

CIB Marine Bancshares, Inc. (OTCQB: CIBH). This report provides additional detailed financial information for the quarter ended September 30, 2021. Please see our Shareholder Letter dated November 4, 2021, located at www.cibmarine.com for a summary description of our financial results.

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

	2021			2020		
	Average Balance	Interest Earned/Paid	Average Yield/Cost	Average Balance	Interest Earned/Paid	Average Yield/Cost
(Dollars in thousands)						
Quarter Ended September 30,						
Interest-earning assets						
Securities (1)	\$105,925	\$509	1.92%	\$112,332	\$573	2.04%
Loans held for sale (1)	19,174	135	2.78	71,291	537	2.99
Loans (1)(2)	550,645	5,646	4.07	539,949	6,054	4.46
Federal funds sold, reverse repos and interest-earning due from banks	52,187	21	0.16	21,520	38	0.71
Total interest-earning assets	727,931	6,311	3.44	745,092	7,202	3.85
Noninterest-earning assets	31,987			37,937		
Total assets	\$759,918			\$783,029		
Interest-bearing liabilities						
Interest-bearing deposits	\$492,943	\$409	0.33%	\$481,730	\$942	0.78%
Borrowed funds	32,705	8	0.10	104,158	75	0.29
Total interest-bearing liabilities	525,648	417	0.31	585,888	1,017	0.69
Noninterest-earning liabilities:						
Noninterest-bearing demand deposits	121,352			90,317		
Accrued interest and other liabilities	4,512			6,396		
Preferred equity	37,308			37,308		
Common equity	71,098			63,120		
Total stockholders' equity	108,406			100,428		
Total liabilities and stockholders' equity	\$749,918			\$783,029		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$202,283	\$5,894	3.12%	\$159,204	\$6,185	3.16%
Net interest margin (1)(4)			3.21%			3.30%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.38			1.27		
	2021			2020		
	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)	\$108,589	\$1,615	1.98%	\$116,374	\$1,997	2.29%
Loans held for sale (1)	21,983	405	2.46	46,240	1,107	3.20
Loans (1)(2)	543,120	16,753	4.12	531,891	17,297	4.34
Federal funds sold, reverse repos and interest-earning due from banks	46,002	42	0.12	13,499	106	1.05
Total interest-earning assets	719,694	18,815	3.49	708,004	20,507	3.87
Noninterest-earning assets	33,854			38,319		
Total assets	\$753,548			\$746,323		
Interest-bearing liabilities						
Interest-bearing deposits	\$493,428	\$1,368	0.37%	\$473,935	\$3,717	1.05%
Borrowed funds	35,044	41	0.15	86,070	332	0.52
Total interest-bearing liabilities	528,472	1,409	0.36	560,005	4,049	0.97
Noninterest-earning liabilities:						
Noninterest-bearing demand deposits	113,051			83,284		
Accrued interest and other liabilities	4,870			5,516		
Preferred equity	37,308			37,420		
Common equity	69,847			60,098		
Total stockholders' equity	107,155			97,518		
Total liabilities and stockholders' equity	\$753,548			\$746,323		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$191,222	\$17,406	3.14%	\$147,999	\$16,458	2.90%
Net interest margin (1)(4)			3.23%			3.10%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.36			1.26		

(1) Balance totals include respective nonaccrual assets.

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

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

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

Net interest income increased \$0.9 million during the first nine months of 2021 compared to the same period of 2020. The primary reasons for the change are higher earning asset balances; lower cost of funds, due to lower market rates; and a change in mix of deposits relative to the change in loan yields, which declined more slowly in part because of the predominantly fixed rate nature of the portfolio and the change in mix away from first lien residential loans to commercial real estate loans. Paycheck Protection Program loans also contributed positively. The net interest margin improved by 24 basis points during the first nine months of 2021 compared to the same period of 2020 with the cost of interest bearing liabilities down 68 basis points and the yield on loans down 38 basis points. The decline in the cost of interest bearing liabilities was due to a number of factors, including a change in deposit balance mix from higher to lower rate products and a fall in general market interest rates; reduced competition for interest bearing funding; the repricing of a substantial portion of our time deposits (e.g., due to maturity or a call execution on callable CDs) and money market accounts in a lower rate environment; and the pay-off of short-term borrowings.

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

	Loan Portfolio Segments (unaudited)					
	September 30, 2021		December 31, 2020		September 30, 2020	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)					
Commercial	\$63,865	11.4%	\$70,608	13.1%	\$81,081	14.8%
Commercial real estate	323,251	57.9	284,852	52.8	282,071	51.6
Construction and development	12,735	2.3	23,866	4.4	20,431	3.7
Residential real estate	143,668	25.7	141,223	26.2	143,248	26.2
Home equity	13,826	2.5	16,583	3.1	17,420	3.2
Purchased home equity pools	1,066	0.2	1,917	0.3	2,196	0.4
Other consumer	262	0.0	345	0.1	368	0.1
Gross loans	558,673	100.0%	539,394	100.0%	546,815	100.0%
Deferred loan costs (fees)	406		(167)		(464)	
Loans	559,079		539,227		546,351	
Allowance for loan losses	(8,699)		(9,122)		(9,037)	
Loans, net	\$550,380		\$530,105		\$537,314	

	Select Real Estate Loan Property Types (1) (unaudited)					
	September 30, 2021		December 31, 2020		September 30, 2020	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)					
Office	\$68,562	12.3%	\$61,516	11.4%	\$54,757	10.0%
Retail	55,641	10.0	39,701	7.4	40,123	7.4
Warehouse	22,784	4.1	22,991	4.3	22,860	4.2
Manufacturing	20,910	3.7	23,863	4.4	25,097	4.6
Hospitality	25,066	4.5	25,505	4.7	25,509	4.7
Hospitals and Clinics	12,328	2.2	14,576	2.7	14,726	2.7
Nursing Home and Assisted Living	11,780	2.1	12,129	2.2	12,801	2.3
Multifamily Apartments	41,775	7.5	48,443	9.0	49,497	9.1
Restaurants and Food Service	19,504	3.5	13,871	2.6	12,655	2.3

(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, 2021	December 31, 2020	September 30, 2020
Nonperforming assets			
(Dollars in thousands)			
Nonaccrual loans:			
Commercial	\$—	\$—	\$—
Commercial real estate	157	236	738
Construction and development	—	—	—
Residential real estate	280	311	325
Home equity	568	703	678
Other consumer	—	—	—
	1,005	1,250	1,741
Loans held for sale	—	—	—
Total nonaccrual loans	1,005	1,250	1,741
Other real estate owned	403	1,875	2,103
Total nonperforming assets	\$1,408	\$3,125	\$3,844
Restructured loans accruing			
Commercial	\$—	\$—	\$—
Commercial real estate	—	188	193
Residential real estate	302	540	546
Home equity	—	—	—
Purchased home equity pools	138	188	189
Other consumer	—	—	—
Total restructured loans accruing	\$440	\$916	\$928
90 days or more past due still accruing	\$67	\$—	\$—
Ratios			
Nonaccrual loans to total loans (1)	0.18%	0.23%	0.32%
Other real estate owned to total assets	0.05	0.25	0.26
Nonperforming assets to total assets (1)	0.18	0.42	0.48
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (1)	0.27	0.40	0.49
Nonperforming assets, restructured loans and 90 days or more past due and still accruing loans to total assets (1)	0.25	0.54	0.60

(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 September 30, 2021								
Balance at beginning of period	\$757	\$6,704	\$527	\$648	\$397	\$126	\$6	\$9,165
Provision for (reversal of) loan losses	89	(141)	(346)	49	(50)	(21)	7	(413)
Charge-offs	—	—	—	—	—	(131)	(9)	(140)
Recoveries	—	—	—	2	31	54	—	87
Balance at end of period	\$846	\$6,563	\$181	\$699	\$378	\$28	\$4	\$8,699
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

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)								
Nine months ended September 30, 2021								
Balance at beginning of period	\$914	\$6,005	\$812	\$824	\$439	\$122	\$6	\$9,122
Provision for (reversal of) loan losses	(68)	494	(631)	(129)	(115)	(251)	7	(693)
Charge-offs	—	—	—	—	—	(131)	(9)	(140)
Recoveries	—	64	—	4	54	288	—	410
Balance at end of period	\$846	\$6,563	\$181	\$699	\$378	\$28	\$4	\$8,699
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

The reversal of loan losses was \$693,000 for the first nine months of 2021 versus a provision of \$952,000 for the same period of 2020, reflecting primarily net recoveries in 2021 versus 2020 and lower environmental and qualitative factors related to an improved economic environment due to opening up the economy and various federal support programs from 2020 and 2021. The Company still has higher than normal environmental and qualitative factors, however, due to pandemic related economic risks in a number of commercial sectors as outlined in the Commercial Loans at Higher Risk to COVID-19 section below.

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

Past Due Accruing Loans (unaudited)

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
(Dollars in thousands)						
At September 30, 2021						
Commercial	\$—	\$—	\$—	\$—	\$63,865	\$63,865
Commercial real estate	1,718	—	—	1,718	321,376	323,094
Construction and development	—	—	—	—	12,735	12,735
Residential real estate	—	—	—	—	143,388	143,388
Home equity	26	—	67	93	13,165	13,258
Purchased home equity pools	—	—	—	—	1,066	1,066
Other consumer	—	—	—	—	262	262
Deferred loan costs	1	—	—	1	405	406
Total	\$1,745	\$—	\$67	\$1,812	\$556,262	\$558,074
At December 30, 2020						
Commercial	\$—	\$—	\$—	\$—	\$70,608	\$70,608
Commercial real estate	—	—	—	—	284,616	284,616
Construction and development	—	—	—	—	23,866	23,866
Residential real estate	1,123	—	—	1,123	139,789	140,912
Home equity	14	70	—	84	15,796	15,880
Purchased home equity pools	29	—	—	29	1,888	1,917
Other consumer	—	—	—	—	345	345
Deferred loan costs	—	—	—	—	(167)	(167)
Total	\$1,166	\$70	\$—	\$1,236	\$536,741	\$537,977

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

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

Commercial Loans at Higher Risk from COVID-19

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

At Risk Commercial Loan Sectors									
	Retail	Office (1)	Hotel	Health & Social Services	Restaurants	Recreation	Total at Risk Sectors	Total Commercial Sector Loans	Percent
(Dollars in thousands)									
September 30, 2021									
Commercial real estate	\$55,641	\$61,664	\$25,065	\$6,588	\$17,761	\$6,000	\$172,719	\$323,251	53%
Commercial and industrial	—	7,055	185	325	358	45	7,968	63,865	13
Commercial construction	-	6,899	0	1,175	1,743	—	9,817	12,735	77
Total	\$55,641	\$75,618	\$25,250	\$8,088	\$19,862	\$6,045	\$190,504	\$399,851	48%
December 31, 2020									
Commercial real estate	\$38,289	\$60,969	\$22,916	\$9,629	\$10,708	\$6,324	\$148,835	\$284,852	52%
Commercial and industrial	—	19,268	182	3,679	1,856	708	25,693	70,607	36
Commercial construction	1,411	547	2,589	3,417	3,163	—	11,127	23,866	47
Total	\$39,700	\$80,784	\$25,687	\$16,725	\$15,727	\$7,032	\$185,655	\$379,325	49%

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

CIB Marine is a cautious and selective lender in the at risk commercial loan sectors outlined in the table above. Since December 31, 2020, a number of loan opportunities emerged that met our underwriting requirements with acceptable risk profiles leading to higher outstanding balances at September 30, 2021, more notably in the retail and restaurant industries.

CIB MARINE BANCSHARES, INC.
Capital (unaudited)

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in thousands)						
September 30, 2021						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$99,186	18.14%				
CIBM Bank (1)	76,228	13.96	\$43,681	8.00%	\$54,602	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$92,328	16.89%				
CIBM Bank (1)	69,380	12.71	\$32,761	6.00%	\$43,681	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	\$92,328	12.44%				
CIBM Bank (1)	69,380	9.35	\$29,671	4.00%	\$37,088	5.00%
Common Equity Tier 1 (2)						
CIBM Bank (1)	\$69,380	12.71%	\$24,571	4.50%	\$35,491	6.50%
December 31, 2020						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$91,868	17.44%				
CIBM Bank	86,664	16.47	42,090	8.00	\$52,613	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$85,253	16.19%				
CIBM Bank	80,056	15.22	31,568	6.00	\$42,090	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	\$85,253	11.46%				
CIBM Bank	80,056	10.77	29,736	4.00	\$37,170	5.00%
Common Equity Tier 1 (2)						
CIBM Bank	\$80,056	15.22%	\$23,676	4.50%	\$34,198	6.50%

- (1) With all regulatory approvals received, CIBM Bank distributed capital of \$18.0 million back to the parent company, CIB Marine Bancshares, Inc., in the last week of July in preparation for the first repurchase of preferred stock under the plan to repurchase the preferred stock of CIB Marine that was approved by shareholders in September 2021. The initial redemption of about 50% of the outstanding preferred stock for \$18.0 million was executed in late October 2021. The pro-forma CIB Marine Bancshares, Inc. capital ratios in the order listed in the table above are 14.85%, 13.59%, 10.26% and 10.16%, respectively.
- (2) CIB Marine is a Small Bank Holding Company under Appendix C of Part 225 of the Federal Reserve regulation and, as a result, the consolidated CIB Marine is exempt from capital adequacy requirements.