

CIB Marine Bancshares, Inc. (OTCQX: CIBH). This report provides additional detailed financial information for the quarter and six months ended June 30, 2023. Please see our Shareholder Letter dated August 3, 2023, at www.cibmarine.com for a summary description of our financial results.

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

	2023			2022		
	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)	\$118,467	\$985	3.33%	\$119,689	\$683	2.28%
Loans held for sale (1)	10,908	155	5.70	8,267	90	4.36
Loans (1)(2)	626,832	7,942	5.08	539,788	5,542	4.12
Federal funds sold, reverse repos and interest-earning due from banks	4,866	70	5.80	63,539	96	0.61
Total interest-earning assets	761,073	9,152	4.83	731,283	6,411	3.51
Noninterest-earning assets	32,265			33,166		
Total assets	\$793,338			\$764,449		
Interest-bearing liabilities						
Interest-bearing deposits	\$529,573	\$3,076	2.33%	\$511,309	\$384	0.30%
Borrowed funds	77,437	567	2.93	36,073	133	1.48
Total interest-bearing liabilities	607,010	3,643	2.41	547,382	517	0.38
Noninterest-bearing liabilities:						
Noninterest-bearing demand deposits	97,441			124,040		
Accrued interest and other liabilities	4,432			3,000		
Preferred equity	13,806			18,762		
Common equity	70,649			71,265		
Total stockholders' equity	84,455			90,027		
Total liabilities and stockholders' equity	\$793,338			\$764,449		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$154,063	\$5,509	2.42%	\$183,901	\$5,894	3.14%
Net interest margin (1)(4)			2.90%			3.23%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.25			1.34		
(Dollars in thousands)						
Six Months Ended June 30,						
Interest-earning assets						
Securities (1)	\$121,521	\$2,016	3.32%	\$113,101	\$1,220	2.16%
Loans held for sale (1)	8,614	239	5.60	8,275	148	3.60
Loans (1)(2)	607,317	15,063	5.00	537,755	10,796	4.05
Federal funds sold, reverse repos and interest-earning due from banks	12,245	306	5.04	69,041	126	0.37
Total interest-earning assets	749,697	17,624	4.74	728,172	12,290	3.40
Noninterest-earning assets	32,338			32,811		
Total assets	\$782,035			\$760,983		
Interest-bearing liabilities						
Interest-bearing deposits	\$534,133	\$5,440	2.05%	\$507,663	\$734	0.29%
Borrowed funds	58,799	804	2.75	34,175	196	1.15
Total interest-bearing liabilities	592,932	6,244	2.12	541,838	930	0.35
Noninterest-earning liabilities:						
Noninterest-bearing demand deposits	100,585			124,408		
Accrued interest and other liabilities	4,749			3,828		
Preferred equity	13,806			18,762		
Common equity	69,963			72,147		
Total stockholders' equity	83,769			90,909		
Total liabilities and stockholders' equity	\$782,035			\$760,983		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$156,765	\$11,380	2.62%	\$186,334	\$11,360	3.06%
Net interest margin (1)(4)			3.06%			3.15%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.26			1.34		

(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 decreased by \$0.4 million for the 3-month period ending June 30, 2023, compared to the same period of 2022, despite growing interest-earning average balances by \$30 million. The reason for the decline in net interest income was primarily accelerating cost of funds and a \$27 million decline in the average balances of noninterest-bearing demand deposits as higher interest rates attracted deposits to interest-bearing products. The net interest margin decreased by 33 basis points over the same period due to a 203 basis point rise in the cost of interest-bearing liabilities versus a 132 basis point increase in the yield of interest-earning assets. The cost of funds increase was primarily due to the general increase in interest rates over the past 18 months, as well as lower liquid assets to total assets in banking and growing competition for deposit balances.

Although earning assets were higher, the net interest income increased by only a nominal amount for the 6-month period ending June 30, 2023, compared to the same period of 2022. The primary reason was accelerating cost of funds and a \$24 million decline in the average balances of noninterest-bearing demand deposits as higher interest rates attracted deposits to interest-bearing products. The net interest margin decreased by 9 basis points over the same period due a 177 basis point rise in the cost of interest-bearing liabilities versus a 134 basis point increase in the yield of interest-earning assets. The cost of funds increase was primarily due to the general increase in interest rates over the past 18 months, as well as lower liquid assets to total assets in banking and growing competition for deposit balances.

CIB MARINE BANCSHARES, INC.
Loans and Allowance for Credit Losses on Loans

	Loan Portfolio Segments (unaudited)					
	June 30, 2023		December 31, 2022		June 30, 2022	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)					
Commercial	\$80,667	12.5%	\$65,946	11.4%	\$60,935	11.1%
Commercial real estate	328,524	50.8	317,181	55.0	310,733	56.7
Construction and development	39,563	6.1	34,063	5.9	22,566	4.1
Residential real estate	183,289	28.3	145,071	25.2	140,314	25.6
Home equity	14,084	2.2	13,701	2.4	13,191	2.4
Purchased home equity pools	327	0.1	342	0.1	426	0.1
Other consumer	98	0.0	89	0.0	196	0.0
Gross loans	<u>646,552</u>	<u>100.0%</u>	<u>576,393</u>	<u>100.0%</u>	<u>548,361</u>	<u>100.0%</u>
Deferred loan costs (fees)	1,272		910		814	
Loans	<u>647,824</u>		<u>577,303</u>		<u>549,175</u>	
Allowance for credit losses on loans (1)	<u>(8,999)</u>		<u>(7,894)</u>		<u>(8,010)</u>	
Loans, net	<u>\$638,824</u>		<u>\$569,409</u>		<u>\$541,165</u>	

- (1) In periods ending December 31, 2022, and earlier, the incurred loss accounting policy was utilized to estimate and record the allowance for credit losses and related provisions for (recovery of) credit losses on loans. For periods ending after December 31, 2022, the current expected credit loss accounting policy was utilized to estimate and record the allowance for credit losses on loans and related provisions for (recovery of) loan losses.

	Select Real Estate Loan Property Types (1) (unaudited)					
	June 30, 2023		December 31, 2022		June 30, 2022	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)					
Office	\$51,135	7.9%	\$57,814	10.0%	\$60,978	11.1%
Retail	71,811	11.1	69,745	12.1	59,213	10.8
Warehouse	29,086	4.5	26,606	4.6	24,671	4.5
Manufacturing	27,071	4.2	22,382	3.9	18,827	3.4
Hospitality	26,926	4.2	27,669	4.8	28,344	5.2
Nursing Home and Assisted Living	14,896	2.3	14,626	2.5	14,901	2.7
Multifamily Apartments	52,925	8.2	52,967	9.2	48,028	8.8
Restaurants and Food Service	18,917	2.9	18,721	3.2	20,673	3.8
Educational	17,102	2.6	7,284	1.3	7,480	1.4

- (1) Select Real Estate Loan Property Types includes loans from the real estate and construction and development segments with listed commercial property types that are 2.0% or more of total loans in the most recent period.

Management continues to believe that post-pandemic the office space sector continues to pose significantly higher ongoing credit risks due to the changes in the demand for and vacancies in office space in the national and local economies as office use practices by businesses have changed.

Nonperforming Assets and Selected Asset Quality Ratios (unaudited)

	June 30, 2023	December 31, 2022	June 30, 2022
Nonperforming assets			
(Dollars in thousands)			
Nonaccrual loans:			
Commercial	\$—	\$—	\$116
Commercial real estate	—	—	524
Construction and development	—	—	—
Residential real estate	54	630	203
Home equity	61	318	357
Other consumer	—	—	—
	115	948	1,200
Loans held for sale	—	—	—
Total nonaccrual loans	115	948	1,200
Other real estate owned	375	375	403
Total nonperforming assets	\$490	\$1,323	\$1,603
Restructured loans accruing			
Commercial	\$—	\$—	\$—
Commercial real estate	—	—	—
Residential real estate	423	119	266
Home equity	—	—	—
Purchased home equity pools	54	55	97
Other consumer	—	—	—
Total restructured loans accruing	\$477	\$174	\$363
90 days or more past due still accruing	\$109	\$32	\$—

Ratios

Nonaccrual loans to total loans (1)	0.02%	0.64%	0.22%
Other real estate owned to total assets	0.05	0.05	0.05
Nonperforming assets to total assets (1)	0.06	0.18	0.21
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (1)	0.11	0.20	0.28
Nonperforming assets, restructured loans and 90 days or more past due and still accruing loans to total assets (1)	0.13	0.20	0.25

(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 Credit Losses on Loans (unaudited) (1)

	Commercial	Commercial Real Estate	Construction and Development	Residential Real Estate	Home Equity	Purchased Home Equity Pools	Other Consumer	Total (1)
(Dollars in thousands)								
Quarter ended June 30, 2023								
Balance at beginning of period	\$642	\$5,471	\$1,229	\$1,711	\$130	\$9	\$1	\$9,193
CECL implementation	—	—	—	—	—	—	—	—
Provision for (reversal of) credit losses on loans (2)	(15)	(271)	(197)	308	(13)	(49)	18	(219)
Charge-offs	—	—	—	—	(7)	—	(18)	(25)
Recoveries	—	—	—	—	4	46	—	50
Balance at end of period	\$627	\$5,200	\$1,032	\$2,019	\$114	\$6	\$1	\$8,999
Quarter ended June 30, 2022								
Balance at beginning of period	\$756	\$5,858	\$239	\$709	\$276	\$172	\$1	\$8,011
Provision for (reversal of) loan losses (2)	136	(56)	53	23	(24)	(96)	4	40
Charge-offs	(14)	(13)	—	—	—	(112)	(4)	(143)
Recoveries	—	1	—	15	30	56	—	102
Balance at end of period	\$878	\$5,790	\$292	\$747	\$282	\$20	\$1	\$8,010

Allowance for Credit Losses on Loans (unaudited) (1)

	Commercial	Commercial Real Estate	Construction and Development	Residential Real Estate	Home Equity	Purchased Home Equity Pools	Other Consumer	Total
(Dollars in thousands)								
Six months ended June 30, 2023								
Balance at beginning of period	\$794	\$5,481	\$449	\$920	\$239	\$11	\$—	\$7,894
CECL implementation	(250)	266	701	631	(117)	(1)	—	1,230

Provision for (reversal of) credit losses on loans (2)	83	(547)	(118)	468	9	(88)	21	(172)
Charge-offs	—	—	—	—	(24)	—	(20)	(44)
Recoveries	—	—	—	—	7	84	—	91
Balance at end of period	\$627	\$5,200	\$1,032	\$2,019	\$114	\$6	\$1	\$8,999

Six months ended June 30, 2022

Balance at beginning of period	\$835	\$6,204	\$241	\$708	\$301	\$60	\$3	\$8,352
Provision for (reversal of) loan losses (2)	57	(402)	51	24	(51)	30	6	(285)
Charge-offs	(14)	(13)	—	—	—	(201)	(8)	(236)
Recoveries	—	1	—	15	32	131	—	179
Balance at end of period	\$878	\$5,790	\$292	\$747	\$282	\$20	\$1	\$8,010

- (1) In periods ending December 31, 2022, and earlier, the incurred loss accounting standard was utilized to estimate and record the allowance for credit losses and related provisions for (recovery of) credit losses on loans. For periods ending after December 31, 2022, the current expected credit loss accounting standard was utilized to estimate and record the allowance for credit losses on loans and related provisions for (recovery of) loan losses.
- (2) The provision for (reversal of) credit losses on loans here excludes provisions made for the allowance for unfunded commitments.

CIB Marine had a reversal of loan losses of \$0.2 million to the allowance for credit losses on loans (“ACLL”) during the 3-month period ending June 30, 2023, and reversal of loan losses of \$0.2 million to the ACLL during the 6-month period ending June 30, 2023, primarily due to improved economic forecasts and other qualitative factors more than offsetting the effects of a growing portfolio, primarily in residential and commercial loans. CIB Marine also had a nominal reversal of losses to the allowance for unfunded commitments (“AUC”) during the 3-month period ending June 30, 2023, and a \$0.1 million provision for losses to the AUC during the 6-month period ending June 30, 2023, for an ending balance of the AUC of \$0.5 million on June 30, 2023. There was no balance recorded for the AUC for loans on December 31, 2022, or prior.

Effective January 1, 2023, CIB Marine adopted the new “current expected credit loss” accounting standard commonly referred to as CECL. The \$1.6 million implementation date accounting entry was composed of \$1.2 million to the ACLL and \$0.4 million to Other Liabilities for the AUC. As permitted under CECL, the implementing provision entry net of tax was made directly to retained earnings rather than through the income statement.

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 credit losses, a net recovery may result in a credit provision (i.e., a reversal of provisions for credit 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 credit 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 Accruing Loans
(Dollars in thousands)						
At June 30, 2023						
Commercial	\$—	\$—	\$—	\$—	\$80,667	\$80,667
Commercial real estate	—	—	—	—	328,524	328,524
Construction and development	—	—	—	—	39,563	39,563
Residential real estate	—	79	59	138	183,097	183,235
Home equity	298	35	50	383	13,640	14,023
Purchased home equity pools	—	—	—	—	327	327
Other consumer	—	—	—	—	98	98
Deferred loan costs	1	—	—	1	1,271	1,272
Total	\$299	\$114	\$109	\$522	\$647,187	\$647,709
At December 30, 2022						
Commercial	\$—	\$—	\$—	\$—	\$65,946	\$65,946
Commercial real estate	—	—	—	—	317,181	317,181
Construction and development	—	—	—	—	34,063	34,063
Residential real estate	125	—	—	125	144,316	144,441
Home equity	293	14	32	339	13,044	13,383
Purchased home equity pools	—	—	—	—	342	342
Other consumer	—	—	—	—	89	89

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 Accruing Loans
	(Dollars in thousands)					
Deferred loan costs	1	—	—	1	909	910
Total	\$419	\$14	\$32	\$465	\$575,890	\$576,355
At June 30, 2022						
Commercial	\$—	\$—	\$—	\$—	\$60,819	\$60,819
Commercial real estate	—	—	—	—	310,209	310,209
Construction and development	—	—	—	—	22,566	22,566
Residential real estate	—	—	—	—	140,111	140,111
Home equity	—	—	—	—	12,834	12,834
Purchased home equity pools	—	—	—	—	426	426
Other consumer	—	—	—	—	196	196
Deferred loan costs	—	—	—	—	814	814
Total	\$—	\$—	\$—	\$—	\$547,975	\$547,975

CIB Marine had \$0.5 million loans past due 30 days or more and still accruing on June 30, 2023, and December 31, 2022, and no past due loans on June 30, 2022.

**CIB MARINE BANCSHARES, INC.
Uninsured Deposits (unaudited)**

CIB Marine's subsidiary bank, CIBM Bank, estimated its uninsured deposit balances were \$146 million or 24% of total deposits at June 30, 2023, \$158 million or 25% of total deposits at March 31, 2023, and \$178 million or 28% of total deposits at December 31, 2022. The decline was due primarily to larger deposit clients choosing to utilize fully FDIC insured products like CIBM Bank's reciprocal deposit products and the non-deposit uninsured collateralized government repo sweep product (the latter is included in Borrowings in the balance sheet).

**CIB MARINE BANCSHARES, INC.
Capital (unaudited)**

	Actual Amount	Ratio	For Capital Adequacy Purposes Amount	Ratio	To Be Well Capitalized Under Prompt Corrective Provisions Amount	Ratio
	(Dollars in thousands)					
June 30, 2023						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$91,763	14.25%				
CIBM Bank	82,918	12.89	\$51,473	8.00%	\$64,342	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$73,984	11.49%				
CIBM Bank	74,858	11.63	\$38,605	6.00%	\$51,473	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	\$73,984	9.43%				
CIBM Bank	74,858	9.54	\$31,378	4.00%	\$39,222	5.00%
Common Equity Tier 1 (2)						
CIBM Bank	\$74,858	11.63%	\$28,954	4.50%	\$41,822	6.50%
December 31, 2022 (1)						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$90,929	15.71%				
CIBM Bank	81,849	14.15	46,268	8.00	\$57,835	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$73,988	12.78%				
CIBM Bank	74,612	12.90	34,701	6.00	\$46,268	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	\$73,988	9.73%				
CIBM Bank	74,612	9.81	30,409	4.00	\$38,012	5.00%

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Common Equity Tier 1 (2)						
CIBM Bank	\$74,612	12.90%	\$26,026	4.50%	\$37,593	6.50%

- (1) During the first quarter of 2022, CIB Marine issued \$10 million in Subordinated Debentures that qualify as Tier 2 capital and are included in total capital.
- (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.