CIB MARINE BANCSHARES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

CONTENTS

Crowe

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Audit Committee
CIB Marine Bancshares, Inc.
Brookfield, Wisconsin

Opinion

We have audited the consolidated financial statements of CIB Marine Bancshares, Inc., which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of CIB Marine Bancshares, Inc. as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CIB Marine Bancshares, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CIB Marine Bancshares, Inc.'s ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CIB Marine Bancshares, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CIB Marine Bancshares, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Crowe LLP

Crowe LLP

Oakbrook Terrace, Illinois
February 7, 2025

	At December 31, 2024	At December 31, 2023
	(Dollars in thousands, except share data)	
Assets		
Cash and due from banks	$6,748	$9,491
Securities available for sale	118,206	129,370
Equity securities at fair value	2,133	2,159
Loans held for sale	13,291	9,209
Loans	697,093	722,084
Allowance for credit losses	(8,790)	(9,136)
Net loans	688,303	712,948
Federal Home Loan Bank stock	2,607	2,709
Premises and equipment, net	1,570	3,602
Accrued interest receivable	2,651	2,983
Deferred tax assets, net	12,955	14,753
Other real estate owned, net	200	375
Bank owned life insurance	6,437	6,247
Goodwill and other intangible assets, net	64	64
Other assets	11,309	5,150
Total assets	$866,474	$899,060
Liabilities and Stockholders' Equity		
Deposits:		
Noninterest-bearing demand	$86,886	$89,025
Interest-bearing demand	84,833	90,232
Savings	224,960	256,059
Time	295,699	292,249
Total deposits	692,378	727,565
Short-term borrowings	71,973	67,227
Long-term borrowings	9,762	9,729
Accrued interest payable	1,911	1,883
Other liabilities	12,489	7,581
Total liabilities	788,513	813,985
Stockholders' Equity		
Preferred stock, $1 par value; 5,000,000 authorized shares; 7% fixed rate noncumulative perpetual issued shares; 14,633 of Series A; 1,610 of Series B convertible; aggregate liquidation preference-$16.2 million at December 31, 2023	—	13,806
Common stock, $1 par value; 75,000,000 authorized shares;1,372,642 and 1,349,392 issued shares; 1,358,573 and 1,335,323 outstanding shares at December 31, 2024 and 2023, respectively	1,372	1,349
Capital surplus	181,708	181,282
Accumulated deficit	(99,487)	(105,335)
Accumulated other comprehensive income, net	(5,098)	(5,493)
Treasury stock 14,791 shares at cost at both December 31, 2024 and 2023	(534)	(534)
Total stockholders' equity	77,961	85,075
Total liabilities and stockholders' equity	$866,474	$899,060

See accompanying Notes to Consolidated Financial Statements

CIB MARINE BANCSHARES, INC.
Consolidated Statements of Operations and Comprehensive Income

	Years Ended December 31,	
	2024	2023
	(Dollars in thousands, except per share data)	
Interest Income		
Loans	$41,548	$33,533
Loans held for sale	870	666
Securities	4,782	4,478
Other investments	344	392
Total interest income	47,544	39,069
Interest Expense		
Deposits	24,685	14,429
Borrowings	2,018	3,185
Total interest expense	26,703	17,614
Net interest income	20,841	21,455
Provision (credit) for credit losses	(463)	(92)
Net interest income after provision (credit) for credit losses	21,304	21,547
Noninterest Income		
Deposit service charges	251	330
Other service fees	(14)	36
Mortgage banking revenue, net	7,203	6,025
Other income	778	578
Unrealized gains (loss) recognized on equity securities	(25)	30
Net gains on sale of assets	4,959	1,901
Total noninterest income	13,152	8,900
Noninterest Expense		
Compensation and employee benefits	18,185	18,651
Equipment	1,890	1,956
Occupancy and premises	1,822	1,747
Data processing	883	889
Federal deposit insurance	744	530
Professional services	912	1,109
Telephone and data communication	232	240
Insurance	310	317
Other expense	2,188	2,499
Total noninterest expense	27,166	27,938
Income from operations before income taxes	7,290	2,509
Income tax expense	1,848	1,629
Net income	5,442	880
Preferred stock dividends	—	—
Discount from repurchase of preferred stock	406	—
Net income allocated to common stockholders	$5,848	$880
Earnings Per Share		
Basic net income	$4.32	$0.66
Diluted net income	$3.38	$0.49
Weighted average shares-basic	1,352,585	1,324,131
Weighted average shares-diluted	1,729,521	1,811,975
Net income	$5,442	$880
Other Comprehensive Income		
Change in unrealized holding gains on securities available for sale, net of tax	320	1,404
Change in unrealized holding gains on securities available for sale for which a portion of OTTI has been recognized in earnings, net of reclassification, net of tax	75	(52)
Net realized gains on available for sale securities	—	—
Total other comprehensive income	395	1,352
Comprehensive income	$5,837	$2,232

See accompanying Notes to Consolidated Financial Statements

CIB MARINE BANCSHARES, INC.
Consolidated Statements of Stockholders' Equity

	Common Stock					Accumulated Other		
	Shares	Par Value	Preferred Stock	Capital Surplus	Accumulated Deficit	Comprehensive Income (Loss)	Treasury Stock	Total
	(Dollars in thousands, except share data)							
Balance at January 1, 2023	1,323,547	$1,324	$13,806	$180,777	$(105,025)	$(6,845)	$(534)	$82,503
Cumulative effect of change in accounting principle (Note 1)					(1,190)			(1,190)
Balance at January 1, 2023 (as adjusted for change in accounting principle	1,323,547	$1,324	$13,806	$180,777	$(106,215)	$(6,845)	$(534)	$82,313
Net income					880			880
Other comprehensive income	—	—	—	—	—	1,352	—	1,352
Total comprehensive income								2,232
Restricted stock awards vesting	25,845	25	—	(25)	—	—	—	—
Restricted stock awards employee pay-in capital	—	—	—	530	—	—	—	530
Preferred shares repurchased	—	—	—	—	—	—	—	—
Balance at December 31, 2023	1,349,392	$1,349	$13,806	$181,282	$(105,335)	$(5,493)	$(534)	$85,075
Balance at January 1, 2024	1,349,392	$1,349	$13,806	$181,282	$(105,335)	$(5,493)	$(534)	$85,075
Net income					5,442			5,442
Other comprehensive income	—	—	—	—	—	395	—	395
Total comprehensive income								5,837
Restricted stock awards vesting	23,250	23	—	(23)	—	—	—	—
Restricted stock awards employee pay-in capital	—	—	—	449	—	—	—	449
Preferred shares repurchased	—	—	(13,806)	—	406	—	—	(13,400)
Balance at December 31, 2024	1,372,642	$1,372	$—	$181,708	$(99,487)	$(5,098)	$(534)	$77,961

See accompanying Notes to Consolidated Financial Statements

CIB MARINE BANCSHARES, INC.
Consolidated Statements of Cash Flows

	Years Ended December 31,	
	2024	2023
	(Dollars in thousands)	
Cash Flows from Operating Activities		
Net income	$5,442	$880
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Deferred loan fee amortization	(140)	(29)
Depreciation and other amortization	753	633
Lease payments	1,124	898
Restricted stock awards	449	530
Provision (credit) for credit losses	(463)	(92)
Mortgage banking revenue, net	(7,203)	(6,025)
Origination of mortgage loans held for sale	(247,087)	(187,554)
Proceeds from mortgage loans held for sale	250,277	189,176
Change in mortgage loans held for sale fair value	(69)	251
Originations of SBA loans held for sale	(4,700)	(2,200)
Proceeds from SBA loans held for sale	5,322	2,351
SBA gain on sale of loans held for sale	(622)	(151)
Change in deferred tax assets, net	1,641	(80)
Earnings from bank owned life insurance	(190)	(171)
Net gains on sale of assets, excluding loans held for sale	(4,562)	(307)
Unrealized loss (gain) recognized on equity securities	25	(30)
Write down and losses on assets, excluding loans held for sale	225	71
Net change in interest receivable and other assets	(1,865)	(1,977)
Net change in accrued interest payable and other liabilities	(723)	2,922
Net cash used in operating activities	(2,366)	(904)
Cash Flows from Investing Activities		
Sale of Danville branch deposits	—	(1,514)
Maturities of securities available for sale	20,096	24,450
Purchase of securities available for sale	(10,212)	(28,080)
Repayments of asset and mortgage-backed securities available for sale	10,472	15,122
Purchase of mortgage-backed securities available for sale	(8,718)	(16,834)
Net decrease in other investments	192	33
Decrease (increase) in FHLBC and other stock	102	(812)
Purchase of residential loans	(4,509)	—
Net decrease (increase) in loans	29,858	(144,274)
Proceeds from sales of other real estate owned	240	12
Proceeds from sale of assets	6,519	191
Premises and equipment expenditures	(473)	(178)
Net cash provided by (used in) investing activities	43,567	(151,884)
Cash Flows from Financing Activities		
(Decrease) Increase in deposits, net of broker fee amortization	(35,290)	100,174
Redemption of preferred stock	(13,400)	—
Net increase in short-term borrowings	4,746	42,438
Net cash (used in) provided by financing activities	(43,944)	142,612
Net decrease in cash and cash equivalents	(2,743)	(10,176)
Cash and cash equivalents, beginning of year	9,491	19,667
Cash and cash equivalents, end of year	$6,748	$9,491
Supplemental Cash Flow Information		
Transfer of loans to other real estate owned	$283	$—
Cash paid (received) during the year for:		
Interest expense	$26,675	$16,285
Income taxes	73	(8)

See accompanying Notes to Consolidated Financial Statements

Note 1-Significant Accounting Policies

Nature of Operations

CIB Marine Bancshares, Inc. ("CIB Marine" or the "Company") is a financial services holding company which provides a full range of banking and related services through its banking subsidiary, CIBM Bank, and one non-bank subsidiary that holds legacy loans and other real estate owned being collected. References to "CIB Marine" or the "Company" include CIB Marine's subsidiaries unless otherwise specified. The primary sources of revenue are predominantly from loans to small and middle-market business customers, investments in securities, and mortgage banking activity. CIBM Bank also offers a range of deposit and other financial products to its customers. Its offices and customers are generally located in the central and northeastern Illinois, Milwaukee, and Indianapolis markets.

Basis of Financial Statement Presentation

The consolidated financial statements include the accounts of CIB Marine and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

The accompanying audited consolidated financial statements have been prepared in accordance with accounting principles generally accepted ("GAAP") in the United States ("U.S."). References to GAAP as promulgated by the Financial Accounting Standards Board ("FASB") are made according to sections of the Accounting Standards Codification ("ASC") and to Accounting Standards Updates ("ASU").

Subsequent Events

CIB Marine has evaluated subsequent events for recognition and disclosure through February 7, 2025, which is the date the financial statements were available to be issued.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including the allowance for credit losses, other real estate owned and disclosure of contingent assets and liabilities, as applicable, at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available for sale which is also recognized as a separate component of equity.

Cash Flows

For purposes of presentation in the Consolidated Statements of Cash Flows, cash and cash equivalents include cash, deposits with other financial institutions with maturities fewer than 90 days, and federal funds sold. Net cash flows are reported for customer loan and deposit transactions, interest-bearing deposits in other financial institutions, reverse repurchase agreements, short-term Federal Home Loan Bank Chicago ("FHLBC") borrowings, and federal funds purchased and repurchase agreements.

Reverse Repurchase Agreements

Reverse repurchase agreements are transactions where CIB Marine buys U.S. government guaranteed portions of SBA 7(a) loans or loan pools at a market price with an agreement to sell the asset at a future date. An excess margin of 3% in SBA 7(a) loan assets or cash is maintained over the amount purchased. The assets are held by a third party custodian. Reverse repurchase transactions are carried at cost plus accrued interest. At both December 31, 2024 and 2023 the balances were zero.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are recorded at fair value as of each balance sheet date. The fair value includes the servicing value of the loans as well as any accrued interest.

Mortgage loans held for sale are generally sold with servicing rights released to the investor. The carrying value of the mortgage loans held for sale includes the value of the servicing rights. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carry value of the related loan sold.

CIB Marine originates loans approved under the Small Business Administration 7(a) loan program (“SBA 7(a) loans”). SBA 7(a) loans originated and intended for sale in the secondary market that have been fully funded are recorded at fair value as of each balance sheet date. The fair value is for the government guaranteed portion of the loan. SBA 7(a) loans are sold with servicing retained by CIB Marine.

Other loans held for sale are carried at the lower of cost or fair value, determined on an individual loan basis. When a loan is transferred to held for sale, the loan’s carrying value is compared to its fair value and any shortfall in value is recorded as a charge-off to the allowance for credit losses. All subsequent net declines in fair value of loans held for sale are recorded to noninterest expense. In the event that loans held for sale are reclassified to loans held in portfolio, the loans are transferred at lower of cost or fair value on the date of transfer, forming the new cost basis of such loans. The cash proceeds from the sale of loans that were reclassified from loans held in portfolio to loans held for sale are classified as investing activities in the Consolidated Statements of Cash Flows. Loans are generally sold with servicing rights released.

Investment Securities

Available for sale securities consist of bonds, notes and other debt securities not classified as held to maturity securities, trading securities, or equity securities. Available for sale securities are carried at fair value with unrealized net gains and losses reported in accumulated other comprehensive income (loss) (“AOCI”), net of tax.

Realized net gains or losses on securities sales (using specific identification method) are included in noninterest income as appropriate.

The amortized cost of available for sale securities is adjusted for amortization of premiums and accretion of discounts to the call date for callable securities and over the estimated remaining life of the security for others. Such amortization is calculated using the level-yield method, adjusted for prepayments on mortgage-backed securities, and is included in interest income from securities.

Equity securities are carried at fair value with unrealized gains/losses recognized through income. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment.

Allowance for Credit Losses – Available For Sale Securities. For available for sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security’s amortized cost basis is written down to fair value through income. For debt securities available for sale that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. At adoption on January 1, 2023, and at December 31, 2024, the allowance for credit losses for available for sale securities was not material.

Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the non-collectability of an available for sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available for sale debt securities totaled $494,000 and $481,000 at December 31, 2024 and 2023, respectively, and is excluded from the estimate of credit losses.

Loans

Loans that management has the intent and ability to hold for the foreseeable future are carried at the amount of unpaid principal, increased by costs to originate loans and premiums paid on purchased loans, and reduced by net deferred fees and an allowance for credit losses. The accrual of interest on all classes of loans is generally discontinued when a loan becomes 90 days or more delinquent in accordance with the loan's contractual terms unless the credit is well secured and in process of collection. All classes of loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered by management to be doubtful. Unpaid interest that has previously been recorded as income is written off against interest income when a loan is placed on nonaccrual. Interest on loans is calculated by using the simple interest method on daily balances of the principal amount outstanding. Interest payments received on loans which are on nonaccrual are generally applied to reduce the loan principal. Loans are returned to accrual status once a borrower has demonstrated repayment performance on the contractual schedule for a period of six consecutive months and the expectation is that contractual payments will continue to be made during the remaining term of the loan.

Loan origination fees are deferred and certain direct origination costs are capitalized. The amounts deferred and capitalized, as well as premiums on purchased loans, are included in the carrying amount of the loans and amortized over the estimated life of the loans as an adjustment of the yield of the related loan. Amortization of deferred loan fees and costs ceases when a loan is placed on nonaccrual. Fees for loans sold and other loan fees are included in the net gain or loss recognized on the sale.

Allowance for Credit Losses – Loan Portfolio. The allowance for credit losses is a valuation account that is deducted from, or added to, the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management confirms the loan balance is uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses.

Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as changes or differences in underwriting standards, portfolio mix and concentrations, delinquency and other asset quality levels and trends, experience and depth of lending management, loan review systems or nature and volume of the portfolio, and terms of the loans as well as for changes in environmental conditions, such as changes in gross domestic product, unemployment rates, property values, or other relevant factors for both the local and the national economy.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Company has identified the following portfolio segments.

> Commercial: loans for business purposes that are collateralized primarily by non-real estate assets, including equipment, inventory, receivables and other, as well as unsecured. These are typically 3- to 5-year loans but include 1-year revolving lines of credit or longer-term loans.
>
> Commercial real estate: business purpose loans that are collateralized primarily by commercial real estate assets, typically to purchase or refinance the commercial real estate. These are typically fixed rate and longer-term loans – generally, from 3 to 10 years. These include owner occupied, non-owner occupied and multifamily rental properties.

Construction and development: loans secured by real estate property for the purpose of purchasing the property, as well as to make land improvements or develop the property. These are typically variable rate short-term loans, generally from 6 to 18 months long during the development phase of the project or loans with a similar development period that convert to a longer-term commercial real estate or residential real estate loan after the development period.

Residential real estate: loans to purchase or refinance 1-4 family residential real estate. These include owner occupied (i.e., principal residence of the borrower) and non-owner-occupied rental properties and include fixed rate and variable rate loans with amortizations from 10 to 30 years, where the variable rate loans are annually reset at a spread to the 1-year U.S. Treasury after an initial fixed rate period that typically is from 5 to 10 years.

Home equity: loans secured by 1-4 family residential real estate where the lender is typically in a second lien position on the property. These include home equity lines of credit that are variable rate revolving lines of credit with a term of 5 to 10 years, and home equity term loans that are fixed rate with a term to maturity of 5 to 15 years.

Purchased home equity pools: home equity term loans that were purchased by CIB Marine in 2006 and 2007 from a third party.

Other consumer: other consumer purpose loans typically are from 1 to 10 years in term that are either unsecured or secured by non-real estate property. These also include overdraft protection loans.

The Company measures the allowance for credit losses using the following methods for each of the respective segments:

For each loan pool, expected loss estimates are developed using the discounted cash flows methodology. The cash flows of each loan within each respective segment collective pool is projected based on the terms and characteristics of each loan and key assumptions at the respective pool level, including: prepayment rates, curtailment rates, probability of default rates, loss given default rates, resolution time or recovery delay. These assumptions are developed as outlined below.

Prepayment rates are based on historical analysis for prepayment rates experienced in historically similar environments and curtailment rates are based on the historical experience for applicable lines of credit loan types (i.e., construction and home equity lines of credit).

The probability of default rates are forecasted based on the coefficients derived in statistical regression models that utilizes gross domestic product (“GDP”) growth rate and/or unemployment rate time series as the independent variables and the loss rates for a group of peer community banks including CIBM Bank as the dependent variable, over a period of 15 years or more. The peer banks are similarly situated banks from Illinois, Wisconsin, and Indiana with asset sizes between $300 million and $3 billion. The first four future quarters of GDP growth rate and unemployment rates are based on the median economic forecasts provided by the Federal Open Market Committee, with a straight-line reversion over the following four quarters to the long-term average. The historical time series is from the period 2004 through 2019 and excludes the complicating factors related to the COVID pandemic. At this time, it is assumed the pandemic has nominal influences on forecasted outcomes.

The loss given default is based on the “Frye-Jacobs estimation technique”, which in effect reflects the relationship between the probability of default and the loss given default.

A reasonable resolution time or recovery delay was determined to be one year.

After the cash flows are derived over the contractual term of the loan adjusted for applicable prepayment and curtailment rates, they are then discounted using the loans effective interest rate, or contractual interest rate adjusted for net deferred fees, costs, premium or other discount existing at the origination or acquisition of the asset.

Loans are segmented at the Federal Deposit Insurance Corporation ("FDIC") regulatory call reporting code level as this best characterizes loans with similar risk profiles, terms and other characteristics given the size of the portfolio and respective segments.

Certain loans are evaluated on an individual basis, and thereby excluded from the collective evaluation. These loans include $6.4 million in collateral-dependent loans where the expected credit loss is based on the fair value of the collateral at the reporting date less any applicable selling costs with a total allowance for credit loss of $56,000; $0.2 million in pooled home equity loans purchased from a third-party in 2006 and 2007 and select other smaller loans evaluated using loan pricing with a total allowance for credit loss of $7,000; and $0.2 million in loans with modifications for borrowers experiencing financial difficulty evaluated using discounted cash flows with a total allowance for credit loss of $1,000.

The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring will be executed with an individual borrower, or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures. The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over the loans' estimated life using the loss rates assigned to the same respective loan portfolio segment.

Concentration of Credit Risk. Most of CIB Marine's primary business activity is with customers located within or adjacent to the following metropolitan areas where CIB Marine maintains bank branches: central Illinois along the I74 corridor; Chicago, Illinois; Indianapolis, Indiana; and Milwaukee, Wisconsin. In addition, during 2023 CIB Marine expanded its residential lending market to include Massachusetts, Connecticut, New Jersey, and Rhode Island, and reentered Michigan, Florida, and Arizona. These new locations have mortgage lenders and/or mortgage offices located in them. In some cases, CIB Marine has begun to hold the portfolio loans from these states and the total principal balance of residential portfolio loans with mortgage properties from these states totals $28 million. Therefore, CIB Marine's exposure to credit risk is significantly affected by changes in the economy in each of those respective areas. CIB Marine limits its lending across each of those geographic areas; across segments; and, for commercial real estate, between non-owner and owner occupied and across property types. CIB Marine recognizes concentrations in non-owner occupied commercial real estate and in first lien purchase and refinance residential mortgage loans.

Management considers the following when assessing risk in the loan portfolio:

- Commercial loans are dependent on the condition of the industries of the related borrowers and the strength of their businesses. Commercial loans are typically advances for equipment purchases, to provide working capital or to meet other financing needs of business enterprises. These loans may be secured by accounts receivable, inventory, equipment, or other business assets. Financial information is obtained from the borrower at the time of origination to evaluate ability to repay the loans and periodically updated during the life of the loan.

- Commercial real estate loans and construction development loans are dependent on the industries tied to these loans, the local commercial real estate market, and other relevant factors like the local labor markets. The loans are secured by the real estate, and appraisals are obtained to support the loan amount. The project's cash flows is reviewed to evaluate the borrower's ability to repay the loan at the time of origination and periodically updated during the life of the loan.

- Residential real estate and home equity loans are loans secured with a mortgage on a residential property. These loans may be affected by the local residential real estate market, the labor markets in the local economy, and, for variable rate mortgages, movement in indices tied to these loans. At the time of origination, CIBM Bank evaluates the borrower's repayment ability through a review of credit scores, debt to income ratios, and other relevant factors. Appraisals are obtained to support the loan amount.

- Consumer loans are affected by labor markets in the local economy. The loans may be unsecured or secured by various assets including automobiles, equity investments, deposits, and other eligible collateral. At the time of origination, borrower credit worthiness is evaluated using the borrower's credit score, debt to income ratio, and other relevant factors.

SBA and Fannie Mae Loan Servicing Rights

When loans guaranteed by the Small Business Administration ("SBA") are sold with servicing retained, and when mortgage loans are originated and sold to the Federal National Mortgage Association ("Fannie Mae"), servicing rights are initially recorded at fair value with the income statement effect recorded in gains on sales of loans. Fair value is based on market prices for comparable mortgage servicing contracts, when available, or on a valuation model that calculates the present value of estimated future net servicing income of the underlying loans.

Servicing rights are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. Impairment is recognized through a valuation allowance for each loan, as applicable, to the extent that fair value is less than the carrying amount. If CIB Marine later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. Changes in valuation allowances are reported with other income on the income statement and, for the years ended December 31, 2024 and 2023, were $4,000 and $2,000, respectively. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses.

Servicing fee income from SBA and Fannie Mae loans, which are reported on the income statement as other income, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal, or a fixed amount per loan, and are recorded as income when earned. The amortization of SBA servicing rights and impairments are netted against loan servicing fee income. Servicing fees for the years ended December 31, 2024, and 2023, were $244,000 and $242,000, respectively. Late fees and ancillary fees related to loan servicing are not material.

Premises and Equipment

Land is carried at cost. Premises and equipment are carried at cost less accumulated depreciation computed primarily using the straight-line method. Maintenance and repairs are charged to expense as incurred, while renewals and betterments are capitalized. Estimated useful lives of assets are 39 years for buildings and 3 to 10 years for furniture and equipment. Leasehold improvements included in premises and equipment are amortized over the shorter of the useful life of the improvements or the term of the lease.

Other Real Estate Owned

Other real estate owned ("OREO") includes assets that have been received in satisfaction of debt. OREO is transferred at fair value less selling costs and subsequently measured for impairment. Any valuation adjustments required at the date of transfer to OREO are charged to the allowance for credit losses. OREO income in the consolidated statements of operations includes rental income from properties and gains on sales. Property expenses, which include carrying costs, required valuation adjustments, and losses on sales, are reported as expenses in the consolidated statements of operations.

Federal Home Loan Bank Chicago ("FHLBC") Stock

CIBM Bank is a member of the FHLBC system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLBC stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Bank Owned Life Insurance

CIBM Bank has purchased life insurance policies on certain current and former key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Goodwill and Intangible Assets

The excess of the cost of an acquisition over the fair value of the net assets acquired consists primarily of goodwill and other identifiable intangibles (primarily related to customer relationships acquired). The other intangibles have estimated finite lives and are amortized on an accelerated basis to expense over their weighted average life (an original weighted average life of 10 years and is fully amortized 2023). CIB Marine reviews long-lived assets and certain identifiable intangibles for impairment at least annually, or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, in which case an impairment charge would be recorded. Goodwill is not amortized but, instead, is subject to impairment tests on at least an annual basis. In addition, goodwill is tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Any impairment of goodwill or other intangibles will be recognized as an expense in the period of impairment. CIB Marine completes its annual goodwill impairment test as of December 31 of each year. Note 8-Goodwill and Intangible Assets includes a summary of CIB Marine's goodwill and other intangibles.

Stock-Based Compensation

Compensation cost is recognized for restricted stock awards and other stock awards issued to employees, based on the fair value of these awards at the date of grant. With regard to restricted stock awards, the market price as represented in the OTCQB, and since September 27, 2021, the OTCQX market, is used to estimate the fair value of the CIB Marine's common stock at the date of grant.

Compensation cost is recognized over the required service period, if any, generally defined as the vesting period. For awards with step vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. For stock awards without a vesting period, compensation is recognized at the date of the grant. Estimated future forfeitures are not factored into compensation costs, rather they are recognized as they occur.

The restricted stock awards are classified as equity and forfeitures are accounted for when they occur. Excess tax benefits and tax deficiencies (including tax benefits of dividends on share-based payment awards) are recognized as income tax expense or benefit in the income statement.

Income Taxes

Deferred income taxes are provided for temporary differences between the amounts reported for assets and liabilities for financial statement purposes and their tax basis. Deferred tax assets are recognized for temporary differences that are expected to be deductible in future years' tax returns and for operating loss and tax credit carryforwards. Deferred tax assets are reduced by a valuation allowance through a charge to income tax expense when, in the opinion of management, it is deemed more likely than not that some or all of the deferred tax assets will not be realized. Deferred tax liabilities are recognized for temporary differences that will be taxable in future years' tax returns.

CIB Marine and its subsidiaries file a consolidated federal income tax return and unitary, combined and separate state tax returns where required. CIB Marine has entered into tax allocation agreements with its subsidiary entities included in the consolidated U.S. federal and unitary or combined state income tax returns, including U.S. operations of companies held for sale or disposal. These agreements govern the timing and amount of income tax payments required by the various entities.

Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through income tax expense (benefit).

CIB Marine provides for uncertain tax positions and the related interest and penalties based upon management's assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. CIB Marine recognizes any interest and penalties related to unrecognized tax benefits in the provision for income tax. CIB Marine management believes the amount is immaterial at December 31, 2024 and 2023.

Retirement and Other Benefit Plans

Employee 401(k) expenses are presented in the income statement in compensation and employee benefits at the amount of matching contributions. Supplemental Employee Retirement Plan ("SERP") expense allocates the benefits over years of service.

Earnings (Loss) Per Common Share

Basic earnings (loss) per common share are computed by dividing net income (loss) allocated to common stockholders by the weighted average number of shares outstanding during the periods. Shares-based payment awards including unvested awards of restricted stock are forfeitable and have forfeitable dividends and are excluded from the basic earnings (loss) per common share calculation. Diluted earnings (loss) per common share is computed by dividing net income (loss) allocated to common stockholders by the weighted average number of common shares adjusted for the dilutive effect of the weighted average of outstanding unexercised stock options, unvested restricted stock awards, and the potential conversion of Series B preferred stock. The dilutive effect of unvested restricted stock awards, if any, is computed using the treasury stock method. Unvested restricted stock awards, and conversion rights of the Series B preferred stock, have been deemed antidilutive (i.e., are not included in the earnings (loss) per share calculation when a loss per share is reported).

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be relinquished when the assets have been isolated from CIB Marine, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and CIB Marine does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Derivative and Hedging Activities

CIB Marine uses certain derivative financial instruments to help manage its risk or exposure to changes in interest rates. All derivatives are recognized on the balance sheet at their fair value. On the date a derivative contract is entered into, CIB Marine designates the derivative as either (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("Fair-Value Hedge"), (2) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability ("Cash-Flow Hedge"), or (3) an instrument with no hedging designation ("Stand-Alone Derivative"). Changes in the fair value of a derivative that is highly effective as, and that is designated and qualifies as, a Fair-Value Hedge, along with the loss or gain on the corresponding hedged asset or liability (including losses or gains on firm commitments), are recorded in current period earnings. Changes in the fair value of a derivative that is highly effective as, and that is designated and qualifies as, a Cash-Flow Hedge are recorded in other comprehensive income until earnings are affected by the variability of cash flows (e.g., when periodic settlements on a variable rate asset or liability are recorded in earnings). Changes in the fair value of derivative trading instruments that do not qualify for hedge accounting are reported in current period earnings as non-interest income.

At the time the hedging instrument is entered into, CIB Marine formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as Fair-Value Hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. CIB Marine formally assesses, for all hedges, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions will be or have been highly effective in offsetting changes in fair values of hedged items and whether they are expected to continue to be highly effective in the future.

CIB Marine discontinues hedge accounting prospectively when (1) it is determined that the derivative is no longer effective in offsetting changes in the fair value of a hedged item (including firm commitments or forecasted transactions); (2) the derivative expires or is sold, terminated, or exercised; (3) the derivative is designated as a hedge instrument because it is unlikely that a forecasted transaction will occur; (4) a hedged firm commitment no longer meets the definition of a firm commitment; or (5) management determines that designation of the derivative as a hedge instrument is no longer appropriate or intended.

When hedge accounting is discontinued, subsequent changes in fair value of the derivative are recorded as noninterest income. When a Fair Value Hedge is discontinued, the hedged asset or liability is no longer adjusted for changes in fair value and the existing basis adjustment is amortized or accreted over the remaining life of the asset or liability.

CIB Marine entered into interest rate swaps to hedge changes in the fair value of certain loans attributable to changes in market interest rates. CIB Marine primarily used interest rate swaps that effectively converted the fixed rate on the financial instruments to a floating rate. These interest rate swaps have been designated as Fair Value Hedges.

CIB Marine enters into commitments, known as interest rate lock commitments (“IRLC”), to originate loans whereby the interest rate on the loan is determined prior to funding. IRLCs on residential mortgage loans that are intended for sale are considered to be derivatives. Therefore, they are recorded at fair value with changes in fair value recorded in mortgage banking revenue. CIB Marine estimates the fair value of an IRLC based on the underlying mortgage loan and the probability that the mortgage loan will fund within the terms of the IRLC. The fair value of the underlying mortgage loan is based on quoted mortgage-backed security prices. Closing ratios derived using CIB Marine’s recent historical empirical data are utilized to estimate the quantity of mortgage loans that will fund within the terms of the IRLCs. IRLCs expose CIB Marine to interest rate risk, which CIB Marine manages by entering into one of two different types of forward commitments. The first is contingent on the closing of the mortgage loan and is called a Best Efforts Contract (“BE”). The second type, used for IRLC and loans held for sale (“LHFS”) that are not under a BE but are intended to be originated with the purpose of selling them, is referred to as a To Be Announced Mortgage Backed Security (“TBA”). The BEs and TBAs are also derivatives recorded at fair value based on the prices of TBAs with similar or same terms trading in the market with changes in their fair value reported in revenues from mortgage loans. The cash flows from these BEs and TBAs are classified in operating activities in the Consolidated Statement of Cash Flows. Residential mortgage loans originated and sold to investors are sold either under a BE or a mandatory sale arrangement. The former is committed to at the time the IRLC is executed but the related loan is only required to be delivered if the loan actually closes, and the latter is negotiated with an investor for the loan after the loan is closed and represents a firm commitment to deliver the loan to the purchasing investor. All of the mortgage banking derivatives are recorded as Stand-Alone Derivatives with no hedging designation.

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Operating Segments

CIB Marine’s reportable segments are comprised of strategic business units primarily based upon industry categories and, to a lesser extent, the core competencies relating to product origination, distribution methods, operations and servicing, as well as organizational structure. CIB Marine’s segment reporting is consistent with the presentation of financial information to the chief operating decision maker to evaluate segment performance, develop strategy, and allocate resources. CIB Marine’s chief operating decision maker is its Chief Executive Officer. The mortgage segment includes the operations of the mortgage division of CIBM Bank with revenue derived from residential real estate loan originations and sales. The banking segment includes the operations of CIBM Bank and CIB Marine Capital, LLC. The banking segment derives its revenue principally from investments in interest-earning assets as well as noninterest income typical for the banking industry. The corporate segment includes the holding company’s financing and investment activities, and management and administrative expenses to support the operations of the holding company. Disaggregated information at the branch level is not presented since results are generally similar and aggregated into the respective banking, mortgage and other segments for appropriate representation.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Such expenses are included in noninterest expense. Legal fees related to the defense of litigation are recognized as incurred.

Adoption of New Accounting Standards

On January 1, 2024, CIB Marine adopted ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This ASU improves reportable segment disclosures primarily by enhancing disclosure requirements about significant segment expenses and additional annual disclosure requirements. This ASU impacts disclosures only and does not have an impact on our consolidated financial statements.

On January 1, 2023, CIB Marine adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* as amended, which replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology.

CIB Marine adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet ("OBS") credit exposures. CIB Marine recorded a net $1.2 million decrease to retained earnings as of January 1, 2023, for the cumulative effect of adopting ASC 326. The transition adjustment includes $1.2 million for the allowance for credit losses for loans, plus $0.4 million for the allowance for unfunded commitments and minus $0.3 million for tax.

CIB Marine adopted ASC 326 using the prospective transition approach for debt securities for which other-than-temporary impairment ("OTTI") had been recognized prior to January 1, 2023. As a result, the amortized cost basis remains the same before and after the effective date of ASC 326. The effective interest rate on these debt securities was not changed. Amounts previously recognized in accumulated other comprehensive income as of January 1, 2023, relating to improvements in cash flows expected to be collected will be accreted into income over the remaining life of the asset. Recoveries of amounts previously written off relating to improvements in cash flows after January 1, 2023, will be recorded in earnings when received.

The effective interest rate used to discount expected cash flows considers the timing of expected cash flows resulting from expected prepayments for troubled debt restructurings that existed at January 1, 2023. The prepayment-adjusted effective interest rate uses the original contractual rate and prepayment assumptions at January 1, 2023.

The following table illustrates the impact of ASC 326.

	At January 1, 2023		
	As Reported Under ASC 326	**Pre-ASC 326 Adoption**	**Impact of ASC 326 Adoption**
	(Dollars in thousands)		
Assets:			
Loans			
Commercial	$544	$794	$(250)
Commercial real estate	5,747	5,481	266
Construction	1,150	449	701
Residential real estate	1,550	920	630
Home equity	132	250	(118)
Consumer	1	—	1
Allowance for credit losses on loans	$9,124	$7,894	$1,230
Liabilities			
Allowance for credit losses on OBS credit exposure	$410	$—	$410

Note 2-Cash and Due from Banks

There was no reserve requirement at December 31, 2024, and 2023.

Note 3-Investment Securities

The amortized cost, gross unrealized gains and losses, and fair values of available for sale securities at December 31, 2024, and 2023, are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
December 31, 2024				
U.S. treasury securities	$2,941	$—	$(67)	$2,874
U.S. government agencies	10,777	6	(222)	10,561
States and political subdivisions	22,204	—	(1,347)	20,857
Trust preferred collateralized debt obligations	4,460	—	(671)	3,789
Asset backed securities	1,116	—	(7)	1,109
Residential mortgage-backed securities (agencies)	83,723	102	(4,809)	79,016
Total securities available for sale	$125,221	$108	$(7,123)	$118,206
December 31, 2023				
U.S. treasury securities	$9,917	$4	$—	$9,921
U.S. government agencies	12,148	3	(204)	11,947
States and political subdivisions	24,980	6	(1,480)	23,506
Trust preferred collateralized debt obligations	4,651	—	(860)	3,791
Asset backed securities	1,685	—	(29)	1,656
Residential mortgage-backed securities (agencies)	83,556	86	(5,093)	78,549
Total securities available for sale	$136,937	$99	$(7,666)	$129,370

There was no allowance for credit losses recorded as of December 31, 2024 and 2023.

There were no sales of securities in 2024 or 2023.

Securities available for sale with a carrying value of $51.7 million and $82.3 million at December 31, 2024, and 2023, respectively, were pledged to secure public deposits, repurchase agreements, Federal Reserve Discount Window advances, letter of credit guidance facilities, interest rate swaps based on required amounts specified in agreements with counterparties, and for other purposes as required or permitted by law. Pledge requirements were $37.8 million at December 31, 2024, with the excess of $13.9 million representing over-pledged positions that would be available for additional borrowings or release.

The amortized cost and fair value of available for sale securities at December 31, 2024, by contractual maturity are shown below. Certain securities, other than mortgage-backed securities, may be called earlier than their maturity date. Expected maturities may differ from contractual maturities in mortgage-backed securities, because certain mortgages may be prepaid without penalties. Therefore, mortgage-backed securities are not included in the maturity categories in the following contractual maturity schedule.

	Amortized Cost	Fair Value
	(Dollars in thousands)	
Due in one year or less	$5,295	$5,276
Due after one year through five years	13,578	13,171
Due after five years through ten years	13,508	12,451
Due after ten years	8,001	7,183
	40,382	38,081
Residential mortgage-backed securities (agencies)	83,723	79,016
Asset backed securities	1,116	1,109
Total securities available for sale	$125,221	$118,206

The following tables represent gross unrealized losses and the related fair value of available for sale securities aggregated by investment category and length of time individual securities have been in a continuous unrealized loss position at December 31, 2024, and 2023:

	Less than 12 Months in an Unrealized Loss Position		12 Months or Longer in an Unrealized Loss Position		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(Dollars in thousands)			
December 31, 2024						
U.S treasury securities	$2,874	$(67)	$—	$—	$2,874	$(67)
U.S. government agencies	4,098	(66)	4,691	(156)	8,789	(222)
States and political subdivisions	2,752	(51)	16,770	(1,296)	19,522	(1,347)
Trust preferred collateralized debt obligations	—	—	3,789	(671)	3,789	(671)
Asset-backed securities	—	—	1,109	(7)	1,109	(7)
Residential mortgage-backed securities (agencies)	10,334	(196)	57,875	(4,613)	68,209	(4,809)
Total securities with unrealized losses	$20,058	$(380)	$84,234	$(6,743)	$104,292	$(7,123)
Securities without unrealized losses					13,914	
Total securities					$118,206	
December 31, 2023						
U.S treasury securities	$—	$—	$—	$—	$—	$—
U.S. government agencies	1,277	(4)	7,980	(200)	9,257	(204)
States and political subdivisions	1,536	(9)	20,158	(1,471)	21,694	(1,480)
Trust preferred collateralized debt obligations	—	—	3,791	(860)	3,791	(860)
Asset-backed securities	—	—	1,656	(29)	1,656	(29)
Residential mortgage-backed securities (agencies)	15,448	(258)	58,002	(4,835)	73,450	(5,093)
Total securities with unrealized losses	$18,261	$(271)	$91,587	$(7,395)	$109,848	$(7,666)
Securities without unrealized losses					19,522	
Total securities					$129,370	

Net unrealized losses on investment securities were $7.0 million at December 31, 2024 and $7.6 million at December 31, 2023. At December 31, 2024, trust preferred collateralized debt obligations ("TPCDOs") accounted for $0.7 million in net unrealized losses and the remaining securities had net unrealized losses of $6.3 million.

States and Political Subdivisions ("Municipal Securities"). At December 31, 2024 and December 31, 2023, for those Municipal Securities rated by nationally recognized statistical rating agencies, all were rated investment grade. At December 31, 2024, there was one local municipal security that was not rated by a nationally recognized statistical rating agency but determined to be the equivalent of investment grade. It had a par and market value of $1.3 million and remaining term of less than one year.

Trust Preferred Collateralized Debt Obligations. At December 31, 2024, CIB Marine held three TPCDOs of $4.8 million par value with an amortized cost of $4.5 million and fair value of $3.8 million. To a limited extent, these securities are protected against credit loss by credit enhancements, such as over-collateralization and subordinated securities. Unless they are the most senior class security in the structure, however, they also may be subordinated to more senior classes as identified later in this section. All the TPCDOs have collateral pools and are not single-issuer securities. Preferred Term Securities, LTD ("PreTSLs") 27 A-1 and 28 A-1 are the most senior classes where all other classes issued in the pools are subordinated to them, and PreTSL 26 B-1 is a mezzanine or subordinated class - but not the most deeply subordinated class of securities in the pools.

For TPCDO security PreTSL 26 B-1, CIB Marine had recorded $0.1 million credit-related OTTI and placed it on nonaccrual status prior to 2011. There has been no new allowance for credit loss for this security during 2024 or 2023. Deterioration in the financial industry could result in additional allowance related to credit loss that would be recognized through a reduction in earnings. PreTSL 26 B-1's unrealized loss is $0.6 million at December 31, 2024, largely due to prior deferrals and defaults, related deteriorations in the credit quality of many of the issuers represented in the collateral pools, and high liquidity premiums for securities of this type and quality. For CIB Marine's holdings in PreTSL 26 B-1, the deferrals and defaults of issuers in the collateral pools had risen to a level that holders of those securities began receiving "payments-in-kind" ("PIK") at the June 2009 payment date. However, during 2013, CIB Marine's PreTSL 26 B-1 security began receiving principal and interest payments again and placed back on accrual status. The TPCDOs were performing as to full and timely payments throughout 2023, 2024, and at December 31, 2024.

CIB Marine evaluates securities in its portfolio for expected credit loss by evaluating estimated discounted cash flows and comparing this to the current amortized cost of each respective security. When the estimated discounted cash flows are less than the current amortized cost of a security, a provision expense for the allowance for credit loss is recognized through earnings. To determine whether a provision is needed is evident in the TPCDOs, projected cash flows are discounted using the Index Rate plus the original discount margin. The Index Rate for each security is the three-month U.S. dollar synthetic LIBOR ("LIBOR"). The discount rates are as follows: LIBOR + 0.56% for PreTSL 26 B-1, LIBOR + 0.30% for PreTSL 27 A-1 and LIBOR + 0.90% for PreTSL 28 A-1. Other key assumptions used in deriving cash flows for the pool of collateral for determining whether a credit loss provision is needed includes default rate scenarios with annualized default rate vector of 0.25% per annum over the remaining life; loss severity rates of approximately 85%, or a recovery rate of 15%; and prepayment speeds of approximately 1% per annum. All current defaults are applied a loss severity of 100%, or a recovery rate of 0%; all current deferrals are applied a loss severity of 85%, or a recovery rate of 15%, with a two to five year recovery lag; and all future deferral or default events are considered to be defaults with a two year recovery lag and loss severity of 85%, or a recovery rate of 15%.

Additional information related to the TPCDOs and related estimated credit loss as of December 31, 2024, is provided in the table below:

	PreTSL 26	PreTSL 27	PreTSL 28
	(Dollars in thousands)		
Class	B-1	A-1	A-1
Seniority	Mezzanine	Senior	Senior
Amortized cost	$3,374	$787	$299
Fair value	$2,772	$730	$287
Unrealized loss	$(602)	$(57)	$(12)
Provision for estimated credit loss recognized in earnings in 2024 (1)	$—	$—	$—
Moody's/S&P Ratings	Baa1/NR	Aa1/NR	Aaa/NR
Percent of current deferrals and defaults to total collateral balances	18%	20%	19%
Percent of excess subordination to performing collateral (2)	29%	65%	84%

(1) Prior to the year 2012 a credit loss related OTTI was recognized in earnings in PreTSL 26 for $103,000 and the amortized cost was reduced by that amount at that time.

(2) The excess subordination as a percentage of the remaining performing collateral is calculated by taking the difference of total current performing collateral less the current class balances of the applicable and senior classes divided by the total current performing collateral.

Residential Mortgage-Backed Securities ("Agency MBS"). At December 31, 2024, and 2023, approximately 59% and 58%, respectively, of the carrying value of Agency MBS held by CIB Marine were issued by U.S. government-sponsored entities, primarily Fannie Mae and Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac"), which the U.S. government has affirmed its commitment to support. The remainder were issued by Government National Mortgage Association ("GNMA" or "Ginnie Mae") and are explicitly backed by the full faith and credit of the U.S. government. At December 31, 2024, and 2023, $26.8 million of the $79.0 million and $24.1 million of the $78.5 million, respectively, in fair value of Agency MBS were issued to finance multifamily residential properties, commonly known as commercial mortgage-backed securities. CIB Marine does not have the intent to sell these mortgage-backed securities and it is likely that it will not be required to sell the securities before their anticipated recovery. As a result, CIB Marine does not consider these securities to have an allowance for credit loss at December 31, 2024.

Mutual Funds are the only securities affected by ASU 2016-01 *Recognition and Measurement of Financial Assets and Financial Liabilities*. The fair value of the Mutual Fund, which is listed with the securities symbol of CRAIX, was $2.1 million and $2.2 million at December 31, 2024, and 2023, respectively, based on original purchases of $2.5 million in CRAIX in prior years. These are classified as equity securities on the balance sheet. The unrealized recognized gains (losses) through income was $25,000 and $30,000 for the years ended December 31, 2024, and 2023, respectively. The Mutual Fund was purchased and is held for purposes of assisting in complying with the Community Reinvestment Act and consists mostly of long-term fixed income residential mortgage-backed securities issued by FNMA, FHLMC and GNMA (60%), taxable municipal securities (13%), corporate bonds (13%) and U.S. Treasury (6%), with the remainder in asset backed securities, money market instruments and tax-exempt municipal securities. The total U.S. government and agency securities totaled 67%. The Mutual Fund holdings are rated by S&P and Moody's rating agencies as follows (where rated by more than one, the median rating is represented):

Ratings of Mutual Fund Holdings	
AAA	3%
AA	85%
A	10%
B	0%
Money Markets	2%

Roll Forward of the Allowance for Credit Losses on Debt Securities. There was no provision for expected credit losses for the years ended December 31, 2024, and 2023, and there was no allowance for credit losses related to investment securities, respectively. All unrealized losses are expected to be recovered through the maturity or final payoff of the respective securities.

Note 4-Loans and Allowance for Credit Losses

Loans

The components of loans were as follows:

	At December 31, 2024		At December 31, 2023	
	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)			
Commercial	$95,961	13.8%	$91,898	12.7%
Commercial real estate	350,485	50.4	359,002	50.0
Construction and development	32,712	4.7	55,762	7.7
Residential real estate	198,181	28.5	197,643	27.4
Home equity	18,165	2.6	16,185	2.2
Purchased home equity pools	249	0.0	318	0.0
Other consumer	42	0.0	81	0.0
Gross loans	695,795	100.0%	720,889	100.0%
Deferred loan (fees) costs	1,298		1,195	
Loans	697,093		722,084	
Allowance for credit losses	(8,790)		(9,136)	
Loans, net	$688,303		$712,948	

CIB Marine serves the credit needs of its customers by offering a wide variety of loan programs, primarily in Wisconsin, Illinois, and Indiana. For financial institutions, significant loan concentrations may occur when groups of borrowers have similar economic characteristics and are similarly affected by changes in economic or other conditions. At December 31, 2024, and 2023, significant concentrations exist in commercial real estate loans.

The following table presents the activity in the allowance for credit losses by portfolio segment for the years ended December 31, 2024 and 2023:

	At or For the Year Ended December 31, 2024							
	Commercial	Commercial Real Estate	Construction and Development	Residential Real Estate	Home Equity	Purchased Home Equity Pools	Other Consumer	Total
	(Dollars in thousands)							
Balance at beginning of year	$692	$5,099	$1,207	$2,003	$126	$9	$—	$9,136
Provision (credit) for credit losses	66	427	(632)	(51)	(16)	(81)	15	(272)
Charge-offs	(69)	(75)	—	—	—	—	(15)	(159)
Recoveries	—	—	—	—	7	78	—	85
Balance at end of year	$689	$5,451	$575	$1,952	$117	$6	$—	$8,790

	At or For the Year Ended December 31, 2023							
	Commercial	Commercial Real Estate	Construction and Development	Residential Real Estate	Home Equity	Purchased Home Equity Pools	Other Consumer	Total
	(Dollars in thousands)							
Balance at beginning of year prior to adoption of ASC 326	$794	$5,481	$449	$920	$239	$11	$—	$7,894
Impact of adopting ASC 326	(250)	266	701	630	(118)	1	—	1,230
Provision (credit) for credit losses	148	(648)	57	467	20	(116)	35	(37)
Charge-offs	—	—	—	(14)	(24)	—	(35)	(73)
Recoveries	—	—	—	—	9	113	—	122
Balance at end of year	$692	$5,099	$1,207	$2,003	$126	$9	$—	$9,136

The following table presents the amortized cost basis of loans on nonaccrual status and loans past due 90 days or more still accruing as of December 31, 2024 and 2023.

	At December 31, 2024		
	Nonaccrual With No Allowance for Credit Loss	Total Nonaccrual	Loans Past Due 90 days or More Still Accruing
	(Dollars in thousands)		
Commercial	$5,089	$5,100	$—
Commercial real estate:			
Owner occupied	—	—	—
Non-owner occupied	—	—	—
Construction and development	—	—	—
Residential real estate:			
Owner occupied	—	—	—
Non-owner occupied	—	—	—
Home equity	500	551	76
Purchased home equity pools	—	—	—
Other consumer	—	—	—
Deferred loan fees	—	—	—
Total	$5,589	$5,651	$76

	At December 31, 2023		
	Nonaccrual With No Allowance for Credit Loss	**Total Nonaccrual**	**Loans Past Due 90 days or More Still Accruing**
		(Dollars in thousands)	
Commercial	$2,568	$2,651	$—
Commercial real estate:			
Owner occupied	—	336	—
Non-owner occupied	—	—	—
Construction and development	—	—	—
Residential real estate:			
Owner occupied	52	52	—
Non-owner occupied	—	—	—
Home equity	514	538	—
Purchased home equity pools	—	—	—
Other consumer	—	—	—
Deferred loan fees	1	1	—
Total	$3,135	$3,578	$—

The Company recognized $0.3 million and $0.09 million of interest income on nonaccrual loans during the years ended December 31, 2024 and 2023, respectively.

The following table presents the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2024 and 2023:

	At December 31, 2024		At December 31, 2023	
	Non Real Estate Business Assets	**Real Estate**	**Non Real Estate Business Assets**	**Real Estate**
		(Dollars in thousands)		
Commercial	$5,089	$—	$2,651	$—
Commercial real estate:				
Owner occupied	—	—	—	336
Non-owner occupied	—	356	—	—
Construction and development	—	—	—	—
Residential real estate:				
Owner occupied	—	498	—	52
Non-owner occupied	—	—	—	—
Home equity	—	504	—	538
Purchased home equity pools	—	—	—	—
Other consumer	—	—	—	—
Total	$5,089	$1,358	$2,651	$926

The following table presents the aging of the amortized cost basis in past-due loans as of December 31, 2024, and 2023 by class of loans:

	December 31, 2024					
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Loans Not Past Due	Total
	(Dollars in thousands)					
Accruing Loans						
Commercial	$158	$—	$—	$158	$90,703	$90,861
Commercial real estate:						
Owner occupied	—	—	—	—	93,191	93,191
Non-owner occupied	—	1,208	—	1,208	256,086	257,294
Construction and development	—	—	—	—	32,712	32,712
Residential real estate:						
Owner occupied	971	308	—	1,279	165,989	167,268
Non-owner occupied	—	—	—	—	30,913	30,913
Home equity	18	—	76	94	17,520	17,614
Purchased home equity pools	—	—	—	—	249	249
Other consumer	—	—	—	—	42	42
Deferred loan fees	2	3	—	5	1,293	1,298
Total	$1,149	$1,519	$76	$2,744	$688,698	$691,442
Nonaccrual Loans (1)						
Commercial	$—	$—	$2,532	$2,532	$2,568	$5,100
Commercial real estate:						
Owner occupied	—	—	—	—	—	—
Non-owner occupied	—	—	—	—	—	—
Construction and development	—	—	—	—	—	—
Residential real estate:						
Owner occupied	—	—	—	—	—	—
Non-owner occupied	—	—	—	—	—	—
Home equity	—	—	500	500	51	551
Purchased home equity pools	—	—	—	—	—	—
Other consumer	—	—	—	—	—	—
Deferred loan costs	—	—	—	—	—	—
Total	$—	$—	$3,032	$3,032	$2,619	$5,651
Total loans						
Commercial	$158	$—	$2,532	$2,690	$93,271	$95,961
Commercial real estate:						
Owner occupied	—	—	—	—	93,191	93,191
Non-owner occupied	—	1,208	—	1,208	256,086	257,294
Construction and development	—	—	—	—	32,712	32,712
Residential real estate:						
Owner occupied	971	308	—	1,279	165,989	167,268
Non-owner occupied	—	—	—	—	30,913	30,913
Home equity	18	—	576	594	17,571	18,165
Purchased home equity pools	—	—	—	—	249	249
Other consumer	—	—	—	—	42	42
Deferred loan fees	2	3	—	5	1,293	1,298
Total	$1,149	$1,519	$3,108	$5,776	$691,317	$697,093

(1) Nonaccrual loans that are not past due often represent loans with deep collateral depreciation and significantly deteriorated financial condition with weakened guarantors, where applicable, but borrowers who have been able to make payments or bring loans current.

	December 31, 2023					
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Loans Not Past Due	Total
	(Dollars in thousands)					
Accruing Loans						
Commercial	$—	$—	$—	$—	$89,247	$89,247
Commercial real estate:						
Owner occupied	—	—	—	—	88,315	88,315
Non-owner occupied	—	—	—	—	270,351	270,351
Construction and development	—	—	—	—	55,762	55,762
Residential real estate:						
Owner occupied	2,618	137	—	2,755	173,084	175,839
Non-owner occupied	81	—	—	81	21,671	21,752
Home equity	230	—	—	230	15,418	15,648
Purchased home equity pools	—	—	—	—	318	318
Other consumer	—	—	—	—	81	81
Deferred loan fees	5	—	—	5	1,190	1,195
Total	$2,934	$137	$—	$3,071	$715,437	$718,508
Nonaccrual Loans (1)						
Commercial	$—	$—	$2,651	$2,651	$—	$2,651
Commercial real estate:						
Owner occupied	—	—	336	336	—	336
Non-owner occupied	—	—	—	—	—	—
Construction and development	—	—	—	—	—	—
Residential real estate:						
Owner occupied	—	—	50	50	2	52
Non-owner occupied	—	—	—	—	—	—
Home equity	—	14	—	14	523	537
Purchased home equity pools	—	—	—	—	—	—
Other consumer	—	—	—	—	—	—
Deferred loan costs	—	—	—	—	—	—
Total	$—	$14	$3,037	$3,051	$525	$3,576
Total loans						
Commercial	$—	$—	$2,651	$2,651	$89,247	$91,898
Commercial real estate:						
Owner occupied	—	—	336	336	88,315	88,651
Non-owner occupied	—	—	—	—	270,351	270,351
Construction and development	—	—	—	—	55,762	55,762
Residential real estate:						
Owner occupied	2,618	137	50	2,805	173,086	175,891
Non-owner occupied	81	—	—	81	21,671	21,752
Home equity	230	14	—	244	15,941	16,185
Purchased home equity pools	—	—	—	—	318	318
Other consumer	—	—	—	—	81	81
Deferred loan fees	5	—	—	5	1,190	1,195
Total	$2,934	$151	$3,037	$6,122	$715,962	$722,084

(1) Nonaccrual loans that are not past due often represent loans with deep collateral depreciation and significantly deteriorated financial condition with weakened guarantors, where applicable, but borrowers who have been able to make payments or bring loans current.

Occasionally, the Company modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, an other-than-insignificant payment delay, interest rate reduction, or a combination thereof. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

In some cases, the Company provides multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. For the loans included in the "combination" columns below, multiple types of modifications have been made on the same loan within the current reporting period. The combinations are term extension and principal forgiveness, and term extension and interest rate reduction.

The following table presents the amortized cost basis of loans at December 31, 2024 and 2023, that were both experiencing financial difficulty and modified during the years ended December 31, 2024 and 2023, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below.

	At December 31, 2024						
	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Combination Term Extension and Principal Forgiveness	Combination Term Extension Interest Rate Reduction	Total Class of Financing Receivable
	(Dollars in thousands)						
Commercial	$—	$101	$—	$—	$209	$—	—%
Commercial real estate:							
Owner occupied	—	1,823	—	—	—	—	2
Non-owner occupied	—	—	—	—	—	—	—
Construction and development	—	—	—	—	—	—	—
Residential real estate:							
Owner occupied	—	—	—	—	—	134	0
Non-owner occupied	—	—	—	—	—	—	—
Home equity	—	—	—	76	—	79	1
Purchased home equity pools	—	—	—	—	—	—	—
Other consumer	—	—	—	—	—	—	—
Deferred loan costs	—	1	—	—	—	—	—
Total	$—	$1,925	$—	$76	$209	$213	—%

	At December 31, 2023						
	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Combination Term Extension and Principal Forgiveness	Combination Term Extension Interest Rate Reduction	Total Class of Financing Receivable
	(Dollars in thousands)						
Commercial	$—	$—	$3,689	$—	$—	$—	4%
Commercial real estate:							
Owner occupied	—	—	—	—	—	—	—
Non-owner occupied	—	—	—	—	—	—	—
Construction and development	—	—	—	—	—	—	—
Residential real estate:							
Owner occupied	—	—	58	—	—	2	0
Non-owner occupied	—	—	—	—	—	—	—
Home equity	—	—	—	24	—	81	1
Purchased home equity pools	—	—	—	—	—	—	—
Other consumer	—	—	—	—	—	—	—
Deferred loan costs	—	—	—	—	—	—	—
Total	$—	$—	$3,747	$24	$—	$83	1%

The Company has committed to lend additional nominal amounts in total to the borrowers included in the previous table.

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table presents the performance of such loans that have been modified in the last 12 months:

	At December 31, 2024			
	30-59 Days Past Due	**60-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**
	(Dollars in thousands			
Commercial	$—	$—	$—	$—
Commercial real estate:				
Owner occupied	—	—	—	—
Non-owner occupied	—	—	—	—
Construction and development	—	—	—	—
Residential real estate:				
Owner occupied	—	—	—	—
Non-owner occupied	—	—	—	—
Home equity	—	—	76	76
Purchased home equity pools	—	—	—	—
Other consumer	—	—	—	—
Deferred loan costs	—	—	—	—
Total	$—	$—	$76	$76

	At December 31, 2023			
	30-59 Days Past Due	**60-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**
	(Dollars in thousands			
Commercial	$—	$—	$—	$—
Commercial real estate:				
Owner occupied	—	—	—	—
Non-owner occupied	—	—	—	—
Construction and development	—	—	—	—
Residential real estate:				
Owner occupied	—	—	—	—
Non-owner occupied	—	—	—	—
Home equity	—	—	—	—
Purchased home equity pools	—	—	—	—
Other consumer	—	—	—	—
Deferred loan costs	—	—	—	—
Total	$—	$—	$—	$—

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the years ended December 31, 2024 and 2023:

	At December 31, 2024		
	Principal Forgiveness	**Weighted-Average Interest Rate Reduction**	**Weighted-Average Term Extension**
	(Dollars in thousands		(Months)
Commercial	$—	—%	—
Commercial real estate:			
Owner occupied	—	—	—
Non-owner occupied	—	—	—
Construction and development	—	—	—
Residential real estate:			
Owner occupied	—	—	—
Non-owner occupied	—	—	—
Home equity	—	5.25	—
Purchased home equity pools	—	—	—
Other consumer	—	—	—
Deferred loan costs	—	—	—
Total	$—	5.25%	—

	At December 31, 2023		
	Principal Forgiveness	Weighted-Average Interest Rate Reduction	Weighted-Average Term Extension
	(Dollars in thousands		(Months)
Commercial	$—	—%	12
Commercial real estate:			
Owner occupied	—	—	—
Non-owner occupied	—	—	—
Construction and development	—	—	—
Residential real estate:			
Owner occupied	—	3.50	30
Non-owner occupied	—	—	—
Home equity	—	5.38	14
Purchased home equity pools	—	—	—
Other consumer	—	—	—
Deferred loan costs	—	—	—
Total	$—	5.34%	12

The following table presents the amortized cost basis of loans that had a payment default during the year ended December 31, 2024 and 2023, and were modified in the twelve months prior to that default to borrowers experiencing financial difficulty.

	At December 31, 2024			
	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction
	(Dollars in thousands			
Commercial	$—	$—	$—	$—
Commercial real estate:				
Owner occupied	—	—	—	—
Non-owner occupied	—	—	—	—
Construction and development	—	—	—	—
Residential real estate:				
Owner occupied	—	—	1	1
Non-owner occupied	—	—	—	—
Home equity	—	—	—	76
Purchased home equity pools	—	—	—	—
Other consumer	—	—	—	—
Deferred loan costs	—	—	—	—
Total	$—	$—	$1	$77

	At December 31, 2023			
	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction
	(Dollars in thousands			
Commercial	$—	$—	$—	$—
Commercial real estate:				
Owner occupied	—	—	—	—
Non-owner occupied	—	—	—	—
Construction and development	—	—	—	—
Residential real estate:				
Owner occupied	—	—	—	—
Non-owner occupied	—	—	—	—
Home equity	—	—	—	24
Purchased home equity pools	—	—	—	—
Other consumer	—	—	—	—
Deferred loan costs	—	—	—	—
Total	$—	$—	$—	$24

Upon the Company’s determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

Credit Quality Indicators. CIB Marine categorizes loans into risk categories based on relevant information about the ability of the borrowers to service their debt, such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. CIB Marine analyzes commercial, commercial real estate, and construction and development loans individually by classifying the loans as to credit risk. The process of analyzing loans for changes in risk rating is ongoing through quarterly monitoring of the portfolio, annual internal credit reviews for select loans, at the time of refinance or modification, and annual independent loan reviews that sample a majority of loan balances targeted to higher risk and higher concentrated areas of the portfolio. CIB Marine has engaged outside vendors approved by the Board of Directors to perform loan reviews annually, with the most recent having been performed during the second quarter of 2024. Management compares the results of such reviews to its own internal analysis and utilizes the results in support of current credit risk ratings and classifications. CIB Marine uses the following definitions for credit risk ratings:

> **Special Mention.** Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.
>
> **Substandard.** Loans classified as substandard have a well-defined weakness or weaknesses that may jeopardize the liquidation of the debt. Such loans are characterized by an increased possibility that the institution will sustain some loss if the deficiencies are not corrected
>
> **Doubtful.** Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable.

CIB Marine categorizes residential, home equity, purchased home equity pools, and other consumer loans into risk categories based on relevant information obtained at the time of origination about the ability of the borrower(s) to service their debt, such as current financial information, employment status and history, historical payment experience, credit scores, and type and amount of collateral, among other factors. CIB Marine updates relevant information for these types of loans at the time of refinance, troubled debt restructuring, or other indications of financial difficulty (e.g., past due status 90 days or more). A non-performing loan in these categories are those that are on non-accrual status, past due 90 days or more, or has been modified at a time of experiencing financial difficulty. All new loans are rated Pass at the time of origination. At origination, credit score and loan-to-value (“LTV”) play a significant role in the approval of the credit and borrowers are required to have a credit score above 660 and, where collateralized, a LTV of 100% or less depending on the type of collateral. CIB Marine does not originate subprime loans or non-traditional residential real estate loans. If new information obtained indicates deteriorated risk, the loan is downgraded using the same category descriptions as used for commercial, commercial real estate, and construction and development loans. In addition, CIB Marine further considers current payment status as an indicator of which risk category to assign the borrower, but only in the direction of a deteriorated risk category. Loans past due 60-89 days are classified as substandard-accrual and loans 90 days or more past due are classified as doubtful. In the special case of the loans that are part of the purchased home equity pools, loans past due 27-89 days with certain other higher risk qualities at origination are considered substandard-accrual and 90 days past due loans are charged-off in full. As a result, there are no balances for these loans in substandard-nonaccrual or doubtful categories.

The greater the level of deteriorated risk, as indicated by a loan's assigned risk category, the greater the likelihood a loss will occur in the future. The estimate of credit losses on each loan is developed as described in the accounting policies in Footnote 1.

Based on the most recent analysis preformed, the risk category of loans by class of loans is as follows:

	Term Loans Amortized Cost Basis by Origination Year							
	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	(Dollars in thousands)							
As of December 31, 2024								
Commercial:								
Risk rating								
Pass	$13,228	$25,303	$14,299	$2,075	$7,098	$28,705	$—	$90,708
Special mention	—	2,623	2,568	—	62	—	—	5,253
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total commercial loans	$13,228	$27,926	$16,867	$2,075	$7,160	$28,705	$—	$95,961
Commercial loans:								
Current period gross write-offs	$—	$—	$—	$69	$—	$—	$—	$69

	Term Loans Amortized Cost Basis by Origination Year						
	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	(Dollars in thousands)						
As of December 31, 2023							
Commercial:							
Risk rating							
Pass	$32,069	$19,140	$7,844	$9,440	$16,694	$—	$85,187
Special mention	3,689	—	124	64	183	—	4,060
Substandard	—	2,568	55	28	—	—	2,651
Doubtful	—	—	—	—	—	—	—
Total commercial loans	$35,758	$21,708	$8,023	$9,532	$16,877	$—	$91,898
Commercial loans:							
Current period gross write-offs	$—	$—	$—	$—	$—	$—	$—

	Term Loans Amortized Cost Basis by Origination Year							
	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	(Dollars in thousands)							
As of December 31, 2024								
Commercial real estate-owner occupied:								
Risk rating								
Pass	$7,815	$17,006	$16,817	$12,055	$35,820	$1,022	$—	$90,535
Special mention	—	—	165	—	2,491	—	—	2,656
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total commercial real estate-owner occupied loans	$7,815	$17,006	$16,982	$12,055	$38,311	$1,022	$—	$93,191
Commercial real estate-owner occupied loans:								
Current period gross write-offs	$—	$—	$—	$—	$75	$—	$—	$75

	Term Loans Amortized Cost Basis by Origination Year						
	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	(Dollars in thousands)						
As of December 31, 2023							
Commercial real estate-owner occupied:							
Risk rating							
Pass	$13,835	$15,342	$13,848	$42,087	$973	$—	$86,085
Special mention	—	—	—	1,955	—	—	1,955
Substandard	—	209	—	402	—	—	611
Doubtful	—	—	—	—	—	—	—
Total commercial real estate-owner occupied loans	$13,835	$15,551	$13,848	$44,444	$973	$—	$88,651
Commercial real estate-owner occupied loans:							
Current period gross write-offs	$—	$—	$—	$—	$—	$—	$—

	Term Loans Amortized Cost Basis by Origination Year							
	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	(Dollars in thousands)							
As of December 31, 2024								
Commercial real estate-nonowner occupied:								
Risk rating								
Pass	$17,026	$47,135	$33,788	$59,402	$95,296	$487	$—	$253,135
Special mention	—	—	—	—	4,159	—	—	4,159
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total commercial real estate-nonowner occupied loans	$17,026	$47,135	$33,788	$59,402	$99,455	$487	$—	$257,294
Commercial real estate-nonowner occupied loans:								
Current period gross write-offs	$—	$—	$—	$—	$—	$—	$—	$—

	Term Loans Amortized Cost Basis by Origination Year						
	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	(Dollars in thousands)						
As of December 31, 2023							
Commercial real estate-nonowner occupied:							
Risk rating							
Pass	$40,631	$46,183	$62,420	$109,790	$512	$—	$259,536
Special mention	—	—	—	7,435	—	—	7,435
Substandard	—	—	—	3,380	—	—	3,380
Doubtful	—	—	—	—	—	—	—
Total commercial real estate-nonowner occupied loans	$40,631	$46,183	$62,420	$120,605	$512	$—	$270,351
Commercial real estate-nonowner occupied loans:							
Current period gross write-offs	$—	$—	$—	$—	$—	$—	$—

	Term Loans Amortized Cost Basis by Origination Year							
	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	(Dollars in thousands)							
As of December 31, 2024								
Construction and development:								
Risk rating								
Pass	$5,854	$15,051	$4,924	$6,440	$444	$—	$—	$32,713
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total construction and development	$5,854	$15,051	$4,924	$6,440	$444	$—	$—	32,713
Construction and development: Current period gross write-offs	$—	$—	$—	$—	$—	$—	$—	$—

	Term Loans Amortized Cost Basis by Origination Year						
	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	(Dollars in thousands)						
As of December 31, 2023							
Construction and development:							
Risk rating							
Pass	$34,159	$9,280	$11,855	$468	$—	$—	$55,762
Special mention	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—
Total construction and development	$34,159	$9,280	$11,855	$468	$—	$—	55,762
Construction and development: Current period gross write-offs	$—	$—	$—	$—	$—	$—	$—

CIB Marine considers the performance of the loan portfolio and its impact on the allowance for credit losses. For residential and consumer loan classes, CIB Marine also evaluates credit quality based on the aging status of the loans, which was previously presented, and by payment activity. The following table presents the amortized cost in residential and consumer loans based on payment activity:

	Term Loans Amortized Cost Basis by Origination Year							
	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	(Dollars in thousands)							
As of December 31, 2024								
Residential real estate-owner occupied:								
Payment performance:								
Performing	$7,517	$49,362	$16,727	$31,163	$62,309	$—	$—	$167,078
Nonperforming	—	—	—	—	190	—	—	190
Total Residential real estate-owner occupied:	$7,517	$49,362	$16,727	$31,163	$62,499	$—	$—	$167,268
Residential real estate-owner occupied: Current period gross write-offs	$—	$—	$—	$—	$—	$—	$—	$—

	Term Loans Amortized Cost Basis by Origination Year						
	2023	**2022**	**2021**	**Prior**	**Revolving Loans Amortized Cost Basis**	**Revolving Loans Converted to Term**	**Total**
	(Dollars in thousands)						
As of December 31, 2023							
Residential real estate-owner occupied:							
Payment performance:							
Performing	$53,672	$18,124	$32,733	$71,115	$—	$—	$175,644
Nonperforming	—	—	—	247	—	—	247
Total Residential real estate-owner occupied:	$53,672	$18,124	$32,733	$71,362	$—	$—	$175,891
Residential real estate-owner occupied:							
Current period gross write-offs	$6	$—	$8	$—	$—	$—	$14

	Term Loans Amortized Cost Basis by Origination Year							
	2024	**2023**	**2022**	**2021**	**Prior**	**Revolving Loans Amortized Cost Basis**	**Revolving Loans Converted to Term**	**Total**
	(Dollars in thousands)							
As of December 31, 2024								
Residential real estate-nonowner occupied:								
Payment performance:								
Performing	$—	$—	$—	$—	$30,913	$—	$—	$30,913
Nonperforming	—	—	—	—	—	—	—	—
Total Residential real estate-nonowner occupied:	$—	$—	$—	$—	$30,913	$—	$—	$30,913
Residential real estate-nonowner occupied:								
Current period gross write-offs	$—	$—	$—	$—	$—	$—	$—	$—

	Term Loans Amortized Cost Basis by Origination Year						
	2023	**2022**	**2021**	**Prior**	**Revolving Loans Amortized Cost Basis**	**Revolving Loans Converted to Term**	**Total**
	(Dollars in thousands)						
As of December 31, 2023							
Residential real estate-nonowner occupied:							
Payment performance:							
Performing	$—	$—	$—	$21,752	$—	$—	$21,752
Nonperforming	—	—	—	—	—	—	—
Total Residential real estate-nonowner occupied:	$—	$—	$—	$21,752	$—	$—	$21,752
Residential real estate-nonowner occupied:							
Current period gross write-offs	$—	$—	$—	$—	$—	$—	$—

	Term Loans Amortized Cost Basis by Origination Year							
	2024	**2023**	**2022**	**2021**	**Prior**	**Revolving Loans Amortized Cost Basis**	**Revolving Loans Converted to Term**	**Total**
	(Dollars in thousands)							
As of December 31, 2024								
Home equity:								
Payment performance:								
Performing	$1,017	$1,946	$836	$126	$703	$12,793	$—	$17,421
Nonperforming	—	576	—	—	117	51	—	744
Total home Equity:	$1,017	$2,522	$836	$126	$820	$12,844	$—	$18,165
Home equity:								
Current period gross write-offs	$—	$—	$—	$—	$—	$—	$—	$—

	Term Loans Amortized Cost Basis by Origination Year						
	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	(Dollars in thousands)						
As of December 31, 2023							
Home equity:							
Payment performance:							
Performing	$1,977	$623	$151	$946	$11,761	$—	$15,458
Nonperforming	500	—	—	137	90	—	727
Total home Equity:	$2,477	$623	$151	$1,083	$11,851	$—	$16,185
Home equity:							
Current period gross write-offs	$7	$—	$—	$16	$—	$—	$23

	Term Loans Amortized Cost Basis by Origination Year							
	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	(Dollars in thousands)							
As of December 31, 2024								
Purchased home equity pools:								
Payment performance:								
Performing	$—	$—	$—	$—	$249	$—	$—	$249
Nonperforming	—	—	—	—	—	—	—	—
Total purchased home equity pools:	$—	$—	$—	$—	$249	$—	$—	$249
Purchased home equity pools:								
Current period gross write-offs	$—	$—	$—	$—	$—	$—	$—	$—

	Term Loans Amortized Cost Basis by Origination Year						
	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	(Dollars in thousands)						
As of December 31, 2023							
Purchased home equity pools:							
Payment performance:							
Performing	$—	$—	$—	$318	$—	$—	$318
Nonperforming	—	—	—	—	—	—	—
Total purchased home equity pools:	$—	$—	$—	$318	$—	$—	$318
Purchased home equity pools:							
Current period gross write-offs	$—	$—	$—	$—	$—	$—	$—

	Term Loans Amortized Cost Basis by Origination Year						
	2024	2023	2022	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	(Dollars in thousands)						
As of December 31, 2024							
Other consumer:							
Payment performance:							
Performing	$5	$1	$—	$29	$8	$—	$43
Nonperforming	—	—	—	—	—	—	—
Total other consumer:	$5	$1	$—	$29	$8	$—	$43
Other consumer:							
Current period gross write-offs	$15	$—	$—	$—	$—	$—	$15

	Term Loans Amortized Cost Basis by Origination Year						
	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	(Dollars in thousands)						
As of December 31, 2023							
Other consumer:							
Payment performance:							
Performing	$25	$—	$—	$46	$10	$—	$81
Nonperforming	—	—	—	—	—	—	—
Total other consumer:	$25	$—	$—	$46	$10	$—	$81
Other consumer:							
Current period gross write-offs	$35	$—	$—	$—	$—	$—	$35

The following table presents loans purchased and/or sold during the year by portfolio segment:

	Purchased	Sales
	(Dollars in thousands)	
At December 31, 2024		
Commercial	$—	$1,628
Commercial real estate:		
Owner occupied	—	3,072
Non-owner occupied	—	3,375
Construction and development	—	—
Residential real estate:		
Owner occupied	4,499	230,159
Non-owner occupied	—	12,847
Home equity	—	—
Purchased home equity pools	—	—
Other consumer	—	—
Total	$4,499	$251,081
At December 31, 2023		
Commercial	$—	$—
Commercial real estate:		
Owner occupied	—	1,650
Non-owner occupied	—	—
Construction and development	—	—
Residential real estate:		
Owner occupied	—	172,227
Non-owner occupied	—	11,175
Home equity	—	—
Purchased home equity pools	—	—
Other consumer	—	—
Total	$—	$185,052

Loans purchased and sold excludes loan participations that are not reported as a sale transaction. During 2024, 21 residential loans totaling $4.5 million were purchased, and they meet Community Reinvestment Act requirements. There were no loans purchased during 2023. During 2024, $8.1 million in U.S. government guaranteed portions of SBA 7(a) commercial loans were sold; and $243.0 million in residential loans were sold, which were all originated for sale by the mortgage division of CIB Marine. No residential loans were sold from the held to maturity portfolio during 2024. During 2023, one commercial loan was sold, which was the U.S. government guaranteed portion of an SBA 7(a) loan; residential loans sold were all originated for sale by the mortgage division of CIB Marine. No residential loans were sold from the held to maturity portfolio during 2023.

Note 5-Premises and Equipment, net

The major classes of premises and equipment and accumulated depreciation are summarized as follows:

	At December 31,	
	2024	2023
	(Dollars in thousands)	
Land	$—	$666
Buildings	—	3,247
Leasehold improvements	1,201	1,109
Furniture and equipment	7,849	7,594
	9,050	12,616
Less: accumulated depreciation	(7,480)	(9,014)
	$1,570	$3,602

Depreciation expense was $0.5 million and $0.7 million for the years ended December 31, 2024, and 2023, respectively. Total rental expense was $1.1 million and $0.9 million for the years ended December 31, 2024, and 2023, respectively.

In 2024, CIB Marine sold its owned branch bank properties in Bloomington, Champaign and Urbana, Illinois, in a sale-leaseback arrangement resulting in a $4.5 million dollar gain on sale.

Note 6-Leases

CIB Marine enters into leases in the normal course of business primarily for financial centers, back-office operations locations, business development offices, information technology data centers, and information technology equipment. CIB Marine's leases have remaining terms ranging from 2 to 9 years, some of which include renewal or termination options to extend the lease for up to 5 years. None of CIB Marine's leases include residual value guarantees or covenants.

CIB Marine includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain CIB Marine will exercise the option. CIB Marine has elected to not account for any non-lease components in its real estate leases as part of the associated lease component. Leases with original lease terms of 12 months or less (short-term leases) are not recognized on CIB Marine's balance sheet.

Leases are classified as operating or finance leases at the lease commencement date. At December 31, 2024 and 2023, all CIB Marine leases are classified as operating. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

CIB Marine uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in the lease is not known. CIB Marine's incremental borrowing rate is based on the US Treasury rate with the same maturity as the expected term of the lease, adjusted for the lease term and other factors.

Right-of-use assets and lease liabilities for operating leases, and the associated balance sheet classifications, are as follows:

		At December 31,	
		2024	2023
		Dollars in thousands	
	Balance Sheet Classification		
Right-of-use assets:			
Office space operating leases	Other assets	$9,151	$3,512
Equipment operating leases	Other assets	9	15
		$9,160	$3,527
Lease liabilities:			
Operating leases	Other liabilities	$9,160	$3,527

In 2024, CIB Marine sold its owned branch bank properties in Bloomington, Champaign and Urbana, Illinois, in a sale-leaseback arrangement that created a new right of use asset that was valued at $5.5 million at December 31, 2024.

Lease Expense. The components of total lease cost for operating leases with initial terms of one year or more were as follows for the period ending:

	At December 31,	
	2024	2023
	(Dollars in thousands)	
Real estate operating lease cost	$1,059	$724
Equipment operating lease cost	7	7
Total operating lease costs	$1,066	$731

Leases with initial terms of less than one year were $0.06 million and $0.2 million at December 31, 2024, and 2023, respectively.

In 2024, CIB Marine sold its owned branch bank properties in Bloomington, Champaign and Urbana, Illinois, in a sale-leaseback arrangement that resulted in $314,000 of additional real estate operating lease costs for the period of late June through December.

Lease Obligations. CIB Marine leases certain premises and equipment under noncancellable operating leases, which expire at various dates through 2039 before considering renewal options. Such noncancellable operating leases also include options to renew. The following is a schedule by years of annual future minimum rental commitments, before renewal options, required under operating leases that have initial or remaining noncancellable lease terms in excess of one year at December 31, 2024.

Future undiscounted lease payments for operating leases with initial terms of one year or more and through terms including future expected renewals were as follows as of December 31, 2024:

	Operating Leases
	(Dollars in thousands)
2025	$1,397
2026	1,403
2027	1,401
2028	1,270
2029	1,199
Thereafter	7,996
Total undiscounted lease payments	14,666
Less imputed interest	5,506
Net lease liabilities	$9,160

At December 31, 2024, the weighted average remaining lease term is 134 months and the weighted average discount rate used to calculate the present value of future lease payments is 8.08%.

In 2024, CIB Marine sold its owned branch bank properties in Bloomington, Champaign and Urbana, Illinois, in a sale-leaseback arrangement that resulted in future lease obligations of $624,000 in 2025, rising to $675,000 in 2029, and $7.1 million in lease payments for the remainder of the fifteen-year leases.

Note 7-Other Real Estate Owned

A summary of OREO is as follows:

	Years Ended December 31,	
	2024	2023
	(Dollars in thousands)	
Balance at beginning of year	$375	$375
Transfer of loans to OREO	283	—
Sale proceeds	(240)	—
Write down and losses on sales of OREO	(218)	—
Balance at end of year	$200	$375

An analysis of the valuation allowance on OREO is as follows:

	Years Ended December 31,	
	2024	2023
	(Dollars in thousands)	
Balance at beginning of year	$607	$607
Reduction from sales	(607)	—
Provision for write downs charged to operations	83	—
Balance at end of year	$83	$607

Net expense from operations of OREO, gains/losses on disposals, and write downs of properties was $0.3 million for the year ended December 31, 2024, and net income from operations of OREO, gains/losses on disposals, and write downs of properties was minimal for the year ended December 31, 2023.

Note 8-Goodwill and Intangible Assets

Goodwill. The change in goodwill during the year is as follows:

	For the Years Ended December 31,	
	2024	2023
	(Dollars in thousands)	
Beginning of the year	$65	$65
Acquired goodwill	—	—
Impairment	—	—
End of year	$65	$65

Impairment exists when a reporting unit's carrying value exceeds its fair value. CIB Marine elected to perform a qualitative assessment to determine if it is more likely than not the fair value of the goodwill exceeded its carrying value. If not, then CIB Marine would determine if impairment existed by completing the quantitative impairment test. CIB Marine determined that, based on its qualitative assessment, goodwill was not impaired at December 31, 2024, or 2023.

The goodwill is deductible for tax purposes. CIB Marine acquired certain assets and liabilities of Avenue Mortgage Corporation (“Avenue”) to enhance its residential mortgage origination capabilities in order to better serve customers within CIB Marine’s banking markets. Adding these improved capabilities improves net revenue from retail mortgage banking activities, which includes selling most of the originated residential real estate loans to investors for a premium net of costs to originate. It also improves net interest income by retaining some of the originated residential real estate loans in CIB Marine's loan portfolio and for the short holding period of those held for sale.

Acquired Intangible Assets. Acquired intangible assets were as follows at year end:

	At December 31,			
	2024		2023	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(Dollars in thousands)			
Amortized intangible assets:				
Mortgage banking intangibles	$223	$223	$223	$223

Aggregate amortization expense was $0.02 million for 2023. The mortgage banking intangibles are fully amortized at the end of 2023.

Note 9-Federal Home Loan Bank Chicago (“FHLBC”) Stock

At December 31, 2024, and December 31, 2023, CIB Marine owned $2.6 million and $2.7 million carrying value in FHLBC stock, respectively. The stock is carried at par, of which $2.6 million and $2.7 million were required stock holdings with the FHLBC based on the asset size of CIBM Bank as of December 31, 2024, and 2023, respectively. Impairment in FHLBC stock is recognized if CIB Marine concludes it is not probable that it will recover the par value of its investment. Due to the ongoing financial results and the long-term performance outlook of the FHLBC, no impairment has been recorded on the FHLBC stock during 2024 and 2023.

Note 10-Deposits

The aggregate amount of time deposits that meet or exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limit of $250,000 or more at December 31, 2024, and 2023, was $50.4 million and $44.3 million, respectively. Included in time deposits are public deposits totaling $1.8 million and $3.8 million at December 31, 2024, and 2023, respectively, which were collateralized with pledged securities. Also included in time deposits are brokered deposits of $59.4 million and $78.7 million at December 31, 2024, and 2023, respectively, of which $30.9 million and $37.8 million, respectively, are callable with call options ranging from 1 to 6 months. The scheduled maturities of time deposits are as follows:

	At December 31, 2024
	(Dollars in thousands)
2025	$238,309
2026	12,163
2027	20,300
2028	20,294
2029	2,338
Thereafter	2,295
	$295,699

Note 11-Borrowings

Short Term Borrowings. Borrowings with original maturities of one year or less are classified as short-term. The following is a summary of short-term borrowings:

	Balance	Weighted-Average Rate at Year End	% of Total Borrowings	Daily Average Balances	Weighted-Average Rate
	(Dollars in thousands)				
2024					
Securities sold under repurchase agreements	$27,973	3.23%	34.12%	$23,052	3.96%
Federal Home Loan Bank borrowings	44,000	4.46	53.68	12,040	5.18
	$71,973	3.98%	87.8%	$35,092	4.37%
2023					
Securities sold under repurchase agreements	$22,227	4.15%	28.8%	$39,899	1.75%
Federal Home Loan Bank borrowings	45,000	5.32	58.3	36,858	5.44
	$67,227	4.94%	87.1%	$76,757	3.52%

Federal Funds Purchased. Federal funds purchased generally represent unsecured one-day borrowings. At December 31, 2024, and 2023, CIB Marine had no federal funds purchased.

Securities Sold Under Agreements to Repurchase. Securities sold under repurchase agreements are secured borrowings and represent borrowings maturing within one year. CIB Marine pledges investment securities that are collateralized by U.S. government agency securities and Agency MBS to secure those borrowings. If the fair value of the securities used as collateral declines, additional collateral may be required.

Securities sold under repurchase agreements were primarily to commercial customers of CIBM Bank under overnight repurchase sweep arrangements.

The following table shows the remaining contractual maturity of agreement by collateral pledged:

	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater Than 90 Days	Total
	(Dollars in thousands)				
At December 31, 2024					
Repurchase agreements and repurchase-to-maturity transactions					
Residential mortgage-backed securities (agencies)	$27,973	—	—	—	$27,973
Total borrowings	$27,973	$—	$—	$—	$27,973
At December 31, 2023					
Repurchase agreements and repurchase-to-maturity transactions					
Residential mortgage-backed securities (agencies)	$22,227	—	—	—	$22,227
Total borrowings	$22,227	$—	$—	$—	$22,227

Amounts related to agreements are not included in offsetting disclosure.

The fair value of securities pledged to secure repurchase agreements may decline. CIB Marine manages this risk by having a policy to pledge securities valued at 1.02% above the gross outstanding balance of repurchase agreements. Securities sold under agreements to repurchase are secured by securities with a carrying amount of $28.5 million and $22.7 million at December 31, 2024, and 2023, respectively.

Federal Home Loan Bank Chicago. CIB Marine is required to maintain qualifying collateral as security for both short-term and long-term FHLBC borrowings, letters of credit, and the credit equivalence of interest rate swaps, as applicable. At December 31, 2024, CIBM Bank had $44.0 million in outstanding short-term borrowings, $25.4 million in outstanding letters of credit, $0.9 million in credit enhancements for residential loans sold to the FHLBC and no interest rate swaps. All the FHLBC borrowings at December 31, 2024, mature within 90 days. Assets pledged by CIBM Bank to the FHLBC were $242.9 million in carrying value creating a borrowing capacity of $173.3 million at December 31, 2024, with the difference of $103.0 million reflecting the remaining borrowing capacity. The pledged assets primarily included residential, multifamily, and home equity loans that are part of CIBM Bank's loan portfolio.

Long Term Borrowings – Subordinated Note. On February 18, 2022, CIB Marine issued a Subordinated Note ("Sub Debt") with a par value of $10.0 million. Deferred expenses related to the issuance were $0.3 million. The Sub Debt includes 10-year fixed-to-floating rate structured so that it qualifies as Tier 2 capital. The Sub Debt is unsecured. The 10-year Sub Debt bears an interest rate fixed at 4.50% per annum through February 18, 2027, and thereafter pays a quarterly floating rate equal to the Three-Month Term SOFR plus 275 basis points. The Sub Debt may be redeemed in whole or in part on any interest payment date at its par value by CIB Marine on or after February 18, 2027. The purpose of the debt offering is primarily to support future redemptions of preferred stock, as outlined in its recently amended and restated Articles of Incorporation, and future needs of CIB Marine and its wholly-owned bank subsidiary, CIBM Bank. Management believes they are in compliance with the general covenants, conditions and agreements of the Sub-Debt and has made full and timely payments.

Long Term Borrowing – Bank Stock Loan. On December 30, 2024, CIB Marine obtained a line of credit from a commercial bank in Wisconsin in the amount of $2 million, with maturity on December 30, 2026, and a rate of Prime less 50 basis points. The loan is to support the parent company's management of its short-term cash flow needs and other purposes as they arise and is secured by the stock of CIBM Bank. There are no financial performance covenants in the loan agreement. Management believes they are in compliance with the general covenants, conditions and agreements for the loan. CIB Marine did not draw any principal on the line of credit during 2024.

Note 12-Stockholders' Equity

Preferred Stock. The key original terms of the CIB Marine preferred stock issued on December 30, 2009, are as follows:

	Series A	**Series B**
Securities issued	Stated value of $47.3 million, 55,624 shares issued, par value-$1.00 and liquidation value-$1,000 per share	Stated value of $3.7 million, 4,376 shares issued, par value-$1.00 and liquidation value-$1,000 per share
Convertibility to common (1)	None	Each share convertible into 4,000 shares of common stock only upon consummation of a merger transaction where CIB Marine is not the surviving entity and where holders have voting rights
Dividends	7% fixed rate noncumulative, payable quarterly and subject to regulatory approval	7% fixed rate noncumulative payable quarterly and subject to regulatory approval
Redemption/maturity	No stated redemption date and holders cannot compel redemption	No stated redemption date and holders cannot compel redemption
Voting rights	No voting rights unless transaction (merger, share exchange or business combination) would be prejudicial to holders	No voting rights unless transaction (merger, share exchange or business combination) would be prejudicial to holders

(1) A reverse stock split of 1:15 shares of common stock occurred in 2020. As a result of the reverse stock split, each share of Series B preferred stock is now convertible into 266.66667 shares of common stock only upon consummation of a merger transaction where CIB Marine is not the surviving entity and where holders have voting rights.

In 2018, the common and preferred shareholders approved amendments to CIB Marine's Amended and Restated Articles of Incorporation (the "Amended Articles"). The amendments modified certain rights of the preferred stock permitting non-mandatory preferred stock repurchases and a share dividend in a Section 382 shareholder rights plan. If any of the preferred stock remained outstanding after three years, certain of the modified rights of the preferred stock would expire and "spring back" to the original terms as issued on December 30, 2009.

During 2020, the previously approved modified rights expired and an amendment to the Amended Articles which would have made permanent some of those rights, including permitting non-mandatory preferred stock repurchases, was rejected during a special meeting of preferred shareholders.

During 2021, a Plan to redeem the remaining preferred stock was developed in agreement with a significant holder of preferred shares. In order to complete the Plan, the Company's Articles were further amended and restated (the "Restated Articles") to permit the redemption of non-cumulative perpetual preferred stock on a pro-rata basis relative to the preferred shareholder positions at a discounted price of $825 to the stated liquidation preference and without the prior payment of preferred stock dividends. In addition, the Restated Articles authorized redemption of nearly 50% of the outstanding shares at the time in 2021 (the "Initial Redemption") on a pro rata basis between Series A and Series B shares, and Series A before Series B for all shares redeemed subsequent to the Initial Redemption. The Restated Articles were approved at separate common and preferred shareholder meetings held on September 24, 2021. Commencing with the Initial Redemption in 2021, the Company will have four years to redeem the remaining shares of its preferred stock.

As of December 31, 2024, all preferred stock had been redeemed. CIB Marine made final settlement with the redemption escrow agent on October 31, 2024, for the final redemption. If all original Series B preferred stockholders had converted their shares to common shares under the terms of our Second Amended and Restated Articles of Incorporation before CIB Marine began redeeming the preferred stock, they would have owned approximately 49% of the pro forma outstanding common stock. With the redemption completed, CIB Marine has no outstanding stock of any kind with a conversion feature.

During 2018, 2019, 2020, 2021, 2022 and 2024, CIB Marine incurred $0.5 million, $0.1 million, $0.1 million, $0.5 million, $0.1 million and $0.1 million, respectively, in expenses related to the redemption of preferred stock. Expenses were for legal, investment banking, tax and other professional services reported in the consolidated financial statements of operations under professional services.

CIB Marine did not repurchase preferred stock during 2023. Between 2018 and 2024, CIB Marine repurchased the following preferred stock:

	2018	2019	2020	2021	2022	2024	Total
	(Dollars in thousands)						
Preferred shares agreed to repurchase							
Series A	12,669	2,067	198	20,227	5,830	14,633	55,624
Series B	996	163	16	1,591	—	1,610	4,376
Total	13,665	2,230	214	21,818	5,830	16,243	60,000
Total purchase price							
Series A	$9,092	$1,441	$135	$16,687	$4,810	$12,072	$44,237
Series B	715	146	14	1,313	—	1,328	3,516
Total	$9,807	$1,587	$149	$18,000	$4,810	$13,400	$47,753
Total discount (premium) to carrying value							
Series A	$1,676	$316	$34	$505	$146	$366	$3,043
Series B	132	(8)	(1)	40	0	40	203
Total	$1,808	$308	$33	$545	$146	$406	$3,246
Common stock equivalent in convertible Series B shares repurchased							
Common stock equivalence	265,718	43,357	4,153	424,340	—	429,365	1,166,933

Treasury Stock. CIBM Bank acquired certain shares of CIB Marine stock through collection efforts when the borrowers defaulted on their loans. Any loan balance in excess of the estimated fair value of the stock and other collateral received was charged to the allowance for credit losses. At both December 31, 2024, and 2023, 722 shares of treasury stock were directly owned by CIBM Bank and thus were not excluded from the number of shares outstanding.

Regulatory Capital Requirements. At December 31, 2024, and 2023, CIBM Bank was in compliance with its regulatory limits and minimum capital requirements.

Banks are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. As of December 31, 2024, CIBM Bank met all capital adequacy requirements to which it is subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2024 and 2023, the most recent regulatory notifications categorized CIBM Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution’s category. The actual and required capital amounts and ratios (as defined in the regulations) for CIB Marine and CIBM Bank are presented in the tables below.

	Actual		For Capital Adequacy Purposes(2)		To Be Well Capitalized Under Prompt Corrective Provisions (2)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
December 31, 2024 (1)						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	$88,287	13.02%				
CIBM Bank	$86,961	12.82%	$54,273	8.00%	$67,841	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	$70,041	10.33%				
CIBM Bank	$78,475	11.57%	$40,704	6.00%	$54,273	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	$70,041	8.14%				
CIBM Bank	$78,475	9.12%	$34,412	4.00%	$43,015	5.00%
Common equity Tier 1						
CIBM Bank	$78,475	11.57%	$30,528	4.50%	$44,096	6.50%
December 31, 2023 (1)						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	$94,402	13.24%				
CIBM Bank	$85,822	12.04%	$57,021	8.00%	$71,277	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	$75,752	10.62%				
CIBM Bank	$76,905	10.79%	$42,766	6.00%	$57,021	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	$75,752	8.62%				
CIBM Bank	$76,905	8.76%	$35,131	4.00%	$43,914	5.00%
Common equity Tier 1						
CIBM Bank	$76,905	10.79%	$32,080	4.50%	$46,337	6.50%

(1) Under the 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 2.5% for both the calendar years 2024 and 2023. 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.

No capital contributions were made by CIB Marine to CIBM Bank in 2024 and 2023.

The payment of dividends by banking subsidiaries is subject to regulatory restrictions by various federal and/or state regulatory authorities. In addition, dividends paid by bank subsidiaries are further limited if the effect would result in a bank subsidiary's capital being reduced below applicable minimum capital amounts. During 2024, CIB Marine received capital distributions from CIBM Bank and CIB Marine Capital, LLC of $7.0 million and $1.6 million, respectively. CIB Marine did not receive any distribution payments from CIBM Bank during 2023. CIBM Bank did not have any retained earnings available for the payment of dividends to CIB Marine and therefore was required to obtain the consent of the regulators before making a capital distribution to CIB Marine.

During the first quarter of 2022, CIB Marine issued $10 million in subordinated debentures. With the required approval of its regulators, CIBM Bank amended its charter to enable it to distribute $18 million and $3 million in capital to CIB Marine during the years 2021 and 2020, respectively. The funds from the subordinated debentures and the capital distributions from CIBM Bank, where utilized primarily for the purpose of repurchasing preferred stock.

Note 13-Accumulated Other Comprehensive Income (Loss)

The following reflects changes in accumulated other comprehensive income (loss) by component, net of tax, for the years ending December 31, 2024, and 2023:

	Unrealized Gains and (Losses) on Available for Sale Securities	
	Years Ended December 31,	
	2024	2023
	(Dollars in thousands)	
Beginning balance	$(5,493)	$(6,845)
Other comprehensive income (loss) before reclassification	395	1,352
Amounts reclassified from accumulated other comprehensive income	—	—
Net current period other comprehensive income (loss)	395	1,352
Ending balance	$(5,098)	$(5,493)

Note 14-Segment Information

The reportable segments are determined by the products and services offered, primarily distinguished between banking and mortgage banking operations. They are also distinguished by the level of information provided to the chief operating decision maker, which includes the CEO and President of CIB Marine and CIBM Bank for all segments, and the Mortgage Banking Director for the Mortgage Division. They use such information to review performance of various components of the business, which are then aggregated if operating performance, products/services, and customers are similar. Loans, investments, and deposits provide the revenues in the banking operation, and servicing fees and loan sales provide the revenues in mortgage banking. All operations are domestic.

Accounting policies for segments are the same as those described in Note 1-Significant Accounting Policies. Segment performance is evaluated using operating income. Income taxes are allocated and indirect expenses are allocated on revenue. Transactions among segments are made at fair value. Information reported internally for performance assessment is as follows:

	Year Ended December 31, 2024			
	Banking	Mortgage Banking	Other	Total Segments
	(Dollars in thousands)			
Total interest income	$46,325	$1,219	$—	$47,544
Total interest expense	25,459	761	483	26,703
Net interest income	20,866	458	(483)	20,841
Provision (credit) for credit losses	(463)	—	—	(463)
Net interest income after provision (credit) for credit losses	21,329	458	(483)	21,304
Unrealized gain (loss) recognized on equity securities	(25)	—	—	(25)
Net gain (loss) on sale of OREO	(218)	—	—	(218)
Net gain on sale of assets	5,181	—	(4)	5,177
Mortgage banking revenue, net	(218)	7,421	—	7,203
Other noninterest income	986	27	2	1,015
Compensation and employee benefits	11,448	6,607	130	18,185
Other segment items (1)	6,979	1,459	543	8,981
Income (loss) before income taxes	8,608	(160)	(1,158)	7,290
Income tax expense (benefit)	2,133	(42)	(243)	1,848
Net income (loss)	$6,475	$(118)	$(915)	$5,442
Goodwill and other intangible assets, net	$—	$64	$—	$64
Assets	$838,248	$20,954	$7,272	$866,474

(1) Other segment items for Banking include expenses for professional services, technology, occupancy and overhead. Other segment items for Mortgage Banking include expenses for professional services, marketing, occupancy, and overhead.

	Year Ended December 31, 2023			
	Banking	Mortgage Banking	Other	Total Segments
	(Dollars in thousands)			
Total interest income	$38,184	$885	$—	$39,069
Total interest expense	16,570	561	483	17,614
Net interest income	21,614	324	(483)	21,455
Provision for loan losses	(92)	—	—	(92)
Net interest income after provision for loan losses	21,706	324	(483)	21,547
Unrealized gain recognized on equity securities	30	—	—	30
Net loss on sale of OREO	12	—	—	12
Net gain on sale of assets	1,880	—	9	1,889
Mortgage banking revenue, net	(2,359)	8,384	—	6,025
Other noninterest income (loss)	931	11	2	944
Compensation and employee benefits	10,821	7,705	125	18,651
Other noninterest expense	6,843	1,970	474	9,287
Income (loss) before income taxes	4,536	(956)	(1,071)	2,509
Income tax expense (benefit)	2,101	(247)	(225)	1,629
Net income (loss)	$2,435	$(709)	$(846)	$880
Goodwill and other intangible assets, net	$—	$64	$—	$64
Assets	$877,102	$16,298	$5,660	$899,060

(1) Other segment items for Banking include expenses for professional services, technology, occupancy and overhead. Other segment items for Mortgage Banking include expenses for professional services, marketing, occupancy, and overhead.

Total compensation in banking and mortgage banking was $11.4 million and $6.6 million, respectively, for the year ended December 31, 2024, and $10.8 million and $7.7 million, respectively, for the year ended December 31, 2023.

Note 15-Earnings (Loss) Per Share

The following provides a reconciliation of basic and diluted earnings (loss) per share:

	Years Ended December 31,	
	2024	2023
	(Dollars in thousands)	
Net income	$5,442	$880
Preferred stock dividends	—	—
Discount from repurchase of preferred stock	406	—
Net income allocated to common stockholders	$5,848	$880
Weighted average shares outstanding:		
Total common shares outstanding	1,353,307	1,324,853
Shares owned by CIBM Bank	(722)	(722)
Common shares outstanding	1,352,585	1,324,131
Basic	1,352,585	1,324,131
Stock awards outstanding	47,776	58,550
Assumed conversion of Series B preferred to common	329,161	429,294
Diluted	1,729,521	1,811,975
Earnings per share:		
Basic Net income	$4.32	$0.66
Diluted Net income	$3.38	$0.49

Vested restricted stock awards were issued and outstanding and included in the basic earnings per share at December 31, 2024, and 2023. Unvested restricted stock awards of 45,259 shares and 49,308 shares at December 31, 2024, and 2023, respectively, consisting of restricted stock whose dividends are subject to forfeit, are deemed to be dilutive and, therefore, included in the calculation of diluted earnings per share on a weighted average basis for the years ended December 31, 2024, and 2023. The unvested restricted stock awards were not included in the issued or outstanding shares due to their restrictions, potential for forfeiture, and vesting requirements. The unvested restricted stock awards were 47,776 shares and 58,550 shares on a weighted average basis for the years 2024 and 2023, respectively.

For the years ended December 31, 2024 and 2023, the assumed conversion of Series B preferred stock represents a potential common stock issuance of 0.3 million shares and 0.4 million shares on a weighted average basis for the years 2024 and 2023, respectively. The effect of the potential issuance of common stock associated with the Series B preferred stock was deemed to be dilutive and, therefore, included in the calculation of diluted income per share for the year ended December 31, 2023.

Note 16-Derivatives

The following table reflects the fair value hedges included in the consolidated statements of operations and comprehensive income. The net amount gains (losses) due to hedge ineffectiveness was nominal.

	Years Ended December 31, 2024	2023
	(Dollars in thousands)	
Change in fair value of interest rate swaps hedging designated loans included in other noninterest income	$(251)	$(635)
Change in fair value on loans, the hedged items included in other noninterest income	251	635

The following table reflects the fair value hedges included in the Consolidated Balance Sheets.

	At December 31, 2024 Notional Amount	Fair Value	2023 Notional Amount	Fair Value
	(Dollars in thousands)			
Included in other assets:				
Interest rate swaps related to loans	$3,932	$81	$4,060	$150
Included in other liabilities:				
Interest rate swaps related to loans	$50,000	$332	$50,000	$785

CIB Marine utilizes interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. The notional amount of the interest rate swaps does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual interest rate swap agreements. All interest rate swaps in the tables above are used to hedge the change in fair value of the hedged items (i.e., fixed rate loans) due to changes in the underlying benchmark interest rate, the U.S. dollar Secured Overnight Financing Rate ("SOFR") interest rate swap rate. The combined effect of the interest rate swaps and the fixed rate loans being hedged is to convert fixed interest rate payments on the hedged items to floating rate as a spread to the U.S. dollar one month SOFR. The interest income (expense) from the interest rate swaps is presented with the loan interest income. Gains (losses) on interest rate swap terminations are recorded in gain (loss) on sale of assets and write-downs in the income statement. CIB Marine recorded nominal gains on interest rate swap terminations related to the early payoff of hedged loans for the years ended December 31, 2024, and 2023; terminations that result in a loss are offset by early payoff premiums charged borrowers of hedged loans and recorded in other income.

Commitments to fund certain mortgage loans or IRLCs to be sold in the secondary market and a form of forward commitments contingent on the loan closing called Best Efforts Contracts ("BEs") for the future delivery of mortgage loans to third party investors are considered to be derivatives. It is CIB Marine's practice to enter into BEs for future delivery of residential mortgage loans and TBA mortgage-backed securities when IRLCs are entered into in order to economically hedge the effect of the changes in interest rates resulting from its commitments to fund loans. These mortgage banking derivatives are not designated in hedge relationships.

Effect on the income statement for outstanding derivative contracts related to:

	Location	Years Ended December 31, 2024	2023
		(Dollars in thousands)	
Interest rate lock commitments	Mortgage banking income	$97	$156
Best efforts contracts related to mortgage banking revenue	Mortgage banking income	46	(104)
TBAs related to mortgage banking	Mortgage banking income	2	(99)

The following table reflects the notional amount and fair value of mortgage banking derivatives included in the Consolidated Balance Sheets as of December 31:

	At December 31,			
	2024		2023	
	Notional Value	Fair Value	Notional Value	Fair Value
	(Dollars in thousands)			
Included in other assets:				
Interest rate lock commitments	$9,953	$124	$11,443	$156
Best effort contracts related to mortgage banking	9,519	54	281	1
TBAs related to mortgage banking	9,750	43	3,500	2
Total included in other assets	$29,222	$221	$15,224	$159
Included in other liabilities:				
Interest rate lock commitments	$3,260	$(27)	$—	$—
Best effort contracts related to mortgage banking	5,188	(8)	12,146	(105)
TBAs related to mortgage banking	10,250	(41)	14,000	(101)
Total included in other liabilities	$18,698	$(76)	$26,146	$(206)

Note 17-Commitments, Contingencies and Off-Balance Sheet Risk

The following table summarizes the contractual or notional amount of off-balance sheet financial instruments with credit risk.

	At December 31,	
	2024	2023
	(Dollars in thousands)	
Commitments to extend credit[1]:		
Fixed	$5,935	$16,583
Variable	62,234	71,818
Standby letters of credit	213	230

[1] Interest rate lock commitments to originate residential mortgage loans held for sale are considered derivative instruments and are disclosed in Note 16-Derivatives.

CIB Marine is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. CIB Marine has entered into commitments to extend credit and, on a limited basis, to make certain other investments in non-affiliated entities, which involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the balance sheets. CIB Marine considers the facts and circumstances of each of the other commitments, as well as the historical losses, if any, and the relevant economic conditions to inform management's judgment regarding changes for related credit exposures.

Standby letters of credit are conditional commitments that CIB Marine issues to guarantee the performance of a customer to a third-party. Fees received to issue standby letters of credit are deferred and recognized as noninterest income over the term of the commitment. The guarantees frequently support public and private borrowing arrangements, including commercial paper issuances, bond funding, and other similar transactions. CIB Marine issues commercial letters of credit on behalf of customers to help ensure payments or collection in connection with trade transactions. In the event of a customer's nonperformance, CIB Marine's loan loss exposure is the same as in any extension of credit, up to the letter's contractual amount. Management assesses the borrower's financial condition to determine the necessary collateral, which may include marketable securities, real estate, accounts receivable, and inventory. Since the conditions requiring CIB Marine to fund letters of credit may not occur, CIB Marine expects its future cash requirements to be less than the total outstanding commitments. The maximum potential future payments guaranteed by CIB Marine under standby letter of credit arrangements were $0.2 million and $0.2 million for December 31, 2024, and 2023, respectively, with a weighted average remaining term of approximately 10 months and 9 months for December 31, 2024, and 2023, respectively. The standby letters of credit for which reserves were established were participated to nonaffiliated banks. CIB Marine did not default on any payment obligations with the other banks.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee except for overdraft lines of credit in which a fixed maturity date is not established. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. CIB Marine evaluates each customer's creditworthiness and determines the amount of the collateral necessary based on management's credit evaluation of the counterparty. Collateral held varies, but may include marketable securities, accounts receivable, inventories, property and equipment, and real estate. The interest rates range between 3% and 18.00% with a weighted average of 7.72%. The maturity dates range between January 2024 and open dated, the latter related to overdraft protection accounts. For commercial commitments to extend credit, totaling $52.2 million, the maturity dates range between January 2024 and December 2049 with a weighted average of 58 months.

In the normal course of business, loans sold to certain investors may need to be repurchased by CIB Marine should they become delinquent within a predefined period. These periods vary from investor to investor, pursuant to their agreements, and are generally short term (i.e., not more than six months). Although some of the loans are insured, primarily through Federal Housing Authority, Veterans Administration, or, in the case of conventional loans that exceed 80% loan-to-value, private mortgage insurance, there exists some potential loss to CIB Marine on each such loan sold under these repurchase clauses. To minimize this potential loss, CIB Marine has representation and warrant relief agreements with each investor. In addition, CIB Marine does not underwrite all the loans sold to investors. Instead, the investor underwrites some of the loans and, therefore, takes on underwriting-specific repurchase risks for the loans they underwrite.

Due to the fact CIB Marine does not underwrite certain loans sold, its quality control program, and its recent history for repurchase, CIB Marine estimates loss reserves to be nominal. The estimates will be continually reviewed and any adjustments will be reflected in operations in future periods.

CIB Marine and CIBM Bank engage in legal actions and proceedings, both as plaintiffs and defendants, from time to time in the ordinary course of business. In some instances, such actions and proceedings involve substantial claims for compensatory or punitive damages or involve claims for an unspecified amount of damages. There are presently no proceedings pending or contemplated which, in CIB Marine's opinion, would have a material adverse effect on its consolidated financial position.

CIB Marine did not recognize any litigation settlement or loss contingency expenses in 2024 or 2023.

Note 18-Fair Value

The following tables present information about CIB Marine's assets measured at fair value on a recurring basis at December 31, 2024, and 2023, and indicates the fair value hierarchy of the valuation techniques used to determine such fair value. Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair value. In general, fair values determined by Level 1 inputs use quoted prices (unadjusted) in active markets for identical assets or liabilities that CIB Marine has the ability to access. Fair values determined by Level 2 inputs use inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets where there are few transactions, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are significant unobservable inputs for the asset or liability and include situations where there is little, if any, market activity for the asset or liability and reflect the CIB Marine's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Description	Fair Value	Fair Value for Measurements Made on a Recurring Basis		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(Dollars in thousands)		
December 31, 2024				
Assets				
U.S. treasury securities	$2,874	$2,874	$—	$—
U.S. government agencies	10,561	—	10,561	—
States and political subdivisions	20,857	—	20,857	—
Trust preferred securities collateralized debt obligations	3,789	—	—	3,789
Other debt obligations	—	—	—	—
Asset backed securities	1,109	—	1,109	—
Residential mortgage-backed securities (agencies)	79,016	—	79,016	—
Total securities available for sale	118,206	$2,874	111,543	3,789
Mutual funds	2,133	2,133	—	—
Interest rate swaps	81	—	81	—
Mortgage interest rate lock commitments	124	—	124	—
Mortgage written options	54	—	54	—
TBAs related to mortgage banking	43	—	43	—
Loans held for sale, residential	18,884	—	18,884	—
Total assets	$139,525	$5,007	$130,729	$3,789
Liabilities				
Interest rate swaps	$332	$—	$332	$—
Mortgage interest rate lock commitments	27	—	27	—
Mortgage written options	8	—	8	—
TBAs related to mortgage banking	41	—	41	—
Total liabilities	$408	$—	$408	$—

Description	Fair Value	Fair Value for Measurements Made on a Recurring Basis		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(Dollars in thousands)		
December 31, 2023				
Assets				
U.S. treasury securities	$9,921	$9,921	$—	$—
U.S. government agencies	11,947	—	11,947	—
States and political subdivisions	23,506	—	23,506	—
Trust preferred securities collateralized debt obligations	3,791	—	—	3,791
Other debt obligations	—	—	—	—
Asset backed securities	1,656	—	1,656	—
Residential mortgage-backed securities (agencies)	78,549	—	78,549	—
Total securities available for sale	129,370	$9,921	115,658	3,791
Mutual funds	2,159	2,159	—	—
Interest rate swaps	150	—	150	—
Mortgage interest rate lock commitments	156	—	156	—
Mortgage written options	1	—	1	—
TBAs related to mortgage banking	2	—	2	—
Loans held for sale, residential	9,209	—	9,209	—
Total assets	$141,047	$12,080	$125,176	$3,791
Liabilities				
Interest rate swaps	$785	$—	$785	$—
Mortgage interest rate lock commitments	—	—	—	—
Mortgage written options	105	—	105	—
TBAs related to mortgage banking	101	—	101	—
Total liabilities	$991	$—	$991	$—

Selected additional information regarding the model inputs and assumptions used to value certain Level 3 inputs include the following at December 31, 2024, and 2023:

	Fair Value	Valuation Technique(s)	Unobservable Input	Range (Weighted Average)
	(Dollars in Thousands)			
December 31, 2024				
TPCDOs	$3,789	Discounted cash flow	Constant prepayment rate	1.0%-1.0% (1.0%)
			Loss severity	85%-85% (85%)
December 31, 2023				
TPCDOs	$3,791	Discounted cash flow	Constant prepayment rate	1.0%-1.0% (1.0%)
			Loss severity	85%-85% (85%)

The following table presents information about CIB Marine's assets and liabilities measured at fair value on a non-recurring basis at December 31, 2024, and December 31, 2023.

Description	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Dollars in Thousands)			
December 31, 2024				
Assets				
Loans held for sale:				
Commercial real estate	$—	$—	$—	$—
Collateral dependent loans (1)				
Commercial	—	—	—	—
Commercial real estate	327	—	—	327
Construction and development	—	—	—	—
Residential real estate	229	—	—	229
Home equity	—	—	—	—
Purchased home equity pools	—	—	—	—
Other consumer	—	—	—	—
Total collateral dependent loans	556	—	—	556
Other real estate owned:				
Commercial	22	—	—	22
Commercial real estate	178	—	—	178
Construction and development	—	—	—	—
Other Equity	—	—	—	—
Total	$756	$—	$—	$756
December 31, 2023				
Assets				
Loans held for sale:				
Commercial real estate	$—	$—	$—	$—
Collateral dependent loans (1)				
Commercial	28	—	—	28
Commercial real estate	334	—	—	334
Construction and development	—	—	—	—
Residential real estate	—	—	—	—
Home equity	526	—	—	526
Purchased home equity pools	—	—	—	—
Other consumer	—	—	—	—
Total collateral dependent loans	888	—	—	888
Other real estate owned:				
Commercial real estate	—	—	—	—
Construction and development	375	—	—	375
Other Equity	—	—	—	—
Total	$1,263	$—	$—	$1,263

(1) Total collateral dependent loans at December 31, 2024, and 2023, were $0.8 million and $0.9 million, respectively.

The following table presents a roll forward of fair values measured on a recurring and nonrecurring basis using significant unobservable inputs (Level 3) for the periods presented.

	For Years Ended December 31,	
	2024	2023
	(Dollars in thousands)	
Loans held for Sale, commercial real estate		
Balance at beginning of year	$—	$—
Additions	4,700	2,200
Write down	—	—
Gain on sale	622	151
Settlements	(5,322)	(2,351)
Balance at end of year	$—	$—
Available for Sale Securities		
Balance at beginning of year	$3,791	$3,911
Total gains included in earnings (or changes in net assets)	—	—
Total gains (losses) included in other comprehensive income	190	(87)
Sales	—	—
Settlements	(192)	(33)
Balance at end of year	$3,789	$3,791

Gains and losses (realized and unrealized) for assets and liabilities reported at fair value on a recurring basis included in earnings for the year ended December 31, 2024, and 2023 (above), are reported in other revenues as follows:

	For the Years Ended December 31,	
	2024	2023
	(Dollars in thousands)	
Other Revenues		
Total gains or losses in earnings (or changes in net assets) for the period	$—	$—
Change in unrealized gains or losses relating to assets still held at reporting date	(190)	87

The total amount of gains and losses from changes in fair value of residential loans held for sale are included in earnings in net mortgage banking revenue along with the gains and losses from hedging activities. For loans held for sale hedged with a best efforts contract, the gain (loss) of the loan is offset with the (loss) gain of the best efforts contract with negligible to no difference when the loan sale is settled. For loans held for sale hedged with a TBA, the gain (loss) of the loan related to changes in fair value are offset in part by the (loss) gain of the TBA. Settled TBA contracts for 2024 resulted in a loss of $0.08 million and resulted in a gain of $0.3 million for 2023. For the years ended December 31, 2024, and 2023, positions of residential loans held for sale were:

	For the Years Ended December 31,	
	2024	2023
	(Dollars in thousands)	
Interest income for the year	$870	$666
Change in fair value for open positions at year end	319	389
Total change in fair value	$1,189	$1,055

The following section describes the valuation methodologies used to measure recurring financial instruments at fair value, including the classification of related pricing inputs.

Securities Available for Sale. Where quoted market prices are available from active markets with high volumes of frequent trades for identical securities, the security is presented as a Level 1 input security. These would include predominantly U.S. Treasury bills, notes, and bonds. Securities classified under Level 2 inputs include those where quoted market prices are available from an active market of similar but not identical securities; where pricing models use the U.S. Treasury or LIBOR swap yield curves; where market quoted volatilities are used; and where correlated or market corroborated inputs are used, such as prepayment speeds, expected default, and loss severity rates. Securities with predominantly Level 2 inputs and using a market approach to valuation include: U.S. government agency and government sponsored enterprise issued securities and mortgage-backed securities; certain corporate or foreign sovereign debt securities; non-agency mortgage-backed securities; other asset-backed securities; equity securities with quoted market prices, but low or infrequent trades; and debt obligations of states and political subdivisions. Where Level 1 or Level 2 inputs are either not available, or are significantly adjusted, the securities are classified under Level 3 inputs. The available for sale securities using Level 3 inputs were TPCDOs with fair values measured for PreTSL

26 B-1 internally and reported to the Company's Investment Advisory Committee and for PreTSLs 27 A-1 and 28 A-1 externally using predominantly the income valuation approach (present value technique), where expected future cash flows less expected losses were discounted using a discount rate consisting of benchmark interest rates plus credit, liquidity and option premium spreads from similar and comparable, but not identical, types of debt instruments and from models.

Equity securities at fair value: Level 1 quoted market prices are used for the Mutual Fund, CRAIX, that comprise this category.

Derivative financial instrument (interest rate-related instruments): CIB Marine uses interest rate swaps to manage its interest rate risk. The valuation of CIB Marine's derivative financial instruments is determined using discounted cash flow models on the expected cash flows of each derivative. See Note 16-Derivatives for additional disclosure regarding CIB Marine's derivative financial instruments. The discounted cash flow analysis component in the fair value measurements reflects the contractual terms of the derivative financial instruments, including the period to maturity, and uses observable market-based inputs, including interest rate curves. More specifically, the fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments), with the variable cash payments (or receipts) based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. CIB Marine determined that the majority of the inputs used to value its derivative financial instruments fall within Level 2 of the fair value hierarchy. The credit valuation adjustments, if any, utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. CIB Marine has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions as of December 31, 2024, and December 31, 2023, and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivative financial instruments. Therefore, CIB Marine has determined that the fair value measures of its derivative financial instruments in their entirety are classified within Level 2 of the fair value hierarchy.

The fair value of the mortgage derivatives, IRLCs, BEs, and TBAs, are closely related to and, therefore, based on mortgage backed securities prices. These financial instruments trade in a liquid market. As a result, significant fair value Level 2 inputs can generally be verified and do not typically involve significant management judgments. Therefore, they are recorded under the Level 2 inputs category.

The aggregate fair value, contractual balance (including accrued interest), and gain or loss was as follows:

	At December 31,	
	2024	2023
	(Dollars in thousands)	
Aggregate fair value	$18,884	$9,209
Contractual balance	12,972	8,820
Gain (loss)	$5,912	$389

Loans Held for Sale. The fair value of loans held for sale, consisting primarily of residential mortgage loans originated for the purpose of selling to investors, is based upon binding quotes from third party investors and closely related mortgage-backed securities prices. As a result, they are classified under Level 2 inputs category. Although the fair value changes over time, due to the related BEs, they generally settle at the agreed upon price, resulting in no change in fair value at that time.

The fair value of loans held for sale consisting of SBA 7(a) program loans originated for the purpose of selling to investors is based upon indicative prices for similar type and quality loans. As a result, they are classified under Level 3 inputs category. A market approach is the primary valuation technique used to measure the fair value of these loans held for sale.

The fair value of loans held for sale, also consisting of commercial real estate loans, are carried at the lower of cost or fair value, which is estimated based on indicative and general sale price levels for commercial real estate loans of similar quality and current prices for similar residential real estate loans offered by mortgage correspondent banks. Due to limited market activity in specific loan assets, all other loans designated as held for sale are valued predominantly using unobservable inputs classified under Level 3 inputs. These inputs include indicative prices, loan discount rates, and general loan market price level information for loans of similar type and quality. A market approach is the primary valuation technique used to measure the fair value of these loans held for sale.

Collateral Dependent Loans. Collateral dependent loans are measured at the fair value of the collateral securing the loan less estimated selling costs. The fair value of real estate collateral is determined based on real estate appraisals which are generally based on recent sales of comparable properties which are then adjusted for property specific factors. Non-real estate collateral is valued based on various sources, including third party asset valuations and internally determined values based on cost adjusted for depreciation and other judgmentally determined discount factors. Collateral dependent loans are classified within Level 3 of the hierarchy due to the unobservable inputs used in determining their fair value such as collateral values and the borrower's underlying financial condition.

Other Real Estate Owned. The fair value of real estate is determined based on real estate appraisals which are generally based on recent sales of comparable properties which are then adjusted for property specific factors. Collateral dependent loans are classified within Level 3 of the hierarchy due to the unobservable inputs used in determining their fair value such as real estate values.

The table below summarizes fair value of financial assets and liabilities at December 31, 2024, and 2023.

	Carrying Amount	Fair Value Measurement			
		Level 1	Level 2	Level 3	Total
	(Dollars in thousands)				
At December 31, 2024					
Financial assets:					
Cash and due from banks	$6,748	$6,748	$—	$—	$6,748
Loan held for sale	13,291	—	13,291	—	13,291
Securities available for sale	118,206	2,874	111,543	3,789	118,206
Equity securities	2,133	2,133	—	—	2,133
Loans, net	697,093	—	—	667,797	667,797
Federal Home Loan Bank stock	2,607	NA	NA	NA	NA
Accrued interest receivable	2,651	44	482	2,125	2,651
Interest rate swaps	81	—	81	—	81
Mortgage interest rate lock commitments	124	—	124	—	124
Mortgage written options	54	—	54	—	54
TBAs related to mortgage banking	43	—	43	—	43
Financial liabilities:					
Deposits	692,378	396,679	294,088	—	690,767
Short-term borrowings	71,973	—	71,973	—	71,973
Long-term borrowings-subordinated debt	9,762	—	7,709	—	7,709
Accrued interest payable	1,911	162	1,749	—	1,911
Interest rate swaps	332	—	332	—	332
Mortgage interest rate lock commitments	27	—	27	—	27
Mortgage written options	8	—	8	—	8
TBAs related to mortgage banking	41	—	41	—	41

	Carrying Amount	Fair Value Measurement Level 1	Level 2	Level 3	Total
	(Dollars in thousands)				
At December 31, 2023					
Financial assets:					
Cash and due from banks	$9,491	$9,491	$—	$—	$9,491
Loan held for sale	9,209	—	9,209	—	9,209
Securities available for sale	129,370	9,921	115,658	3,791	129,370
Equity securities	2,159	2,159	—	—	2,159
Loans, net	722,084	—	—	696,935	696,935
Federal Home Loan Bank stock	2,709	NA	NA	NA	NA
Accrued interest receivable	2,983	5	541	2,437	2,983
Interest rate swaps	150	—	150	—	150
Mortgage interest rate lock commitments	156	—	156	—	156
Mortgage written options	1	—	1	—	1
TBAs related to mortgage banking	2	—	2	—	2
Financial liabilities:					
Deposits	727,565	435,317	290,279	—	725,596
Short-term borrowings	67,227	—	67,227	—	67,227
Long-term borrowings-subordinated debt	9,279	—	7,982	—	7,982
Accrued interest payable	1,883	78	1,805	—	1,883
Interest rate swaps	785	—	785	—	785
Mortgage interest rate lock commitments	—	—	—	—	—
Mortgage written options	105	—	105	—	105
TBAs related to mortgage banking	101	—	101	—	101

	At December 31, 2024			At December 31, 2023		
	Contractual or Notional Amount	Carrying Amount	Estimated Fair Value	Contractual or Notional Amount	Carrying Amount	Estimated Fair Value
	(Dollars in thousands)					
Off-balance sheet items:						
Commitments to extend credit						
Fixed	$5,935	$—	$—	$16,583	$—	$—
Variable	62,234	—	—	71,818	—	—
Mortgage loans to be held for sale	—	221	221	—	159	159
Standby letters of credit	213	0	0	230	0	0

Fair value amounts represent estimates of value at a point in time. Significant estimates regarding economic conditions, loss experience, risk characteristics associated with particular financial instruments, and other factors were used for the purposes of this disclosure. These estimates are subjective in nature and involve matters of judgment. Therefore, they cannot be determined with precision. Changes in the assumptions could have a material impact on the amounts estimated.

Because of the wide range of valuation techniques and the numerous estimates that must be made, it may be difficult to make reasonable comparisons of CIB Marine's fair value to that of other financial institutions. It is important that the many uncertainties discussed above be considered when using the estimated fair value disclosures and to realize that because of these uncertainties the aggregate fair value should in no way be construed as representative of the underlying value of CIB Marine.

The following describes the methodology and assumptions used to estimate fair value of financial instruments.

Cash and Due From Banks. The carrying amounts reported in the balance sheet for cash and due from banks approximates their fair value and are classified as Level 1 for due from accounts held at the Federal Reserve Bank or investment grade correspondent banks.

Reverse Repurchase Agreements. Reverse repurchase agreements are short term in nature with the interest rate reset daily to the Prime Rate. The carrying amounts reported in the balance sheet for reverse repurchase agreements approximates their fair value and are classified as Level 2.

Loans Receivable. The fair value of loans receivable are either Level 2 or Level 3. Fair values of certain collateral dependent loans are evaluated at Level 2, as described above under the previous table "Fair Value for Measurements Made on a Nonrecurring Basis". The fair value of all other loans are evaluated at Level 3 and estimated using the income approach to valuation by discounting the expected future cash flows using current benchmark interest rates with credit spreads for similar types of loans recently originated and additional credit quality discounts for special mention, substandard and doubtful loans; then further adjusted for a exit price discount. The credit spreads and quality discounts, exit price discount, and prepayment speeds used in deriving the fair value of loans receivable, represent significant unobservable inputs. The carrying value of loans receivable is net of the allowance for credit losses.

The fair value of loans held for sale is described in the preceding table.

Federal Home Loan Bank Chicago. There is no market for FHLBC stock and it may only be sold back to the FHLBC or another member institution at par with FHLBC and Federal Housing Finance Agency ("FHFA") approval. As a result, its cost and its par value, at this time, represent its carrying amount. The carrying amount of FHLBC stock was $2.6 million and $2.7 million at December 31, 2024, and December 31, 2023, respectively.

Accrued Interest Receivable. The carrying amount of accrued interest receivable approximates its fair value resulting in a Level 1, 2, or 3 classification consistent with the respective asset.

Deposit Liabilities. The carrying value of deposits with no stated maturity approximates their fair value, as they are payable on demand, resulting in a Level 1 classification. The fair value of fixed time deposits was estimated using the income approach by discounting expected future cash flows. The discount rates used in these analyses are based on market rates of interest for time deposits of similar remaining maturities, resulting in a Level 2 classification.

Short-Term Borrowings. The carrying value of short-term borrowings payable within three months or less approximates their fair value, resulting in a Level 2 classification. The estimated fair value of borrowed funds with a maturity greater than three months is based on quoted market prices, when available. Borrowed funds with a maturity greater than three months for which quoted prices were not available, were valued using the income approach to valuation by discounting expected future cash flows by a current market rate for similar types of debt, resulting in a Level 2 classification. For purposes of this disclosure, short-term borrowings are those borrowings with stated final maturities of less than or equal to one year, including securities sold under agreements to repurchase, U.S. Treasury tax and loan notes, lines of credit, commercial paper, and other similar borrowings.

Long-Term Borrowings – Subordinated Note. The fair market value of long-term borrowings payable was estimated using the income approach by discounting the expected future cash flows using current interest rates for instruments with similar terms, resulting in a Level 2 classification.

Federal Home Loan Bank Advances. The fair market value of long-term borrowings payable was estimated using the income approach by discounting the expected future cash flows using current interest rates for instruments with similar terms, resulting in a Level 2 classification.

Accrued Interest Payable. The carrying amount of accrued interest payable is used to approximate its fair value resulting in a Level 1 or 2 classification consistent with the respective liability.

Off-Balance Sheet Instruments. The fair value and carrying value of letters of credit and unused and open-ended lines of credit have been estimated based on the unearned fees charged for those commitments, net of accrued liability for probable losses.

Note 19-Loan Servicing

Loans serviced for others are not reported as assets. The principal balance of these loans at year-end are as follows:

	December 31,	
	2024	2023
	(dollars in thousands)	
Loan portfolios serviced for:		
FNMA	$11,789	$13,695
SBA	33,197	33,273

Custodial escrow balances maintained in connection with serviced loans were negligible at December 31, 2024, and 2023.

Activity for loan servicing rights and the related valuation allowance follows:

	December 31,	
	2024	2023
	(dollars in thousands)	
Loan servicing rights:		
Beginning of year	$320	$407
Additions	168	39
Disposals	—	—
Amortized to expense	(121)	(124)
Change in valuation allowance	(4)	(2)
End of year	$363	$320
Valuation allowance:		
Beginning of year	$46	$86
Additions expensed	1	2
Reductions credited to operations	—	—
Direct write-downs	(8)	(42)
End of year	$39	$46

The fair value of servicing rights for SBA loans being serviced for others was $0.4 million and $0.3 million at December 31, 2024 and 2023, respectively. SBA loan servicing rights fair value impairment assessment at year-end 2024 was determined using a discount rate of 17.3%, prepayment speeds ranging from 7.6% to 30.4% over the forecasted cash flow horizon, a weighted average of 22.9%, and a weighted average default rate of 3.6%. SBA loan servicing rights fair value impairment assessment at year-end 2023 was determined using a discount rate of 15.2%, prepayment speeds ranging from 0.0% to 25.8% over the forecasted cash flow horizon, a weighted average of 22.3%, and a weighted average default rate of 3.5%.

The fair value of servicing rights for FNMA loans being serviced for others was $25,000 and $37,000 at December 31, 2024, and 2023, respectively. FNMA loan servicing rights fair value impairment assessment at year-end 2024 was determined using a prepayment speed of PSA 118, a cost to service of 6%, and an investor yield of 13%. FNMA loan servicing rights fair value impairment assessment at year-end 2023 was determined using a prepayment speed of PSA 118, a cost to service of 6%, and an investor yield of 13%.

Note 20-Stock-Based Compensation

CIB Marine has one share-based compensation plan as described below.

Restricted Stock Plan. A Restricted Stock Plan adopted in 2016 ("RSP") and subsequently amended provides for the issuance of up to 333,333 restricted shares to directors and officers over time. Compensation and other expense is recognized over the vesting period of the awards based on the fair value of the stock at issue date. The fair value of the stock for each award has been determined using the last traded price as reported in the OTCQB market for CIB Marine's stock prior to September 27, 2021, and OTCQX subsequently, symbol CIBH, as of the grant date. During the calendar years 2024 and 2023, 21,255 and 18,893 restricted stock awards were granted, respectively. Directors vest at the rate of 1/3rd of the issued shares on each subsequent May 1st. RSP shares issued to officers fully vest on the third anniversary of the grant date. Officers vest generally over a three year service period. In addition, for vesting to occur for executive officers, they are required to meet certain income and asset quality performance measures for the awards granted. Only the asset quality performance measure was met for the awards granted in 2023. In addition, from time to time CIB Marine will grant immediately vesting stock awards, under agreement, to employees for certain significant achievements that advance CIB Marine's strategies. No immediately vesting stock was awarded in 2023 or 2024.

A summary of changes in CIB Marine's non-vested shares for the years 2024 and 2023 follows:

Non-Vested Shares	Shares	Weighted-Average Grant-Date Fair Value
Non-vested at January 1, 2023	58,897	$23.12
Granted	18,893	30.00
Vested	(25,847)	17.69
Forfeited	(2,635)	29.19
Non-vested at December 31, 2023	49,308	$28.27
Granted	21,255	20.45
Vested	(23,250)	21.92
Forfeited	(2,054)	27.75
Non-vested at December 31, 2024	45,259	$27.90

As of December 31, 2024, and 2023, there was $0.6 million and $0.6 million, respectively, of total unrecognized compensation and other cost related to non-vested shares granted under the RSP. The cost is expected to be recognized over a weighted-average period of 0.9 years. The grant date fair value of shares vesting during the years ended December 31, 2024, and 2023 was $0.5 million and $0.4 million, respectively. Total compensation and other expense for the RSP that has been charged against income was $0.4 million and $0.5 million for 2024 and 2023, respectively.

Note 21-Other Benefit Plans

CIB Marine provides a defined contribution 401(k) plan to all employees of CIB Marine and its subsidiaries who have attained age 18. Employees may enter the plan on the first day of the month following sixty days of employment. The plan permits participants to make voluntary tax deferred contributions up to the maximum permitted by law. Participants age 50 or older are allowed to make a stated amount of additional contributions on a tax-deferred basis as permitted by law. In 2024 and 2023, the matching contribution was 50% of the employee's contribution up to 6% of compensation. The total expenses incurred for employer matching contributions to the plan were $0.3 million and $0.3 million during the years ended December 31, 2024, and 2023, respectively. All administrative costs to maintain the plan are paid by the plan.

CIB Marine provides a supplemental executive retirement plan ("SERP") to certain officers. A liability is accrued for the obligation under these plans through the officers' respective service periods. The total expenses incurred for these plans were $65,000 and $69,000 during the years ended December 31, 2024, and 2023, respectively. Total liabilities outstanding for SERP included in other liabilities on the balance sheet were $0.6 million and $0.6 million at December 31, 2024, and 2023, respectively. The following benefit payments, reflecting expected future service to retirement age, are $350,000 over the next five years and, subsequently, over the following five years, or years six through ten, total $423,000.

Note 22-Income Taxes

The provision for income taxes on income from continuing operations in the consolidated statements of operations consisted of the following components:

	Years Ended December 31, 2024	Years Ended December 31, 2023
	(Dollars in thousands)	
Current tax provision:		
Federal	$(1)	$(6)
State	220	94
Deferred tax		
Federal	1,420	455
State	209	(13)
Change in valuation allowance (1)	—	1,099
Total income tax expense	$1,848	$1,629

(1) The change in the valuation allowance in the tax provision table above for 2023 consists of the establishment of a valuation reserve on Wisconsin net operating losses due to a change in Wisconsin tax law.

A reconciliation of the income tax provision and income tax from continuing operations that would have been provided by applying the federal statutory rate of 21% for the years ended December 31, 2024, and 2023, is as follows:

	Years Ended December 31, 2024 Amount	%	2023 Amount	%
	(Dollars in thousands)			
Income tax at statutory tax rate	$1,531	21.0%	$527	21.0%
Increase (reduction) in tax rate resulting from:				
State income taxes, net of federal income tax effect and valuation allowance	343	4.7	47	1.9
Tax-exempt interest	—	—	—	—
Affordable housing credits	—	—	—	—
Change in valuation allowance (1)	—	—	1,099	43.8
Other, net	(26)	(0.4)	(44)	(1.7)
	$1,848	25.3%	$1,629	65.0%

(1) The change in the valuation allowance in the tax provision table above for 2023 consists of the establishment of a valuation reserve on Wisconsin net operating losses due to a change in Wisconsin tax law.

The tax effects of temporary differences that give rise to net deferred tax (liabilities)/assets reported in other assets in the accompanying consolidated balance sheets are as follows:

	Years Ended December 31, 2024	Years Ended December 31, 2023
	(Dollars in thousands	
Deferred tax assets:		
Loss carryforwards (1)	$15,946	$17,172
Tax credit carryforwards	—	—
Allowance for credit losses	2,537	2,616
Net unrealized loss in securities available for sale	1,917	2,074
Other loss reserves	28	28
Other	601	785
Deferred tax assets before valuation allowance	21,029	22,675
Valuation allowance (2)	(7,093)	(7,093)
Net deferred tax assets	13,936	15,582
Deferred tax liabilities:		
Net unrealized gain in securities available for sale	$—	$—
Other	981	829
Total deferred tax liabilities	981	829
Net deferred tax assets	$12,955	$14,753

(1) Includes U.S. federal and state net operating and charitable contribution carryforwards as limited under Internal Revenue Code ("IRC") Sections 382. The loss carryforward deferred tax asset is comprised of $7.5 million of federal NOL with no valuation allowance and

$8.4 million of state NOL with $7.0 million valuation allowance.

(2) The change in the valuation allowance as reported in the consolidated balance sheet and in this table relates primarily to expiration of certain state net operating loss carryforwards and the valuation allowances associated with those operating losses and the establishment in 2023 of a $1.1 million valuation reserve on Wisconsin net operating loss carryforwards.

Pursuant to Sections 382 of the IRC, CIB Marine is subject to an approximately $2.3 million annual limitation on the use of its $90.0 million of pre-2010 federal net operating losses ("NOLs"). Accordingly, at December 31, 2024, only $15.2 million of these NOLs, which expire in varying amounts through 2029, will be available to offset future taxable income.

Federal NOLs arising after 2009 in post-emergence years are not subject to this limitation absent another ownership change for U.S. tax purposes. This limitation generally does not apply to CIB Marine's various state NOLs due to varying state jurisdictional recognition of the federal statutes, differing NOL carryforward periods, and state apportionment factors. Therefore, all of the state NOLs are generally available without limitation. From the total of $35.7 million available federal NOLs at December 31, 2024, $20.6 million were generated after 2009. CIB Marine also has $126.3 million state NOLs and a related valuation allowance of $7.0 million at December 31, 2024. The state and federal NOLs expire at various dates through 2035.

The Tax Cuts and Jobs Acts passed in 2017 limits the utilization of federal NOLs generated for tax years beginning after January 1, 2018, to 80% of taxable income. At this time, all of CIB Marine's federal NOLs were generated prior to 2018. However, NOLs losses arising in years prior to January 1, 2018, can offset 100% of taxable income, unless subject to IRC Section 382.

The realization of a Deferred Tax Asset ("DTA") is assessed and a valuation allowance is recorded if it is "more likely than not" that all or a portion of the DTA will not be realized. "More likely than not" is defined as the DTA being more than 50% likely of being realized. All available evidence, both positive and negative, is considered to determine whether, based on the weight of the evidence, a valuation allowance against the net DTA is required. In assessing the need for a valuation allowance, CIB Marine considered all available evidence about the realization of the DTA both positive and negative, that could be objectively verified.

Based on CIB Marine's continued recent earnings history and future earnings projections, among other facts and circumstances, management determined that it was more likely than not that a portion of the net DTA at December 31, 2024, will not be realized. In the assessment of the valuation allowance, it was determined that all of the available federal NOLs, but only a portion of the state NOLs, would be realized. Consequently, the DTA was reduced by a valuation allowance for the portion of the state NOLs that is more likely than not that they would not be realized and, at December 31, 2024, was $7.0 million. After being evaluated and reduced by the Section 382 limitation, the federal NOLs have no valuation allowance.

CIB Marine's ultimate realization of the DTA is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible. Management considers the nature and amount of historical and projected future taxable income, the scheduled reversal of deferred tax assets and liabilities, and available tax planning strategies in making this assessment. The amount of deferred taxes recognized could be impacted by changes in any of these variables.

CIB Marine files income tax returns in the U.S. federal and various state jurisdictions. With limited separate company state exceptions, CIB Marine is no longer subject to income tax examinations by U.S. federal tax and state tax authorities for years before 2021. CIB Marine has no unrecognized tax benefits as of December 31, 2024, and 2023. CIB Marine does not anticipate material adjustments to the amount of total unrecognized tax benefits within the next twelve months.

Note 23-Revenue from Contracts with Customers

All of CIB Marine's revenue from contracts with customers in the scope of ASC 606 was recognized within noninterest income. The following table represents CIB Marine's sources of noninterest income for the twelve months ended December 31, 2024, and 2023. Items outside the scope of ASC 606 are noted as such.

	Years Ended December 31,	
	2024	2023
	Dollars in thousands	
Non-interest income		
Overdraft and nonsufficient fund fees	$34	$48
Other	217	282
Deposit service charges	251	330
Other service fees	(14)	36
Mortgage banking revenue, net (1)	7,203	6,025
FHLBC stock dividends (1)	169	195
BOLI income (1)	190	169
Rental income on OREO property (1)	—	—
Fannie Mae and SBA loan servicing fee income (1)	244	242
Other loan fees	12	17
Other fees (1)	163	(45)
Other income	778	578
Net gains on sale of securities available for sale (1)	—	—
Unrealized gain (losses) recognized on equity securities (1)	(25)	30
Gain (loss) on sale of OREO and write-downs	(218)	12
Gain on sale of SBA 7(a) loans (1)	622	151
Gain (loss) on loan hedges (1)	—	6
Other (1)	4,555	1,732
Net gains on sale of assets and (write downs)	4,959	1,901
Total noninterest income	$13,152	$8,900

(1) Not within scope of ASC 606.

Other than the net mortgage banking revenue, substantially all the noninterest income was recognized within the banking segment.

A description of CIB Marine's revenue streams accounted for under ASC 606 follows:

Deposit service charges: CIB Marine earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees which include services such as return check, stop payment, wire transfer and ATM fees, for instance, are recognized at the time the transaction is executed as that is the point in time CIB Marine fulfills the customer's request. Account maintenance and other commercial payment service fees are earned over the course of a month, representing the period over which CIB Marine satisfies the performance obligation. Overdraft and non-sufficient fund fees are recognized at the point in time that they occur. Service charges on deposits are withdrawn from the customer's account balance.

Other service fees: CIB Marine's other service fees are comprised of interchange fees from debit cardholder transactions conducted through various payment networks. Interchange fees on net were nominal and nominal for the years ending December 31, 2024, and 2023, respectively, net of customer awards or refunds of $15,000 and $17,000, respectively. In addition, other service fees include merchant fee income earned over the course of a month from third party vendors for services provided to customers of CIB Marine for processing of credit and debit card transactions; safe deposit box rentals; electronic transfer fees paid at the time of the transaction earned and paid monthly, and other nominal services.

Gain(loss) on sale of OREO and (write-downs): CIB Marine records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed, and records a write-down on OREO when updated information about OREO, such as a new appraisal or report on the condition of the property, shows a decline in fair value.

Note 24-Parent Company Financial Statements

The condensed financial statements of the parent company only, are presented as follows:

Condensed Balance Sheets

	At December 31,	
	2024	**2023**
	(Dollars in thousands)	
Assets		
Cash and due from affiliated bank	$1,612	$7,136
Investments in subsidiaries	78,713	80,564
Deferred tax assets, net	7,468	7,230
Income tax receivable	144	139
Other assets	97	97
Total assets	$88,034	$95,166
Liabilities		
Accrued interest payable	$166	$166
Long-term borrowings-subordinated debt	9,762	9,729
Other liabilities	145	196
Total liabilities	10,073	10,091
Stockholders' Equity		
Preferred stock	—	13,806
Common stock	1,372	1,349
Capital surplus	181,708	181,282
Accumulated deficit	(99,487)	(105,335)
Accumulated other comprehensive income, net	(5,098)	(5,493)
Treasury stock at cost	(534)	(534)
Total stockholders' equity	77,961	85,075
Total liabilities and stockholders' equity	$88,034	$95,166

Condensed Statements of Operations and Comprehensive Income

	Years Ended December 31,	
	2024	2023
	(Dollars in thousands)	
Dividend Income		
Dividends from subsidiary	$8,600	$—
Total dividend income	8,600	—
Interest Expense		
Long-term borrowings-subordinated debt	483	483
Total interest expense	483	483
Net interest expense	8,117	(483)
Noninterest income		
Change in equity in undistributed earnings of subsidiaries	(2,242)	1,726
Gain on sale of assets, net	(4)	8
Other income	2	3
Total noninterest income (loss)	(2,244)	1,737
Noninterest expense		
Compensation and employee benefits	—	—
Professional services	302	254
Insurance	88	65
Other	284	280
Total noninterest expense	674	599
Income before income taxes	5,199	655
Income tax benefit	(243)	(225)
Net income	5,442	880
Preferred stock dividends	—	—
Discount from repurchase of preferred stock	406	—
Net income allocated to common stockholders	$5,848	$880
Other comprehensive income:		
Net income	$5,442	$880
Other comprehensive income	395	1,352
Comprehensive income	$5,837	$2,232

Condensed Statement of Cash Flows

	Years Ended December 31,	
	2024	2023
	(Dollars in thousands)	
Cash Flows from Operating Activities:		
Net income	$5,442	$880
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Change in equity in undistributed earnings of subsidiaries	2,242	(1,726)
Amortization expense-subordinated debt	33	33
Change in deferred tax assets, net	(238)	(220)
Decrease in interest receivable and other assets	(8,153)	476
Increase (decrease) in other interest payable and other liabilities	(50)	12
Net cash used in operating activities	(724)	(545)
Cash Flows from Investing Activities:		
Return of capital from subsidiary	8,600	—
Dividends from subsidiary	—	—
Net cash provided by investing activities	8,600	—
Cash Flows from Financing Activities:		
Issuance of common stock	—	—
Reverse stock split fractional share payment	—	—
Preferred shares repurchase	(13,400)	—
Net increase in long-term borrowings-subordinated debt	—	—
Net cash used in investing activities	(13,400)	—
Net increase (decrease) in cash and cash equivalents	(5,524)	(545)
Cash and cash equivalents, beginning of year	7,136	7,681
Cash and cash equivalents, end of year	$1,612	$7,136

Note 25-Quarterly Consolidated Financial Information (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	(Dollars in thousands, except share data)				
For the Year Ended December 31, 2024					
Total interest income	$11,801	$12,052	$12,283	$11,408	$47,544
Total interest expense	6,840	6,897	6,707	6,259	26,703
Net interest income	4,961	5,155	5,576	5,149	20,841
Provision (credit) for credit losses	(28)	10	(113)	(332)	(463)
Net interest income after provision (credit) for credit losses	4,989	5,145	5,689	5,481	21,304
Gain (loss) on sale of securities available for sale	—	—	—	—	—
Unrealized gain (loss) recognized on equity securities	(18)	(14)	78	(71)	(25)
Other noninterest income	1,645	6,918	2,819	1,795	13,177
Other noninterest expense	6,421	6,904	7,163	6,678	27,166
Income before income tax expense	195	5,145	1,423	527	7,290
Income tax expense	17	1,361	347	123	1,848
Net income	178	3,784	1,076	404	5,442
Preferred stock dividends	—	—	—	—	—
Discount from repurchase of preferred stock	—	—	—	406	406
Net income attributable to common stockholders	$178	$3,784	$1,076	$810	$5,848
Earnings per share:					
Basic	$0.13	$2.79	$0.79	$0.60	$4.32
Diluted	0.10	2.06	0.59	0.54	3.38

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	(Dollars in thousands, except share data)				
For the Year Ended December 31, 2023					
Total interest income	$8,472	$9,152	$10,117	$11,328	$39,069
Total interest expense	2,601	3,643	5,180	6,190	17,614
Net interest income	5,871	5,509	4,937	5,138	21,455
Provision (credit) for credit losses	159	(246)	(140)	135	(92)
Net interest income after provision (credit) for credit losses	5,712	5,755	5,077	5,003	21,547
Gain (loss) on sale of securities available for sale	—	—	—	—	—
Unrealized gain (loss) recognized on equity securities	34	(34)	(66)	96	30
Other noninterest income	1,376	3,332	2,434	1,728	8,870
Other noninterest expense	6,805	7,457	7,007	6,669	27,938
Income before income tax expense	317	1,596	438	158	2,509
Income tax expense	89	431	59	1,050	1,629
Net income	228	1,165	379	(892)	880
Preferred stock dividends	—	—	—	—	—
Discount from repurchase of preferred stock	—	—	—	—	—
Net income attributable to common stockholders	$228	$1,165	$379	$(892)	$880
Earnings per share:					
Basic	$0.17	$0.88	$0.28	$(0.67)	$0.66
Diluted	0.13	0.64	0.21	(0.67)	0.49