

CIB Marine Bancshares, Inc. (OTCQB: CIBH). This report provides additional detailed financial information for the quarter ended June 30, 2021. Please see our Shareholder Letter dated August 5, 2021, located at www.cibmarine.com for a summary description of our financial results.

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

	2021			2020		
	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)	\$112,005	\$551	1.97%	\$116,468	\$661	2.27%
Loans held for sale (1)	14,366	95	2.67	53,664	451	3.39
Loans (1)(2)	543,425	5,583	4.12	544,236	5,540	4.09
Federal funds sold, reverse repos and interest-earning due from banks	42,711	10	0.09	9,681	17	0.67
Total interest-earning assets	712,507	6,239	3.51	724,049	6,669	3.70
Noninterest-earning assets	33,247			37,878		
Total assets	\$745,754			\$761,927		
Interest-bearing liabilities						
Interest-bearing deposits	\$493,969	\$447	0.36%	\$478,212	\$1,263	1.06%
Borrowed funds	27,019	9	0.13	91,953	80	0.35
Total interest-bearing liabilities	520,988	456	0.35	570,165	1,343	0.95
Noninterest-earning liabilities:						
Noninterest-bearing demand deposits	113,470			88,989		
Accrued interest and other liabilities	4,291			5,684		
Preferred equity	37,308			37,464		
Common equity	69,697			59,625		
Total stockholders' equity	107,005			97,089		
Total liabilities and stockholders' equity	\$745,754			\$761,927		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$191,519	\$5,783	3.16%	\$153,884	\$5,326	2.76%
Net interest margin (1)(4)			3.26%			2.96%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.37			1.27		

	2021			2020		
	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)	\$109,943	\$1,106	2.01%	\$118,428	\$1,424	2.40%
Loans held for sale (1)	23,411	270	2.33	33,506	570	3.42
Loans (1)(2)	539,294	11,107	4.15	527,796	11,243	4.28
Federal funds sold, reverse repos and interest-earning due from banks	42,859	21	0.10	9,421	68	1.44
Total interest-earning assets	715,507	12,504	3.53	689,151	13,305	3.88
Noninterest-earning assets	34,803			38,514		
Total assets	\$750,310			\$727,665		
Interest-bearing liabilities						
Interest-bearing deposits	\$493,674	\$959	0.39%	\$469,973	\$2,775	1.19%
Borrowed funds	36,233	33	0.18	76,876	257	0.67
Total interest-bearing liabilities	529,907	992	0.38	546,849	3,032	1.11
Noninterest-earning liabilities:						
Noninterest-bearing demand deposits	108,833			79,708		
Accrued interest and other liabilities	5,051			5,068		
Preferred equity	37,308			37,476		
Common equity	69,211			58,564		
Total stockholders' equity	106,519			96,040		
Total liabilities and stockholders' equity	\$750,310			\$727,665		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$185,600	\$11,512	3.15%	\$142,302	\$10,273	2.77%
Net interest margin (1)(4)			3.24%			3.00%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.37			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 increased \$1.2 million during the first six months of 2021 and \$0.5 million for the second quarter of 2021 compared to the same periods of 2020, respectively. The primary reason for the change is the lower cost of funds, due to lower market rates, and a change in mix of deposits relative to the change in loan yields, which declined more slowly in part because of the predominantly fixed rate nature of the portfolio and the change in mix away from first lien residential loans to commercial real estate loans. Paycheck Protection Program loans also contributed positively. The net interest margin improved by 24 basis points during the first six months of 2021 compared to the same period of 2020 with the cost of interest bearing liabilities down 73 basis points and the yield on loans down 13 basis points; and a 30 basis point improvement over the second quarter of 2021 compared to the same quarter of 2020 with the cost of interest bearing liabilities down 60 basis points and total interest earnings asset yields down 19 basis points, respectively. The decline in the cost of interest bearing liabilities was due to a number of factors, including a change in deposit balance mix from higher to lower rate products and a fall in general market interest rates; reduced competition for interest bearing funding; the repricing of a substantial portion of our time deposits (e.g., due to maturity or a call execution on callable CDs) and money market accounts in a lower rate environment; and the pay-off of short-term borrowings.

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

	Loan Portfolio Segments (unaudited)					
	June 30, 2021		December 31, 2020		June 30, 2020	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)					
Commercial	\$64,403	11.6%	\$70,608	13.1%	\$78,892	14.7%
Commercial real estate	318,796	57.6	284,852	52.8	260,366	48.6
Construction and development	18,503	3.3	23,866	4.4	18,741	3.5
Residential real estate	134,607	24.3	141,223	26.2	156,545	29.2
Home equity	15,660	3.0	16,583	3.1	18,791	3.5
Purchased home equity pools	1,353	0.2	1,917	0.3	2,467	0.4
Other consumer	324	0.0	345	0.1	356	0.1
Gross loans	553,646	100.0%	539,394	100.0%	536,158	100.0%
Deferred loan costs (fees)	(4)		(167)		(466)	
Loans	553,642		539,227		535,692	
Allowance for loan losses	(9,165)		(9,122)		(8,483)	
Loans, net	\$544,477		\$530,105		\$527,209	

	Select Real Estate Loan Property Types (1) (unaudited)					
	June 30, 2021		December 31, 2020		June 30, 2020	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)					
Office	\$66,138	11.9%	\$61,516	11.4%	\$42,883	8.0%
Retail	53,138	9.6	39,701	7.4	43,415	8.1
Warehouse	23,495	4.2	22,991	4.3	23,027	4.3
Manufacturing	24,856	4.5	23,863	4.4	25,718	4.8
Hospitality	25,365	4.6	25,505	4.7	25,670	4.8
Hospitals and Clinics	11,841	2.1	14,576	2.7	18,729	3.5
Nursing Home and Assisted Living	11,896	2.1	12,129	2.2	5,727	1.1
Multifamily Apartments	49,145	8.9	48,443	9.0	37,118	6.9
Restaurants and Food Service	19,643	3.5	13,871	2.6	12,695	2.4

(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)**

	June 30, 2021	December 31, 2020	June 30, 2020
Nonperforming assets			
Nonaccrual loans:			
Commercial	\$—	\$—	\$—
Commercial real estate	157	236	3,914
Construction and development	—	—	—
Residential real estate	282	311	407
Home equity	617	703	610
Other consumer	—	—	—
	<u>1,056</u>	<u>1,250</u>	<u>4,931</u>
Loans held for sale	—	—	—
Total nonaccrual loans	<u>1,056</u>	<u>1,250</u>	<u>4,931</u>
Other real estate owned	403	1,875	2,334
Total nonperforming assets	<u>\$1,459</u>	<u>\$3,125</u>	<u>\$7,265</u>
Restructured loans accruing			
Commercial	\$—	\$—	\$—
Commercial real estate	—	188	198
Residential real estate	570	540	421
Home equity	—	—	—
Purchased home equity pools	139	188	190
Other consumer	—	—	—
Total restructured loans accruing	<u>\$709</u>	<u>\$916</u>	<u>\$809</u>
90 days or more past due still accruing	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>

Ratios

Nonaccrual loans to total loans (1)	0.19%	0.23%	0.92%
Other real estate owned to total assets	0.05	0.25	0.29
Nonperforming assets to total assets (1)	0.19	0.42	0.92
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (1)	0.32	0.40	1.07
Nonperforming assets, restructured loans and 90 days or more past due and still accruing loans to total assets (1)	0.29	0.54	1.02

(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, 2021								
Balance at beginning of period	\$814	\$6,305	\$844	\$761	\$412	\$111	\$6	\$9,253
Provision for (reversal of) loan losses	(57)	335	(317)	(114)	(17)	(130)	—	(300)
Charge-offs	—	—	—	—	—	—	—	—
Recoveries	—	64	—	1	2	145	—	212
Balance at end of period	<u>\$757</u>	<u>\$6,704</u>	<u>\$527</u>	<u>\$648</u>	<u>\$397</u>	<u>\$126</u>	<u>\$6</u>	<u>\$9,165</u>
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	<u>\$797</u>	<u>\$5,732</u>	<u>\$436</u>	<u>\$901</u>	<u>\$452</u>	<u>\$159</u>	<u>\$6</u>	<u>\$8,483</u>

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)								
Six months ended June 30, 2021								
Balance at beginning of period	\$914	\$6,005	\$812	\$824	\$439	\$122	\$6	\$9,122
Provision for (reversal of) loan losses	(157)	635	(285)	(178)	(65)	(230)	—	(280)
Charge-offs	—	—	—	—	—	—	—	—
Recoveries	—	64	—	2	23	234	—	323
Balance at end of period	\$757	\$6,704	\$527	\$648	\$397	\$126	\$6	\$9,165
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

The reversal of loan losses was \$280,000 for the first six months of 2021 versus a provision of \$451,000 for the same period of 2020, reflecting primarily net recoveries in 2021 versus 2020 and lower environmental and qualitative factors related to an improving economic environment due to opening up the economy and various federal support programs from 2020 and 2021. The Company still has higher than normal environmental and qualitative factors, however, due to pandemic related economic risks in a number of commercial sectors as outlined in the Commercial Loans at Higher Risk to COVID-19 section below.

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 June 30, 2021						
Commercial	\$—	\$—	\$—	\$—	\$64,403	\$64,403
Commercial real estate	2,033	—	—	2,033	316,606	318,639
Construction and development	—	—	—	—	18,503	18,503
Residential real estate	—	—	—	—	134,325	134,325
Home equity	93	—	—	93	14,950	15,043
Purchased home equity pools	37	43	—	80	1,273	1,353
Other consumer	—	—	—	—	324	324
Deferred loan costs	—	—	—	—	(4)	(4)
Total	\$2,163	\$43	\$—	\$2,206	\$550,380	\$552,586
At December 30, 2020						
Commercial	\$—	\$—	\$—	\$—	\$70,608	\$70,608
Commercial real estate	—	—	—	—	284,616	284,616
Construction and development	—	—	—	—	23,866	23,866
Residential real estate	1,123	—	—	1,123	139,789	140,912
Home equity	14	70	—	84	15,796	15,880
Purchased home equity pools	29	—	—	29	1,888	1,917
Other consumer	—	—	—	—	345	345
Deferred loan costs	—	—	—	—	(167)	(167)

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)					
Total	\$1,166	\$70	\$—	\$1,236	\$536,741	\$537,977
At June 30, 2020						
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

The increase in past due loans from December 30, 2020, to June 30, 2021, was due primarily to 1 commercial real estate loan in the hospitality industry.

Commercial Loans at Higher Risk from COVID-19

Management has identified six sectors as the most susceptible to immediate increased credit risk from the impact of COVID-19: retail, office space, hotels, health and social services, restaurants, and recreation.

	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)								
June 30, 2021									
Commercial real estate	\$53,138	\$60,561	\$25,365	\$6,792	\$18,008	\$6,111	\$169,975	\$318,796	53%
Commercial and industrial	—	15,636	518	1,687	3,478	825	22,144	64,403	34
Commercial construction	-	5,577	0	673	1,635	—	7,885	18,503	43
Total	\$53,138	\$81,774	\$25,883	\$9,152	\$23,121	\$6,936	\$200,004	\$401,702	50%
December 31, 2020									
Commercial real estate	\$38,289	\$60,969	\$22,916	\$9,629	\$10,708	\$6,324	\$148,835	\$284,852	52%
Commercial and industrial	—	19,268	182	3,679	1,856	708	25,693	70,607	36
Commercial construction	1,411	547	2,589	3,417	3,163	—	11,127	23,866	47
Total	\$39,700	\$80,784	\$25,687	\$16,725	\$15,727	\$7,032	\$185,655	\$379,325	49%

(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. Since December 31, 2020, a number of loan opportunities emerged that met our underwriting requirements with acceptable risk profiles leading to higher outstanding balances at June 30, 2021, more notably in the retail and restaurant industries.

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
June 30, 2021						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$96,390	18.02%				
CIBM Bank (1)	91,374	17.11	\$42,731	8.00%	\$53,414	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$89,673	16.76%				
CIBM Bank (1)	84,666	15.85	\$32,048	6.00%	\$42,731	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	\$89,673	12.32%				
CIBM Bank (1)	84,666	11.64	\$29,083	4.00%	\$36,354	5.00%
Common Equity Tier 1 (2)						
CIBM Bank (1)	\$84,666	15.85%	\$24,036	4.50%	\$34,719	6.50%
December 31, 2020						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$91,868	17.44%				
CIBM Bank	86,664	16.47	42,090	8.00	\$52,613	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$85,253	16.19%				
CIBM Bank	80,056	15.22	31,568	6.00	\$42,090	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	\$85,253	11.46%				
CIBM Bank	80,056	10.77	29,736	4.00	\$37,170	5.00%
Common Equity Tier 1 (2)						
CIBM Bank	\$80,056	15.22%	\$23,676	4.50%	\$34,198	6.50%

(Dollars in thousands)

- (1) With all regulatory approvals received, CIBM Bank distributed \$18,000,000 to the parent company, CIB Marine Bancshares, Inc., in the last week of July in preparation for the first repurchase of preferred stock under the announced plan to repurchase all the preferred stock of CIB Marine that is pending shareholder approvals. The pro-forma CIBM Bank capital ratios in the order listed in the table above are 13.74%, 12.48%, 9.40% and 12.48%, respectively.
- (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.