quarter ended June 30, 2018								
Balance at beginning of period	\$1,122	\$4,726	\$192	\$571	\$537	\$169	\$14	\$7,331
Provision for (reversal of) loan losses	385	(288)	51	(28)	31	1	(3)	149
Charge-offs	—	—	—	—	(14)	(23)	—	(37)
Recoveries	6	551	—	20	11	23	1	612
Balance at end of period	\$1,513	\$4,989	\$243	\$563	\$565	\$170	\$12	\$8,055
Six month 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
Six months ended June 30, 2018								
Balance at beginning of period	\$1,144	\$4,522	\$230	\$769	\$870	\$151	\$15	\$7,701
Provision for (reversal of) loan losses	357	(88)	13	(82)	(54)	(119)	(4)	23
Charge-offs	—	—	—	(144)	(267)	(39)	—	(450)
Recoveries	12	555	—	20	16	177	1	781
Balance at end of period	\$1,513	\$4,989	\$243	\$563	\$565	\$170	\$12	\$8,055

Nonaccrual loan volumes have decreased \$0.8 million since the start of the year and as a result, nonaccrual loans to total loans decreased from 1.34% at December 31, 2018, to 1.12% at June 30, 2019.

Reversal of provisions for loan losses was \$225,000 for the six months ending June 30, 2019, improved from a provision of \$23,000 in the same period of 2018, due to in part to improved historical longer term loss rates. In addition, non-accrual and past due loans have generally improved since December 31, 2018. The higher charge-offs for the six months ended June 30, 2019, versus the same prior of 2018 reflects predominately one commercial relationship whose charge-off was of impairments previously provided for in the allowance for loan losses.

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, 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
<u>At December 30, 2018</u>						
Commercial	\$325	\$—	\$—	\$325	\$51,816	\$52,141
Commercial real estate	143	—	—	143	240,536	240,679
Construction and development	—	—	—	—	22,279	22,279
Residential real estate	321	723	—	1,044	141,741	142,785
Home equity	231	13	—	244	21,694	21,938
Purchased home equity pools	—	40	—	40	3,810	3,850
Other consumer	1	—	—	1	483	484
Deferred loan costs	1	—	—	1	580	581
Total	\$1,022	\$776	\$—	\$1,798	\$482,939	\$484,737
<u>At June 30, 2018</u>						
Commercial	\$107	\$—	\$—	\$107	\$55,061	\$55,168
Commercial real estate	—	—	—	—	253,106	253,106
Construction and development	—	—	—	—	16,971	16,971
Residential real estate	285	—	47	332	131,894	132,226
Home equity	104	72	—	176	22,531	22,707
Purchased home equity pools	87	62	—	149	4,278	4,427
Other consumer	—	—	—	—	635	635
Deferred loan costs	1	—	—	1	910	911
Total	\$584	\$134	\$47	\$765	\$485,386	\$486,151

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, 2019 (1)						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$79,608	15.32%	\$41,561	8.00%		
CIBM Bank	78,547	15.15	41,477	8.00	\$51,846	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$73,105	14.07%	\$31,171	6.00%		
CIBM Bank	72,057	13.90	31,108	6.00	\$41,477	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	\$73,105	10.64%	\$27,492	4.00%		
CIBM Bank	72,057	10.45	27,589	4.00	\$34,487	5.00%
Common Equity Tier 1 (2)						
CIBM Bank	\$72,057	13.90%	\$23,331	4.50%	\$33,700	6.50%
December 31, 2018 (1)						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$77,024	15.34%	\$40,164	8.00%		
CIBM Bank	72,643	14.50	40,074	8.00	\$50,092	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$70,728	14.09%	\$30,123	6.00%		
CIBM Bank	66,360	13.25	30,055	6.00	\$40,074	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	\$70,728	10.10%	\$27,997	4.00%		
CIBM Bank	66,360	9.49	27,958	4.00	\$34,947	5.00%
Common Equity Tier 1 (2)						
CIBM Bank	\$66,360	13.25%	\$22,542	4.50%	\$32,560	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. The capital conservation buffer will be phased in between January 1, 2016, and year-end 2018, becoming fully effective on January 1, 2019. 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 CET1 is not applicable to CIB Marine. CET1 is applicable to CIBM Bank.