

CIB Marine Bancshares, Inc. (OTCQX: CIBH). This report provides additional detailed financial information for the quarter and nine months ended September 30, 2022. Please see our Shareholder Letter dated November 3, 2022, at www.cibmarine.com for a summary description of our financial results.

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

	2022			2021		
	Average Balance	Interest Earned/Paid	Average Yield/Cost	Average Balance	Interest Earned/Paid	Average Yield/Cost
(Dollars in thousands)						
Quarter Ended September 30,						
Interest-earning assets						
Securities (1)	\$126,967	\$826	2.60%	\$105,925	\$509	1.92%
Loans held for sale (1)	8,466	96	4.53	19,174	135	2.78
Loans (1)(2)	556,362	6,029	4.30	550,645	5,646	4.07
Federal funds sold, reverse repos and interest-earning due from banks	46,907	283	2.39	52,187	21	0.16
Total interest-earning assets	738,702	7,234	3.89	727,931	6,311	3.44
Noninterest-earning assets	31,886			31,987		
Total assets	\$770,588			\$759,918		
Interest-bearing liabilities						
Interest-bearing deposits	\$503,345	\$662	0.52%	\$492,943	\$409	0.33%
Borrowed funds	37,268	161	1.72	32,705	8	0.10
Total interest-bearing liabilities	540,613	823	0.60	525,648	417	0.31
Noninterest-earning liabilities:						
Noninterest-bearing demand deposits	136,278			121,352		
Accrued interest and other liabilities	3,559			4,512		
Preferred equity	18,762			37,308		
Common equity	71,376			71,098		
Total stockholders' equity	90,138			108,406		
Total liabilities and stockholders' equity	\$770,588			\$749,918		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$198,089	\$6,411	3.29%	\$202,283	\$5,894	3.12%
Net interest margin (1)(4)			3.45%			3.21%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.37			1.38		
(Dollars in thousands)						
Nine Months Ended September 30,						
Interest-earning assets						
Securities (1)	\$117,774	\$2,046	2.32%	\$108,589	\$1,615	1.98%
Loans held for sale (1)	8,339	244	3.92	21,983	405	2.46
Loans (1)(2)	544,026	16,825	4.14	543,120	16,753	4.12
Federal funds sold, reverse repos and interest-earning due from banks	61,582	409	0.89	46,002	42	0.12
Total interest-earning assets	731,721	19,524	3.57	719,694	18,815	3.49
Noninterest-earning assets	32,499			33,854		
Total assets	\$764,220			\$753,548		
Interest-bearing liabilities						
Interest-bearing deposits	\$506,208	\$1,396	0.37%	\$493,428	\$1,368	0.37%
Borrowed funds	35,217	357	1.36	35,044	41	0.15
Total interest-bearing liabilities	541,425	1,753	0.43	528,472	1,409	0.36
Noninterest-earning liabilities:						
Noninterest-bearing demand deposits	128,408			113,051		
Accrued interest and other liabilities	3,738			4,870		
Preferred equity	18,762			37,308		
Common equity	71,887			69,847		
Total stockholders' equity	90,649			107,155		
Total liabilities and stockholders' equity	\$764,220			\$753,548		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$190,296	\$17,771	3.13%	\$191,222	\$17,406	3.14%
Net interest margin (1)(4)			3.25%			3.23%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.35			1.36		

(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 by \$0.5 million during the quarter compared to the same period of 2021. The primary reason for the change is higher average yields that increased by 45 basis points compared to a 29 basis point increase in the average cost of interest bearing liabilities and higher average balances in interest earnings assets, despite lower PPP fee accretions and new long-term borrowing interest expense from the \$10 million of subordinated debt issued with an average interest bearing cost of 4.97%. The net interest margin increased by 23 basis points during the quarter compared to the same period of 2021, due primarily to the higher net interest spread.

Net interest income increased by \$0.4 million during the first nine months of 2022 compared to the same period of 2021. The primary reason for the change are higher average balances in earning assets that offset the effects of lower PPP net deferred fee accretions and new long-term borrowing interest expense from the \$10 million of subordinated debt issued with an average interest bearing cost of 4.98%.

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

	Loan Portfolio Segments (unaudited)					
	September 30, 2022		December 31, 2021		September 30, 2021	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)					
Commercial	\$66,132	11.7%	\$59,699	11.0%	\$63,865	11.4%
Commercial real estate	311,742	55.3	307,229	56.6	323,251	57.9
Construction and development	28,898	5.1	18,629	3.4	12,735	2.3
Residential real estate	142,135	25.2	142,375	26.2	143,668	25.7
Home equity	14,556	2.6	14,084	2.6	13,826	2.5
Purchased home equity pools	348	0.1	950	0.2	1,066	0.2
Other consumer	96	0.0	232	0.0	262	0.0
Gross loans	<u>563,907</u>	<u>100.0%</u>	<u>543,198</u>	<u>100.0%</u>	<u>558,673</u>	<u>100.0%</u>
Deferred loan costs (fees)	934		621		406	
Loans	<u>564,841</u>		<u>543,819</u>		<u>559,079</u>	
Allowance for loan losses	<u>(8,061)</u>		<u>(8,352)</u>		<u>(8,699)</u>	
Loans, net	<u><u>\$556,780</u></u>		<u><u>\$535,467</u></u>		<u><u>\$550,380</u></u>	

	Select Real Estate Loan Property Types (1) (unaudited)					
	September 30, 2022		December 31, 2021		September 30, 2021	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)					
Office	\$57,481	10.2%	\$62,172	11.4%	\$68,562	12.3%
Retail	66,394	11.8	58,694	10.8	55,641	10.0
Warehouse	26,017	4.6	18,752	3.5	22,784	4.1
Manufacturing	19,128	3.4	20,360	3.7	20,910	3.7
Hospitality	30,428	5.4	31,189	5.7	25,066	4.5
Hospitals and Clinics	xx	xx	xx	xx	12,328	2.2
Nursing Home and Assisted Living	14,759	2.6	15,187	2.8	11,780	2.1
Multifamily Apartments	44,748	7.9	41,685	7.7	41,775	7.5
Restaurants and Food Service	21,127	3.7	18,535	3.4	19,504	3.5

(1) Select Real Estate Loan Property Types includes loans from the commercial 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.

Nonperforming Assets and Selected Asset Quality Ratios (unaudited)

	September 30, 2022	December 31, 2021	September 30, 2021
Nonperforming assets			
(Dollars in thousands)			
Nonaccrual loans:			
Commercial	\$—	\$—	\$—
Commercial real estate	157	157	157
Construction and development	—	—	—
Residential real estate	201	210	280
Home equity	349	370	568
Other consumer	—	—	—
	707	737	1,005
Loans held for sale	—	—	—
Total nonaccrual loans	707	737	1,005
Other real estate owned	403	403	403
Total nonperforming assets	\$1,110	\$1,140	\$1,408
Restructured loans accruing			
Commercial	\$—	\$—	\$—
Commercial real estate	—	—	—
Residential real estate	84	277	302
Home equity	—	—	—
Purchased home equity pools	55	136	138
Other consumer	—	—	—
Total restructured loans accruing	\$139	\$413	\$440
90 days or more past due still accruing	\$100	\$—	\$67
Ratios			
Nonaccrual loans to total loans (1)	0.13%	0.14%	0.18%
Other real estate owned to total assets	0.05	0.05	0.05
Nonperforming assets to total assets (1)	0.15	0.15	0.18
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (1)	0.17	0.21	0.27
Nonperforming assets, restructured loans and 90 days or more past due and still accruing loans to total assets (1)	0.18	0.21	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 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 September 30, 2022								
Balance at beginning of period	\$878	\$5,790	\$292	\$747	\$282	\$20	\$1	\$8,010
Provision for (reversal of) loan losses	24	(98)	63	(3)	65	(19)	2	34
Charge-offs	—	(5)	—	—	—	(30)	(3)	(38)
Recoveries	—	13	—	26	(23)	38	1	55
Balance at end of period	\$902	\$5,700	\$355	\$770	\$324	\$9	\$1	\$8,061
Quarter ended September 30, 2021								
Balance at beginning of period	\$757	\$6,704	\$527	\$648	\$397	\$126	\$6	\$9,165
Provision for (reversal of) loan losses	89	(141)	(346)	49	(50)	(21)	7	(413)
Charge-offs	—	—	—	—	—	(131)	(9)	(140)
Recoveries	—	—	—	2	31	54	—	87
Balance at end of period	\$846	\$6,563	\$181	\$699	\$378	\$28	\$4	\$8,699

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)								
Nine months ended September 30, 2022								
Balance at beginning of period	\$835	\$6,204	\$241	\$708	\$301	\$60	\$3	\$8,352
Provision for (reversal of) loan losses	81	(500)	114	21	14	11	8	(251)

Charge-offs	(14)	(18)	—	—	—	(231)	(11)	(274)
Recoveries	—	14	—	41	9	169	1	234
Balance at end of period	\$902	\$5,700	\$355	\$770	\$324	\$9	\$1	\$8,061
Nine months ended September 30, 2021								
Balance at beginning of period	\$914	\$6,005	\$812	\$824	\$439	\$122	\$6	\$9,122
Provision for (reversal of) loan losses	(68)	494	(631)	(129)	(115)	(251)	7	(693)
Charge-offs	—	—	—	—	—	(131)	(9)	(140)
Recoveries	—	64	—	4	54	288	—	410
Balance at end of period	\$846	\$6,563	\$181	\$699	\$378	\$28	\$4	\$8,699

CIB Marine provided \$34,000 to the allowance for loan losses primarily due to growth in loan balances over the course of the third quarter of 2022 offset in part by overall asset quality and environmental factor improvements. CIB Marine has a reversal of loan losses of \$251,000 for the first nine months of 2022 versus a reversal of loan losses of \$693,000 for the same period of 2021, reflecting primarily overall environmental factor and asset quality improvements offset in part by higher loan balances.

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)						
At September 30, 2022						
Commercial	\$—	\$—	\$—	\$—	\$66,132	\$66,132
Commercial real estate	—	—	—	—	311,585	311,585
Construction and development	—	—	—	—	28,898	28,898
Residential real estate	—	—	—	—	141,934	141,934
Home equity	52	55	100	207	14,000	14,207
Purchased home equity pools	—	—	—	—	348	348
Other consumer	—	—	—	—	96	96
Deferred loan costs	—	—	—	—	933	933
Total	\$52	\$55	\$100	\$207	\$563,926	\$564,133
At December 30, 2021						
Commercial	\$—	\$—	\$—	\$—	\$59,699	\$59,699
Commercial real estate	—	—	—	—	307,072	307,072
Construction and development	—	—	—	—	18,629	18,629
Residential real estate	406	—	—	406	141,759	142,165
Home equity	—	43	—	43	13,671	13,714
Purchased home equity pools	26	—	—	26	924	950
Other consumer	—	—	—	—	232	232
Deferred loan costs	1	—	—	1	620	621
Total	\$433	\$43	\$—	\$476	\$542,606	\$543,082
At September 30, 2021						
Commercial	\$—	\$—	\$—	\$—	\$63,865	\$63,865
Commercial real estate	1,718	—	—	1,718	321,376	323,094
Construction and development	—	—	—	—	12,735	12,735
Residential real estate	—	—	—	—	143,388	143,388
Home equity	26	—	67	93	13,165	13,258
Purchased home equity pools	—	—	—	—	1,066	1,066
Other consumer	—	—	—	—	262	262
Deferred loan costs	1	—	—	1	405	406
Total	\$1,745	\$—	\$67	\$1,812	\$556,262	\$558,074

CIB Marine had \$207,000 loans past due 30 days or more and still accruing at September 30, 2022, down from both December 31, 2021, and September 30, 2021.

Commercial Loans at Higher Risk from COVID-19

Management had previously identified six sectors as the most susceptible to immediate increased credit risk from the impact of COVID-19 at the time of the pandemic: retail, office space, hotels, health and social services, restaurants, and recreation. As the immediate COVID-19 impact dissipates, management believes that the office space sector poses 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 (e.g., more employees working from home than prior to COVID-19).

At Risk Commercial Loan Sectors									
	Retail	Office (1)	Hotel	Health & Social Services	Restaurants	Recreation	Total at Risk Sectors	Total Commercial Sector Loans	Percent
(Dollars in thousands)									
September 30, 2022									
Commercial real estate	\$65,734	\$51,812	\$22,778	\$5,847	\$18,075	\$3,906	\$168,152	\$311,742	54%
Commercial and industrial	—	11,157	2,657	104	621	96	14,635	66,132	22
Commercial construction	660	5,668	7,650	—	3,052	—	17,030	28,898	59
Total	\$66,394	\$68,637	\$33,085	\$5,951	\$21,748	\$4,002	\$199,817	\$406,772	49%
December 31, 2021									
Commercial real estate	\$58,694	\$59,583	\$24,437	\$6,382	\$16,775	\$4,271	\$170,142	\$307,229	55%
Commercial and industrial	—	2,793	461	404	1,516	212	5,386	59,699	9
Commercial construction	—	2,589	6,753	1,476	1,759	—	12,577	18,629	68
Total	\$58,694	\$64,965	\$31,651	\$8,262	\$20,050	\$4,483	\$188,105	\$385,557	49%
September 30, 2021									
Commercial real estate	\$55,641	\$61,664	\$25,065	\$6,588	\$17,761	\$6,000	\$172,719	\$323,251	53%
Commercial and industrial	—	7,055	185	325	358	45	7,968	63,865	13
Commercial construction	-	6,899	0	1,175	1,743	—	9,817	12,735	77
Total	\$55,641	\$75,618	\$25,250	\$8,088	\$19,862	\$6,045	\$190,504	\$399,851	48%

(1) Office includes both office real estate secured loans and non-real estate secured commercial investment and property management loans. The at-risk commercial loan sectors were a factor in determining the adequacy of allowance for loan losses.

CIB Marine is a cautious and selective lender in the at-risk commercial loan sectors outlined in the table above and generally has not loosened credit underwriting standards to lend in the sectors above. Reporting of this information, including the table, will likely be discontinued in the future as the immediate COVID-19 related risks have diminished.

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
September 30, 2022						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc. (1)	\$93,912	16.42%				
CIBM Bank	79,762	13.97	\$45,689	8.00%	\$57,111	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$77,066	13.48%				
CIBM Bank	72,611	12.71	\$34,267	6.00%	\$45,689	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	\$77,066	10.16%				
CIBM Bank	72,611	9.58	\$30,333	4.00%	\$37,916	5.00%
Common Equity Tier 1 (2)						
CIBM Bank	\$72,611	12.71%	\$25,700	4.50%	\$37,122	6.50%
December 31, 2021						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$82,846	15.53%				
CIBM Bank	78,086	14.66	42,624	8.00	\$53,280	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$76,158	14.28%				
CIBM Bank	71,406	13.40	31,968	6.00	\$42,624	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	\$76,158	10.22%				
CIBM Bank	71,406	9.59	29,792	4.00	\$37,240	5.00%
Common Equity Tier 1 (2)						
CIBM Bank	\$71,406	13.40%	\$23,976	4.50%	\$34,632	6.50%

(Dollars in thousands)

- (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.