

CIB Marine Bancshares, Inc. (OTCQB: CIBH). This report provides additional detailed financial information for the quarter and nine months ended September 30, 2020. Please see our Shareholder Letter dated November 5, 2020, located at www.cibmarine.com for a summary description of our financial results.

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

	2020			2019		
	Average Balance	Interest Earned/Paid	Average Yield/Cost	Average Balance	Interest Earned/Paid	Average Yield/Cost
(Dollars in thousands)						
Quarter Ended September 30,						
Interest-earning assets						
Securities (1)	\$112,332	\$573	2.04%	\$122,314	\$810	2.65%
Loans held for sale (1)	71,291	537	2.99	10,638	152	5.69
Loans (1)(2)	539,949	6,054	4.46	509,801	5,992	4.66
Federal funds sold, reverse repos and interest-earning due from banks	21,520	38	0.71	10,844	81	2.94
Total interest-earning assets	745,092	7,202	3.85	653,597	7,035	4.27
Noninterest-earning assets	37,937			38,722		
Total assets	\$783,029			\$692,319		
Interest-bearing liabilities						
Interest-bearing deposits	\$481,730	\$942	0.78%	\$486,522	\$2,027	1.65%
Borrowed funds	104,158	75	0.29	37,401	156	1.66
Total interest-bearing liabilities	585,888	1,017	0.69	523,923	2,183	1.65
Noninterest-earning liabilities:						
Noninterest-bearing demand deposits	90,317			66,350		
Accrued interest and other liabilities	6,396			7,715		
Preferred equity	37,308			38,004		
Common equity	63,120			56,327		
Total stockholders' equity	100,428			94,331		
Total liabilities and stockholders' equity	\$783,029			\$692,319		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$159,204	\$6,185	3.16%	\$129,674	\$4,852	2.62%
Net interest margin (1)(4)			3.30%			2.95%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.27			1.25		

	2020			2019		
	Average Balance	Interest Earned/Paid	Average Yield/Cost	Average Balance	Interest Earned/Paid	Average Yield/Cost
(Dollars in thousands)						
Nine Months Ended September 30,						
Interest-earning assets						
Securities (1)	\$116,374	\$1,997	2.29%	\$122,422	\$2,482	2.70%
Loans held for sale (1)	46,240	1,107	3.20	6,962	334	6.42
Loans (1)(2)	531,891	17,297	4.34	499,580	17,496	4.68
Federal funds sold, reverse repos and interest-earning due from banks	13,499	106	1.05	34,359	816	3.17
Total interest-earning assets	708,004	20,507	3.87	663,323	21,128	4.26
Noninterest-earning assets	38,319			39,761		
Total assets	\$746,323			\$703,084		
Interest-bearing liabilities						
Interest-bearing deposits	\$473,935	\$3,717	1.05%	\$484,320	\$5,781	1.60%
Borrowed funds	86,070	332	0.52	53,500	836	2.09
Total interest-bearing liabilities	560,005	4,049	0.97	537,820	6,617	1.64
Noninterest-earning liabilities:						
Noninterest-bearing demand deposits	83,284			64,516		
Accrued interest and other liabilities	5,516			7,748		
Preferred equity	37,420			38,919		
Common equity	60,098			54,081		
Total stockholders' equity	97,518			93,000		
Total liabilities and stockholders' equity	\$746,323			\$703,084		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$147,999	\$16,458	2.90%	\$125,503	\$14,511	2.61%
Net interest margin (1)(4)			3.10%			2.93%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.26			1.23		

(1) Balance totals include respective nonaccrual assets.

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

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

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

Net interest income increased \$1.3 million during the third quarter of 2020 compared to the same quarter of 2019 and increased \$1.9 million for the first nine months ended September 30, 2020, compared to the same period of 2020. Net interest income increased due to higher balances in PPP and residential held for sale loans, recoveries from problem loan payoffs, and sharp declines in the cost of funds and corresponding interest expense. The net interest margin increased by 35 basis points over the quarterly period and 17 basis points over the year-to-date period compared to the same periods the prior year, primarily due to the greater decrease in the cost of interest-bearing liabilities compared to the decrease in earning asset yields. The cost of funds declined due to a number of factors, including a fall in general market interest rates, reduced competition for funding as loan growth has slowed, and the repricing of short-term borrowings and promotional deposit accounts in a lower rate environment.

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

	Loan Portfolio Segments (unaudited)					
	September 30, 2020		December 31, 2019		September 30, 2019	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)					
Commercial	\$81,081	14.8%	\$44,415	8.7%	\$56,622	11.1%
Commercial real estate	282,071	51.6	266,391	51.9	251,393	49.5
Construction and development	20,431	3.7	18,472	3.6	22,204	4.4
Residential real estate	143,248	26.2	157,788	30.7	152,836	30.1
Home equity	17,420	3.2	22,332	4.4	21,522	4.2
Purchased home equity pools	2,196	0.4	2,935	0.6	3,156	0.6
Other consumer	368	0.1	835	0.1	457	0.1
Gross loans	<u>546,815</u>	<u>100.0%</u>	<u>513,168</u>	<u>100.0%</u>	<u>508,190</u>	<u>100.0%</u>
Deferred loan costs (fees)	(464)		537		568	
Loans	<u>546,351</u>		<u>513,705</u>		<u>508,758</u>	
Allowance for loan losses	(9,037)		(8,007)		(7,560)	
Loans, net	<u>\$537,314</u>		<u>\$505,698</u>		<u>\$501,198</u>	

	Select Real Estate Loan Property Types (1) (unaudited)					
	September 30, 2020		December 31, 2019		September 30, 2019	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)					
Office	\$54,757	10.0%	\$40,586	7.9%	\$37,773	7.4%
Retail	40,123	7.4	49,776	9.7	44,336	8.7
Warehouse	22,860	4.2	23,230	4.5	23,589	4.6
Manufacturing	25,097	4.6	27,711	5.4	27,949	5.5
Hospitality	25,509	4.7	22,501	4.4	21,665	4.3
Hospitals and Clinics	14,726	2.7	20,380	4.0	17,746	3.5
Nursing Home and Assisted Living	12,801	2.3	5,870	1.1	5,940	1.2
Multifamily Apartments	49,497	9.1	40,549	7.9	40,179	7.9
Restaurants and Food Service	12,655	2.3	12,371	2.4	12,493	2.5

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

	Nonperforming Assets and Selected Asset Quality Ratios (unaudited)		
	September 30, 2020	December 31, 2019	September 30, 2019
	(Dollars in thousands)		
Nonperforming assets			
Nonaccrual loans:			
Commercial	\$—	\$262	\$467
Commercial real estate	738	4,284	4,200
Construction and development	—	26	26
Residential real estate	325	425	431
Home equity	678	595	660
Other consumer	—	—	—
	<u>1,741</u>	<u>5,592</u>	<u>5,784</u>
Loans held for sale	—	—	—
Total nonaccrual loans	<u>1,741</u>	<u>5,592</u>	<u>5,784</u>
Other real estate owned	2,103	2,396	2,466
Total nonperforming assets	<u>\$3,844</u>	<u>\$7,988</u>	<u>\$8,250</u>
Restructured loans accruing			
Commercial	\$—	\$—	\$—
Commercial real estate	193	208	213
Residential real estate	546	973	1,044
Home equity	—	—	—

Nonperforming Assets and Selected Asset Quality Ratios (unaudited)

	September 30, 2020	December 31, 2019	September 30, 2019
Nonperforming assets		(Dollars in thousands)	
Purchased home equity pools	189	292	294
Other consumer	—	—	—
Total restructured loans accruing	\$928	\$1,473	\$1,551
90 days or more past due still accruing	\$—	\$42	\$—

Ratios

Nonaccrual loans to total loans (1)	0.32%	1.09%	1.14%
Other real estate owned to total assets	0.26	0.34	0.35
Nonperforming assets to total assets (1)	0.48	1.13	1.18
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (1)	0.49	1.38	1.44
Nonperforming assets, restructured loans and 90 days or more past due and still accruing loans to total assets (1)	0.60	1.35	1.40

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

Allowance for Loan Losses (unaudited)

	Commercial	Commercial Real Estate	Construction and Development	Residential Real Estate	Home Equity	Purchased Home Equity Pools	Other Consumer	Total
(Dollars in thousands)								
Quarter ended September 30, 2020								
Balance at beginning of period	\$797	\$5,732	\$436	\$901	\$452	\$159	\$6	\$8,483
Provision for (reversal of) loan losses	114	275	298	(71)	(78)	(38)	1	501
Charge-offs	—	—	—	—	—	(67)	—	(67)
Recoveries	—	—	—	2	46	72	—	120
Balance at end of period	\$911	\$6,007	\$734	\$832	\$420	\$126	\$7	\$9,037
Quarter ended September 30, 2019								
Balance at beginning of period	\$1,571	\$4,049	\$332	\$722	\$467	\$104	\$6	\$7,251
Provision for (reversal of) loan losses	(142)	277	170	6	30	(16)	2	327
Charge-offs	(27)	—	—	—	—	(34)	(2)	(63)
Recoveries	5	—	—	5	5	30	—	45
Balance at end of period	\$1,407	\$4,326	\$502	\$733	\$502	\$84	\$6	\$7,560
Nine months ended September 30, 2020								
Balance at beginning of period	\$899	\$5,292	\$476	\$763	\$478	\$89	\$10	\$8,007
Provision for (reversal of) loan losses	25	766	284	(39)	(120)	37	(1)	952
Charge-offs	(102)	(52)	(26)	—	—	(117)	(2)	(299)
Recoveries	89	1	—	108	62	117	—	377
Balance at end of period	\$911	\$6,007	\$734	\$832	\$420	\$126	\$7	\$9,037
Nine months ended September 30, 2019								
Balance at beginning of period	\$1,924	\$4,248	\$408	\$688	\$549	\$125	\$5	\$7,947
Provision for (reversal of) loan losses	98	77	94	31	(106)	(101)	9	102
Charge-offs	(632)	—	—	—	—	(73)	(8)	(713)
Recoveries	17	1	—	14	59	133	—	224
Balance at end of period	\$1,407	\$4,326	\$502	\$733	\$502	\$84	\$6	\$7,560

Nonaccrual loan volumes decreased \$3.9 million since the start of the year due to a significant non-performing commercial real estate payoff of principal and previous nonaccrual interest and individual loan improvements. Such improvements combined with overall higher loan volumes related to the PPP loans led to a decline in the nonaccrual loans to total loans ratio from 1.09% at December 31, 2019, to 0.32% at September 30, 2020.

Provisions for loan losses were \$0.5 million and \$1.0 million during the third quarter and the nine months ended September 30, 2020, respectively, compared to \$0.3 million and \$0.1 million, respectively, during the same periods of 2019. The increase in provisions during 2020 is primarily due to adjustments in environmental and qualitative factors related to the impact COVID-19 has had on the economy. Environmental and qualitative factors alone have been \$0.2 million and \$1.2 million during the third quarter and nine months ended September 30, 2020, respectively, but outstanding balance changes, net recoveries, changes in individual credits, and segment composition have offset some of the increase.

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

Past Due Accruing Loans (unaudited)

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
(Dollars in thousands)						
At September 30, 2020						
Commercial	\$—	\$—	\$—	\$—	\$81,081	\$81,081
Commercial real estate	1,780	83	—	1,863	279,470	281,333
Construction and development	—	—	—	—	20,431	20,431
Residential real estate	—	—	—	—	142,923	142,923
Home equity	—	—	—	—	16,742	16,742
Purchased home equity pools	32	20	—	52	2,144	2,196
Other consumer	22	—	—	22	346	368
Deferred loan costs	(2)	—	—	(2)	(462)	(464)
Total	\$1,832	\$103	\$—	\$1,935	\$542,675	\$544,610
At December 30, 2019						
Commercial	\$—	\$—	\$—	\$—	\$44,153	\$44,153
Commercial real estate	—	—	—	—	262,107	262,107
Construction and development	18	—	—	18	18,428	18,446
Residential real estate	739	234	42	1,015	156,348	157,363
Home equity	678	90	—	768	20,969	21,737
Purchased home equity pools	—	—	—	—	2,935	2,935
Other consumer	1	—	—	1	834	835
Deferred loan costs	2	—	—	2	535	537
Total	\$1,438	\$324	\$42	\$1,804	\$506,309	\$508,113
At September 30, 2019						
Commercial	\$—	\$—	\$—	\$—	\$56,155	\$56,155
Commercial real estate	—	—	—	—	247,193	247,193
Construction and development	—	—	—	—	22,178	22,178
Residential real estate	—	235	—	235	152,170	152,405
Home equity	123	26	—	149	20,713	20,862
Purchased home equity pools	—	6	—	6	3,150	3,156
Other consumer	—	—	—	—	457	457
Deferred loan costs	—	—	—	—	568	568
Total	\$123	\$267	\$—	\$390	\$502,584	\$502,974

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)						
September 30, 2020 (1)						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$87,389	16.13%				
CIBM Bank	84,973	15.71	\$43,262	8.00%	\$54,077	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$80,588	14.87%				
CIBM Bank	78,185	14.46	\$32,446	6.00%	\$43,262	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	\$80,588	11.20%				
CIBM Bank	78,185	10.88	\$28,755	4.00%	\$35,944	5.00%
Common Equity Tier 1 (2)						
CIBM Bank	\$78,185	14.46%	\$24,335	4.50%	\$35,150	6.50%
December 31, 2019 (1)						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$79,592	15.19%				
CIBM Bank	76,806	14.68	\$41,855	8.00%	\$52,319	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$73,024	13.94%				
CIBM Bank	70,249	13.43	\$31,391	6.00%	\$41,855	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	\$73,024	10.71%				
CIBM Bank	70,249	10.31	\$27,247	4.00%	\$34,059	5.00%
Common Equity Tier 1 (2)						
CIBM Bank	\$70,249	13.43%	\$23,544	4.50%	\$34,007	6.50%

- (1) Under the new capital regulation implemented January 1, 2015, referred to as Basel III, a capital conservation buffer of 2.5%, comprised of Common Equity Tier 1 ("CET1"), is established above the regulatory minimum capital requirements for capital adequacy purposes. The capital conservation buffer was phased in and became fully effective on January 1, 2019. The capital conservation buffer was 2.5% for both the calendar years 2019 and 2020. 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.