

CIB Marine Bancshares, Inc. (OTCQB: CIBH). This report provides additional detailed financial information for the quarter ended March 31, 2020. Please see our Shareholder Letter dated May 7, 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 March 31,						
Interest-earning assets						
Securities (1)	\$120,411	\$763	2.53%	\$121,111	\$804	2.65%
Loans held for sale (1)	13,124	119	3.63	2,643	85	13.08
Loans (1)(2)	511,173	5,703	4.49	489,676	5,693	4.72
Federal funds sold, reverse repos and interest-earning due from banks	9,158	51	2.26	54,739	433	3.21
Total interest-earning assets	653,866	6,636	4.08	668,169	7,015	4.25
Noninterest-earning assets	39,157			42,001		
Total assets	\$693,023			\$710,170		
Interest-bearing liabilities						
Interest-bearing deposits	\$461,643	\$1,512	1.32%	\$480,057	\$1,805	1.52%
Borrowed funds	61,631	177	1.16	67,136	373	2.26
Total interest-bearing liabilities	523,274	1,689	1.30	547,193	2,178	1.61
Noninterest-earning liabilities:						
Noninterest-bearing demand deposits	70,324			62,745		
Accrued interest and other liabilities	4,446			8,573		
Preferred equity	37,489			39,384		
Common equity	57,490			52,275		
Total stockholders' equity	94,979			91,659		
Total liabilities and stockholders' equity	\$693,023			\$710,170		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$130,592	\$4,947	2.78%	\$120,976	\$4,837	2.64%
Net interest margin (1)(4)			3.04%			2.94%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.25			1.22		

(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 \$0.1 million during the first quarter of 2020 compared to the same quarter of 2019 and the net interest margin increased by 10 basis points over the same period 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 significant promotional deposit accounts in a lower rate environment.

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

	March 31, 2020		December 31, 2019		March 31, 2019	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)					
Commercial	\$48,975	9.5%	\$44,415	8.7%	\$48,683	10.0%
Commercial real estate	258,440	50.3	266,391	51.9	257,431	52.7
Construction and development	21,153	4.2	18,472	3.6	14,641	3.0
Residential real estate	160,417	31.2	157,788	30.7	142,665	29.2
Home equity	21,321	4.2	22,332	4.4	21,156	4.3
Purchased home equity pools	2,808	0.5	2,935	0.6	3,664	0.7
Other consumer	364	0.1	835	0.1	426	0.1
Gross loans	513,478	100.0%	513,168	100.0%	488,666	100.0%
Deferred loan costs	514		537		607	
Loans	513,992		513,705		489,273	
Allowance for loan losses	(8,107)		(8,007)		(7,865)	
Loans, net	\$505,885		\$505,698		\$481,408	

Nonperforming Assets and Selected Asset Quality Ratios (unaudited)

	March 31, 2020	December 31, 2019	March 31, 2019
		(Dollars in thousands)	
Nonperforming assets			
Nonaccrual loans:			
Commercial	\$—	\$262	\$1,286
Commercial real estate	3,957	4,284	3,987
Construction and development	—	26	—
Residential real estate	420	425	372
Home equity	624	595	681
Other consumer	—	—	—
	5,001	5,592	6,326
Loans held for sale	—	—	—
Total nonaccrual loans	5,001	5,592	6,326
Other real estate owned	2,335	2,396	2,466
Total nonperforming assets	\$7,336	\$7,988	\$8,792
Restructured loans accruing			
Commercial	\$—	\$—	\$—
Commercial real estate	203	208	222
Residential real estate	908	973	1,234
Home equity	—	—	—
Purchased home equity pools	291	292	330
Other consumer	—	—	—
Total restructured loans accruing	\$1,402	\$1,473	\$1,786
90 days or more past due still accruing	\$18	\$42	\$119
Ratios			
Nonaccrual loans to total loans (1)	0.97%	1.09%	1.29%
Other real estate owned to total assets	0.33	0.34	0.35
Nonperforming assets to total assets (1)	1.04	1.13	1.25
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (1)	1.25	1.38	1.66
Nonperforming assets, restructured loans and 90 days or more past due and still accruing loans to total assets (1)	1.24	1.35	1.51

(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 March 31, 2020								
Balance at beginning of period	\$899	\$5,292	\$476	\$763	\$478	\$89	\$10	\$8,007
Provision for (reversal of) loan losses	(50)	142	86	82	(33)	(22)	(3)	202
Charge-offs	(102)	(52)	(26)	—	—	—	(1)	(181)
Recoveries	6	—	—	31	11	31	—	79
Balance at end of period	\$753	\$5,382	\$536	\$876	\$456	\$98	\$6	\$8,107
Quarter ended March 31, 2019								
Balance at beginning of period	\$1,924	\$4,248	\$408	\$688	\$549	\$125	\$5	\$7,947
Provision for (reversal of) loan losses	99	79	(155)	(35)	(100)	(48)	2	(158)
Charge-offs	(35)	—	—	—	—	—	—	(35)
Recoveries	6	—	—	3	48	54	—	111
Balance at end of period	\$1,994	\$4,327	\$253	\$656	\$497	\$131	\$7	\$7,865

Nonaccrual loan volumes decreased \$0.6 million since the start of the year and, as a result, nonaccrual loans to total loans decreased from 1.09% at December 31, 2019, to 0.97% at March 31, 2020.

Provisions for loan losses were \$0.2 million during the first quarter of 2020, primarily due to adjustments in factors related to COVID-19. This compares to a reversal of loan losses of \$0.2 million during the same period of 2019, primarily the result of more recoveries than charge-offs.

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 March 31, 2020</u>						
Commercial	\$77	\$—	\$—	\$77	\$48,898	\$48,975
Commercial real estate	2,593	—	—	2,593	251,890	254,483
Construction and development	—	—	18	18	21,135	21,153
Residential real estate	1,031	—	—	1,031	158,966	159,997
Home equity	83	—	—	83	20,614	20,697
Purchased home equity pools	129	—	—	129	2,679	2,808
Other consumer	—	—	—	—	364	364
Deferred loan costs	4	—	—	4	510	514
Total	\$3,917	\$—	\$18	\$3,935	\$505,056	\$508,991
<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 March 31, 2019</u>						
Commercial	\$215	\$—	\$119	\$334	\$47,063	\$47,397
Commercial real estate	—	337	—	337	253,107	253,444
Construction and development	—	—	—	—	14,641	14,641
Residential real estate	—	—	—	—	142,293	142,293
Home equity	—	—	—	—	20,475	20,475
Purchased home equity pools	49	—	—	49	3,615	3,664
Other consumer	—	—	—	—	426	426
Deferred loan costs	—	1	—	1	606	607
Total	\$264	\$338	\$119	\$721	\$482,226	\$482,947

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)						
March 31, 2020 (1)						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$81,101	15.36%				
CIBM Bank	78,359	14.87	42,156	8.00	\$52,695	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$74,482	14.11%				
CIBM Bank	71,754	13.62	31,617	6.00	\$42,156	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	\$74,482	11.08%				
CIBM Bank	71,754	10.68	26,864	4.00	\$33,580	5.00%
Common Equity Tier 1 (2)						
CIBM Bank	\$71,754	13.62%	\$23,713	4.50%	\$34,252	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 buffers were 1.875% and 2.5% for the calendar years 2018 and 2019, respectively. 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.