

CIB Marine Bancshares, Inc. (OTCQX: CIBH). This report provides additional detailed financial information for the quarter and six months ended June 30, 2022. Please see our Shareholder Letter dated August 4, 2022, at www.cibmarine.com for a summary description of our financial results.

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

	2022			2021		
	Average Balance	Interest Earned/Paid	Average Yield/Cost	Average Balance	Interest Earned/Paid	Average Yield/Cost
(Dollars in thousands)						
Quarter Ended June 30,						
Interest-earning assets						
Securities (1)	\$119,689	\$683	2.28%	\$112,005	\$551	1.97%
Loans held for sale (1)	8,267	90	4.36	14,366	95	2.67
Loans (1)(2)	539,788	5,542	4.12	543,425	5,583	4.12
Federal funds sold, reverse repos and interest-earning due from banks	63,539	96	0.61	42,711	10	0.09
Total interest-earning assets	731,283	6,411	3.51	712,507	6,239	3.51
Noninterest-earning assets	33,166			33,247		
Total assets	\$764,449			\$745,754		
Interest-bearing liabilities						
Interest-bearing deposits	\$511,309	\$384	0.30%	\$493,969	\$447	0.36%
Borrowed funds	36,073	133	1.48	27,019	9	0.13
Total interest-bearing liabilities	547,382	517	0.38	520,988	456	0.35
Noninterest-earning liabilities:						
Noninterest-bearing demand deposits	124,040			113,470		
Accrued interest and other liabilities	3,000			4,291		
Preferred equity	18,762			37,308		
Common equity	71,265			69,697		
Total stockholders' equity	90,027			107,005		
Total liabilities and stockholders' equity	\$764,449			\$745,754		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$183,901	\$5,894	3.14%	\$191,519	\$5,783	3.16%
Net interest margin (1)(4)			3.23%			3.26%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.34			1.37		
(Dollars in thousands)						
Six Months Ended June 30,						
Interest-earning assets						
Securities (1)	\$113,101	\$1,220	2.16%	\$109,943	\$1,106	2.01%
Loans held for sale (1)	8,275	148	3.60	23,411	270	2.33
Loans (1)(2)	537,755	10,796	4.05	539,294	11,107	4.15
Federal funds sold, reverse repos and interest-earning due from banks	69,041	126	0.37	42,859	21	0.10
Total interest-earning assets	728,172	12,290	3.40	715,507	12,504	3.53
Noninterest-earning assets	32,811			34,803		
Total assets	\$760,983			\$750,310		
Interest-bearing liabilities						
Interest-bearing deposits	\$507,663	\$734	0.29%	\$493,674	\$959	0.39%
Borrowed funds	34,175	196	1.15	36,233	33	0.18
Total interest-bearing liabilities	541,838	930	0.35	529,907	992	0.38
Noninterest-earning liabilities:						
Noninterest-bearing demand deposits	124,408			108,833		
Accrued interest and other liabilities	3,828			5,051		
Preferred equity	18,762			37,308		
Common equity	72,147			69,211		
Total stockholders' equity	90,909			106,519		
Total liabilities and stockholders' equity	\$760,983			\$750,310		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$186,334	\$11,360	3.06%	\$185,600	\$11,512	3.15%
Net interest margin (1)(4)			3.15%			3.24%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.34			1.37		

(1) Balance totals include respective nonaccrual assets.

(2) Interest earned on loans includes a nominal amount of amortized loan costs for all periods presented.

(3) Net interest spread is the yield on average interest-earning assets less the rate on interest-bearing liabilities.

(4) Net interest margin is the ratio of net interest income to average interest-earning assets.

Net interest income increased by \$0.1 million during the quarter compared to the same period of 2021. The primary reason for the change is higher average balances in interest earnings assets, despite lower PPP fee accretions and new long-term borrowing interest expense from the \$10 million of subordinated debt issued with an average interest bearing cost of 5.00%. The net interest margin declined by 3 basis points during the quarter compared to the same period of 2021, primarily due to the new subordinated debt.

Net interest income decreased by \$0.2 million during the first six months of 2022 compared to the same period of 2021. The primary reasons for the change are lower average balances in loans held for sale as mortgage production has declined due to higher mortgage interest rates, and lower PPP net deferred fee accretions. The net interest margin declined by 9 basis points during the first half of 2022 compared to the same period of 2021 with the yield on interest earnings assets declining by 13 basis points compared to 3 basis points in the cost of interest bearing liabilities.

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

	Loan Portfolio Segments (unaudited)					
	June 30, 2022		December 31, 2021		June 30, 2021	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)					
Commercial	\$60,935	11.1%	\$59,699	11.0%	\$64,403	11.6%
Commercial real estate	310,733	56.7	307,229	56.6	318,796	57.6
Construction and development	22,566	4.1	18,629	3.4	18,503	3.3
Residential real estate	140,314	25.6	142,375	26.2	134,607	24.3
Home equity	13,191	2.4	14,084	2.6	15,660	3.0
Purchased home equity pools	426	0.1	950	0.2	1,353	0.2
Other consumer	196	0.0	232	0.0	324	0.0
Gross loans	<u>548,361</u>	<u>100.0%</u>	<u>543,198</u>	<u>100.0%</u>	<u>553,646</u>	<u>100.0%</u>
Deferred loan costs (fees)	814		621		(4)	
Loans	<u>549,175</u>		<u>543,819</u>		<u>553,642</u>	
Allowance for loan losses	(8,010)		(8,352)		(9,165)	
Loans, net	<u>\$541,165</u>		<u>\$535,467</u>		<u>\$544,477</u>	

	Select Real Estate Loan Property Types (1) (unaudited)					
	June 30, 2022		December 31, 2021		June 30, 2021	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)					
Office	\$60,978	11.1%	\$62,172	11.4%	\$66,138	11.9%
Retail	59,213	10.8	58,694	10.8	53,138	9.6
Warehouse	24,671	4.5	18,752	3.5	23,495	4.2
Manufacturing	18,827	3.4	20,360	3.7	24,856	4.5
Hospitality	28,344	5.2	31,189	5.7	25,365	4.6
Nursing Home and Assisted Living	14,901	2.7	15,187	2.8	11,896	2.1
Multifamily Apartments	48,028	8.8	41,685	7.7	49,145	8.9
Restaurants and Food Service	20,673	3.8	18,535	3.4	19,643	3.5

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

Nonperforming Assets and Selected Asset Quality Ratios (unaudited)

	June 30, 2022	December 31, 2021	June 30, 2021
Nonperforming assets			
(Dollars in thousands)			
Nonaccrual loans:			
Commercial	\$116	\$—	\$—
Commercial real estate	524	157	157
Construction and development	—	—	—
Residential real estate	203	210	282
Home equity	357	370	617
Other consumer	—	—	—
	1,200	737	1,056
Loans held for sale	—	—	—
Total nonaccrual loans	1,200	737	1,056
Other real estate owned	403	403	403
Total nonperforming assets	\$1,603	\$1,140	\$1,459
Restructured loans accruing			
Commercial	\$—	\$—	\$—
Commercial real estate	—	—	—
Residential real estate	266	277	570
Home equity	—	—	—
Purchased home equity pools	97	136	139
Other consumer	—	—	—
Total restructured loans accruing	\$363	\$413	\$709
90 days or more past due still accruing	\$—	\$—	\$—
Ratios			
Nonaccrual loans to total loans (1)	0.22%	0.14%	0.19%
Other real estate owned to total assets	0.05	0.05	0.05
Nonperforming assets to total assets (1)	0.21	0.15	0.19
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (1)	0.28	0.21	0.32
Nonperforming assets, restructured loans and 90 days or more past due and still accruing loans to total assets (1)	0.25	0.21	0.29

(1) Excludes loans held for sale from nonaccrual loans, nonperforming assets, restructured loans accruing and 90 days or more past due and still accruing loans.

Allowance for Loan Losses (unaudited)

	Commercial	Commercial Real Estate	Construction and Development	Residential Real Estate	Home Equity	Purchased Home Equity Pools	Other Consumer	Total
(Dollars in thousands)								
Quarter ended June 30, 2022								
Balance at beginning of period	\$756	\$5,858	\$239	\$709	\$276	\$172	\$1	\$8,011
Provision for (reversal of) loan losses	136	(56)	53	23	(24)	(96)	4	40
Charge-offs	(14)	(13)	—	—	—	(112)	(4)	(143)
Recoveries	—	1	—	15	30	56	—	102
Balance at end of period	\$878	\$5,790	\$292	\$747	\$282	\$20	\$1	\$8,010
Quarter ended June 30, 2021								
Balance at beginning of period	\$814	\$6,305	\$844	\$761	\$412	\$111	\$6	\$9,253
Provision for (reversal of) loan losses	(57)	335	(317)	(114)	(17)	(130)	—	(300)
Charge-offs	—	—	—	—	—	—	—	—
Recoveries	—	64	—	1	2	145	—	212
Balance at end of period	\$757	\$6,704	\$527	\$648	\$397	\$126	\$6	\$9,165

Allowance for Loan Losses (unaudited)

	Commercial	Commercial Real Estate	Construction and Development	Residential Real Estate	Home Equity	Purchased Home Equity Pools	Other Consumer	Total
(Dollars in thousands)								
Six months ended June 30, 2022								
Balance at beginning of period	\$835	\$6,204	\$241	\$708	\$301	\$60	\$3	\$8,352
Provision for (reversal of) loan losses	57	(402)	51	24	(51)	30	6	(285)

Charge-offs	(14)	(13)	—	—	—	(201)	(8)	(236)
Recoveries	—	1	—	15	32	131	—	179
Balance at end of period	\$878	\$5,790	\$292	\$747	\$282	\$20	\$1	\$8,010
Six months ended June 30, 2021								
Balance at beginning of period	\$914	\$6,005	\$812	\$824	\$439	\$122	\$6	\$9,122
Provision for (reversal of) loan losses	(157)	635	(285)	(178)	(65)	(230)	—	(280)
Charge-offs	—	—	—	—	—	—	—	—
Recoveries	—	64	—	2	23	234	—	323
Balance at end of period	\$757	\$6,704	\$527	\$648	\$397	\$126	\$6	\$9,165

CIB Marine provided \$40,000 to the allowance for loan losses primarily due to growth in loan balances over the course of the second quarter of 2022. CIB Marine has a reversal of loan losses of \$285,000 for the first six months of 2022 versus a reversal of loan losses of \$280,000 for the same period of 2021, reflecting primarily overall environmental factor and asset quality improvements.

CIB Marine may record recoveries in excess of charge-offs from time to time. Although it cannot be certain in advance due to a number of factors related to the determination of the provision for loan losses, a net recovery may result in a credit provision (i.e., a reversal of provisions for loan losses) in the period of the net recovery. A net recovery has the potential to increase CIB Marine's net income by an amount up to the net recovery. However, there can be no certainty as to whether CIB Marine will experience improved credit quality or recoveries during future quarters so as to permit it to record further credit provisions or reversals of provisions for loan losses for any of the portfolio segments or in total.

	Past Due Accruing Loans (unaudited)					
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
(Dollars in thousands)						
<u>At June 30, 2022</u>						
Commercial	\$—	\$—	\$—	\$—	\$60,819	\$60,819
Commercial real estate	—	—	—	—	310,209	310,209
Construction and development	—	—	—	—	22,566	22,566
Residential real estate	—	—	—	—	140,111	140,111
Home equity	—	—	—	—	12,834	12,834
Purchased home equity pools	—	—	—	—	426	426
Other consumer	—	—	—	—	196	196
Deferred loan costs	—	—	—	—	814	814
Total	\$—	\$—	\$—	\$—	\$547,975	\$547,975
<u>At December 30, 2021</u>						
Commercial	\$—	\$—	\$—	\$—	\$59,699	\$59,699
Commercial real estate	—	—	—	—	307,072	307,072
Construction and development	—	—	—	—	18,629	18,629
Residential real estate	406	—	—	406	141,759	142,165
Home equity	—	43	—	43	13,671	13,714
Purchased home equity pools	26	—	—	26	924	950
Other consumer	—	—	—	—	232	232
Deferred loan costs	1	—	—	1	620	621
Total	\$433	\$43	\$—	\$476	\$542,606	\$543,082
<u>At June 30, 2021</u>						
Commercial	\$—	\$—	\$—	\$—	\$64,403	\$64,403
Commercial real estate	2,033	—	—	2,033	316,606	318,639
Construction and development	—	—	—	—	18,503	18,503
Residential real estate	—	—	—	—	134,325	134,325
Home equity	93	—	—	93	14,950	15,043
Purchased home equity pools	37	43	—	80	1,273	1,353
Other consumer	—	—	—	—	324	324
Deferred loan costs	—	—	—	—	(4)	(4)
Total	\$2,163	\$43	\$—	\$2,206	\$550,380	\$552,586

CIB Marine had no loans past due 30 days or more and still accruing at June 30, 2022, down from both December 31, 2021, and June 30, 2021.

Commercial Loans at Higher Risk from COVID-19

Management has previously identified six sectors as the most susceptible to immediate increased credit risk from the impact of COVID-19: retail, office space, hotels, health and social services, restaurants, and recreation. As the immediate COVID-19 impact dissipates, management believes that the office space sector poses significantly higher ongoing credit risks due to the changes in the demand for and vacancies in office space in the national and local economies as office use practices by businesses have changed (i.e., more employees working from home than prior to COVID-19).

	At Risk Commercial Loan Sectors						Total at Risk Sectors	Total Commercial Sector Loans	Percent
	Retail	Office (1)	Hotel	Health & Social Services	Restaurants	Recreation			
(Dollars in thousands)									
June 30, 2022									
Commercial real estate	\$58,906	\$55,684	\$21,108	\$5,973	\$17,752	\$4,001	\$163,425	\$310,733	53%
Commercial and industrial	—	15,349	2,109	6,774	242	3,995	28,469	60,935	47
Commercial construction	307	5,294	7,236	0	2,921	—	15,758	22,566	70
Total	<u>\$59,213</u>	<u>\$76,327</u>	<u>\$30,453</u>	<u>\$12,747</u>	<u>\$20,915</u>	<u>\$7,996</u>	<u>\$207,652</u>	<u>\$394,234</u>	<u>53%</u>
December 31, 2021									
Commercial real estate	\$58,694	\$59,583	\$24,437	\$6,382	\$16,775	\$4,271	\$170,142	\$307,229	55%
Commercial and industrial	—	2,793	461	404	1,516	212	5,386	59,699	9
Commercial construction	—	2,589	6,753	1,476	1,759	—	12,577	18,629	68
Total	<u>\$58,694</u>	<u>\$64,965</u>	<u>\$31,651</u>	<u>\$8,262</u>	<u>\$20,050</u>	<u>\$4,483</u>	<u>\$188,105</u>	<u>\$385,557</u>	<u>49%</u>
June 30, 2021									
Commercial real estate	\$53,138	\$60,561	\$25,365	\$6,792	\$18,008	\$6,111	\$169,975	\$318,796	53%
Commercial and industrial	—	15,636	518	1,687	3,478	825	22,144	64,403	34
Commercial construction	-	5,577	0	673	1,635	—	7,885	18,503	43
Total	<u>\$53,138</u>	<u>\$81,774</u>	<u>\$25,883</u>	<u>\$9,152</u>	<u>\$23,121</u>	<u>\$6,936</u>	<u>\$200,004</u>	<u>\$401,702</u>	<u>50%</u>

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

CIB Marine is a cautious and selective lender in the at-risk commercial loan sectors outlined in the table above and generally has not loosened credit underwriting standards to lend in the sectors above. Reporting this information will likely be discontinued in the future if the risk continues to diminish.

CIB MARINE BANCSHARES, INC.
Capital (unaudited)

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in thousands)						
June 30, 2022						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.(1)	\$93,369	16.85%				
CIBM Bank	79,094	14.29	\$44,279	8.00%	\$55,349	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$76,749	13.85%				
CIBM Bank	72,162	13.04	\$33,210	6.00%	\$44,279	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	\$76,749	10.20%				
CIBM Bank	72,162	9.60	\$30,066	4.00%	\$37,583	5.00%
Common Equity Tier 1 (2)						
CIBM Bank	\$72,162	13.04%	\$24,907	4.50%	\$35,977	6.50%
December 31, 2021						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$82,846	15.53%				
CIBM Bank	78,086	14.66	42,624	8.00	\$53,280	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$76,158	14.28%				
CIBM Bank	71,406	13.40	31,968	6.00	\$42,624	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	\$76,158	10.22%				
CIBM Bank	71,406	9.59	29,792	4.00	\$37,240	5.00%
Common Equity Tier 1 (2)						
CIBM Bank	\$71,406	13.40%	\$23,976	4.50%	\$34,632	6.50%

- (1) During the first quarter of 2022, CIB Marine issued \$10 million in Subordinated Debentures that qualify as Tier 2 capital and are included in total capital.
- (2) CIB Marine is a Small Bank Holding Company under Appendix C of Part 225 of the Federal Reserve regulation and, as a result, the consolidated CIB Marine is exempt from capital adequacy requirements.