CIB Marine Bancshares, Inc. (OTCQX: CIBH). This report provides additional detailed financial information for the quarter and nine months ended September 30, 2023. Please see our Shareholder Letter dated November 2, 2023, at www.cibmarine.com for a summary description of our financial results.

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

	2023			2022		
	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)	$123,953	$1,132	3.66%	$126,967	$826	2.60%
Loans held for sale (1)	14,917	227	6.03	8,466	96	4.53
Loans (1)(2)	665,309	8,718	5.20	556,362	6,029	4.30
Federal funds sold, reverse repos and interest-earning due from banks	2,645	40	5.97	46,907	283	2.39
Total interest-earning assets	806,824	10,117	4.98	738,702	7,234	3.89
Noninterest-earning assets	33,780			31,886		
Total assets	$840,604			$770,588		
Interest-bearing liabilities						
Interest-bearing deposits	$537,339	$3,918	2.89%	$503,345	$662	0.52%
Borrowed funds	120,688	1,262	4.15	37,268	161	1.72
Total interest-bearing liabilities	658,027	5,180	3.12	540,613	823	0.60
Noninterest-bearing liabilities:						
Noninterest-bearing demand deposits	92,967			136,278		
Accrued interest and other liabilities	5,289			3,559		
Preferred equity	13,806			18,762		
Common equity	70,515			71,376		
Total stockholders' equity	84,321			90,138		
Total liabilities and stockholders' equity	$840,604			$770,588		
Net interest-earning assets, interest income and net interest spread (1)(3)	$148,797	$4,937	1.85%	$198,089	$6,411	3.29%
Net interest margin (1)(4)			2.43%			3.45%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.23			1.37		

	2023			2022		
	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)	$122,341	$3,148	3.43%	$117,774	$2,046	2.32%
Loans held for sale (1)	10,738	466	5.80	8,339	244	3.92
Loans (1)(2)	626,860	23,781	5.07	544,026	16,825	4.14
Federal funds sold, reverse repos and interest-earning due from banks	9,009	346	5.13	61,582	409	0.89
Total interest-earning assets	768,948	27,741	4.82	731,721	19,524	3.57
Noninterest-earning assets	32,823			32,499		
Total assets	$801,771			$764,220		
Interest-bearing liabilities						
Interest-bearing deposits	$535,214	$9,358	2.34%	$506,208	$1,396	0.37%
Borrowed funds	79,655	2,066	3.47	35,217	357	1.36
Total interest-bearing liabilities	614,869	11,424	2.48	541,425	1,753	0.43
Noninterest-earning liabilities:						
Noninterest-bearing demand deposits	98,017			128,408		
Accrued interest and other liabilities	4,930			3,738		
Preferred equity	13,806			18,762		
Common equity	70,149			71,887		
Total stockholders' equity	83,955			90,649		
Total liabilities and stockholders' equity	$801,771			$764,220		
Net interest-earning assets, interest income and net interest spread (1)(3)	$154,079	$16,317	2.34%	$190,296	$17,771	3.13%
Net interest margin (1)(4)			2.84%			3.25%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.25			1.35		

(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 decreased by $1.5 million for the three-month period ending September 30, 2023, compared to the same period of 2022, despite growing interest-earning average balances by $68 million. The reason for the decline in net interest income was primarily accelerating cost of funds and a $43 million decline in the average balances of noninterest-bearing demand deposits as higher interest rates attracted deposits to interest-bearing products. The net interest margin decreased by 101 basis points over the same period due to a 252 basis point rise in the cost of interest-bearing liabilities versus a 109 basis point increase in the yield of interest-earning assets. The cost of funds increase was primarily due to the general increase in interest rates over the past 18 months, as well as lower liquid assets to total assets in banking and loan growth resulting in growing competition for deposit balances.

Although earning assets were higher, the net interest income declined by $1.5 million for the nine-month period ending September 30, 2023, compared to the same period of 2022. The primary reason was accelerating cost of funds and a $30 million decline in the average balances of noninterest-bearing demand deposits as higher interest rates attracted deposits to interest-bearing products. The net interest margin decreased by 41 basis points over the same period due a 205 basis point rise in the cost of interest-bearing liabilities versus a 126 basis point increase in the yield of interest-earning assets. The cost of funds increase was primarily due to the general increase in interest rates over the past 18 months, as well as lower liquid assets to total assets in banking and loan growth resulting in growing competition for deposit balances.

CIB MARINE BANCSHARES, INC.
Loans and Allowance for Credit Losses on Loans

	Loan Portfolio Segments (unaudited)					
	September 30, 2023		December 31, 2022		September 30, 2022	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)					
Commercial	$80,437	11.7%	$65,946	11.4%	$66,132	11.7%
Commercial real estate	352,014	51.2	317,181	55.0	311,742	55.3
Construction and development	44,497	6.5	34,063	5.9	28,898	5.1
Residential real estate	194,785	28.3	145,071	25.2	142,135	25.2
Home equity	15,076	2.2	13,701	2.4	14,556	2.6
Purchased home equity pools	326	0.1	342	0.1	348	0.1
Other consumer	84	0.0	89	0.0	96	0.0
Gross loans	687,219	100.0%	576,393	100.0%	563,907	100.0%
Deferred loan costs (fees)	1,227		910		934	
Loans	688,446		577,303		564,841	
Allowance for credit losses on loans (1)	(8,947)		(7,894)		(8,061)	
Loans, net	$679,499		$569,409		$556,780	

(1) In periods ending December 31, 2022, and earlier, the incurred loss accounting policy was utilized to estimate and record the allowance for credit losses and related provisions for (recovery of) credit losses on loans. For periods ending after December 31, 2022, the current expected credit loss accounting policy was utilized to estimate and record the allowance for credit losses on loans and related provisions for (recovery of) loan losses.

	Select Real Estate Loan Property Types (1) (unaudited)					
	September 30, 2023		December 31, 2022		September 30, 2022	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)					
Office	$50,404	7.3%	$57,814	10.0%	$57,481	10.2%
Retail	81,038	11.8	69,745	12.1	66,394	11.8
Warehouse	29,301	4.3	26,606	4.6	26,017	4.6
Manufacturing	33,554	4.9	22,382	3.9	19,128	3.4
Hospitality	26,818	3.9	27,669	4.8	30,428	5.4
Nursing Home and Assisted Living	14,799	2.2	14,626	2.5	14,759	2.6
Multifamily Apartments	61,887	9.0	52,967	9.2	44,748	7.9
Restaurants and Food Service	19,803	2.9	18,721	3.2	21,127	3.7
Educational	17,425	2.5	7,284	1.3	7,394	1.3

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

Management continues to believe that post-pandemic the office space sector continues to pose 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. In addition, management has continued to diversify its commercial loans with real estate as collateral by property type as presented above.

Nonperforming Assets and Selected Asset Quality Ratios (unaudited)

	September 30, 2023	December 31, 2022	September 30, 2022
	(Dollars in thousands)		
Nonperforming assets			
Nonaccrual loans:			
Commercial	$2,681	$—	$—
Commercial real estate	336	—	157
Construction and development	—	—	—
Residential real estate	53	630	201
Home equity	339	318	349
Other consumer	—	—	—
	3,409	948	707
Loans held for sale	—	—	—
Total nonaccrual loans	3,409	948	707
Other real estate owned	375	375	403
Total nonperforming assets	$3,784	$1,323	$1,110
Restructured loans accruing			
Commercial	$—	$—	$—
Commercial real estate	—	—	—
Residential real estate	410	119	84
Home equity	—	—	—
Purchased home equity pools	54	55	55
Other consumer	—	—	—
Total restructured loans accruing	$464	$174	$139
90 days or more past due still accruing	$—	$32	$100
Ratios			
Nonaccrual loans to total loans (1)	0.50%	0.64%	0.13%
Other real estate owned to total assets	0.04	0.05	0.05
Nonperforming assets to total assets (1)	0.43	0.18	0.15
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (1)	0.56	0.20	0.17
Nonperforming assets, restructured loans and 90 days or more past due and still accruing loans to total assets (1)	0.49	0.20	0.18

(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 Credit Losses on Loans (unaudited) (1)

	Commercial	Commercial Real Estate	Construction and Development	Residential Real Estate	Home Equity	Purchased Home Equity Pools	Other Consumer	Total (1)
	(Dollars in thousands)							
Quarter ended September 30, 2023								
Balance at beginning of period	$627	$5,200	$1,032	$2,019	$114	$6	$1	$8,999
CECL implementation	—	—	—	—	—	—	—	—
Provision for (reversal of) credit losses on loans (2)	17	(50)	(6)	(15)	(4)	(14)	9	(63)
Charge-offs	—	—	—	—	—	—	(10)	(10)
Recoveries	—	—	—	—	2	19	—	21
Balance at end of period	$644	$5,150	$1,026	$2,004	$112	$11	$0	$8,947
Quarter ended September 30, 2022								
Balance at beginning of period	$878	$5,790	$292	$747	$282	$20	$1	$8,010
Provision for (reversal of) loan losses (2)	24	(98)	63	(3)	65	(19)	2	34
Charge-offs	—	(5)	—	—	—	(30)	(3)	(38)
Recoveries	—	13	—	26	(23)	38	1	55
Balance at end of period	$902	$5,700	$355	$770	$324	$9	$1	$8,061

Allowance for Credit Losses on Loans (unaudited) (1)

	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, 2023								
Balance at beginning of period	$794	$5,481	$449	$920	$239	$11	$—	$7,894
CECL implementation	(250)	266	701	631	(117)	(1)	—	1,230
Provision for (reversal of) credit losses on loans (2)	100	(597)	(124)	453	5	(102)	30	(235)

Charge-offs	—	—	—	—	(24)	—	(30)	(54)
Recoveries	—	—	—	—	9	103	—	112
Balance at end of period	$644	$5,150	$1,026	$2,004	$112	$11	$0	$8,947
Nine months ended September 30, 2022								
Balance at beginning of period	$835	$6,204	$241	$708	$301	$60	$3	$8,352
Provision for (reversal of) loan losses (2)	81	(500)	114	21	14	11	8	(251)
Charge-offs	(14)	(18)	—	—	—	(231)	(11)	(274)
Recoveries	—	14	—	41	9	169	1	234
Balance at end of period	$902	$5,700	$355	$770	$324	$9	$1	$8,061

(1) In periods ending December 31, 2022, and earlier, the incurred loss accounting standard was utilized to estimate and record the allowance for credit losses and related provisions for (recovery of) credit losses on loans. For periods ending after December 31, 2022, the current expected credit loss accounting standard was utilized to estimate and record the allowance for credit losses on loans and related provisions for (recovery of) loan losses.

(2) The provision for (reversal of) credit losses on loans here excludes provisions made for the allowance for unfunded commitments.

CIB Marine had a reversal of loan losses of $0.1 million to the allowance for credit losses on loans ("ACLL") during the three-month period ending September 30, 2023, and reversal of loan losses of $0.3 million to the ACLL during the nine-month period ending September 30, 2023, primarily due to improved economic forecasts and other qualitative factors more than offsetting the effects of a growing portfolio, primarily in residential and commercial loans. CIB Marine also had a $0.1 million reversal of losses to the allowance for unfunded commitments ("AUC") during the three-month period ending September 30, 2023, and a nominal reversal of losses to the AUC during the nine-month period ending September 30, 2023, for an ending balance of the AUC of $0.4 million on September 30, 2023. There was no balance recorded for the AUC for loans on December 31, 2022, or prior.

Effective January 1, 2023, CIB Marine adopted the new "current expected credit loss" accounting standard commonly referred to as CECL. The $1.6 million implementation date accounting entry was composed of $1.2 million to the ACLL and $0.4 million to Other Liabilities for the AUC. As permitted under CECL, the implementing provision entry net of tax was made directly to retained earnings rather than through the income statement.

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 credit losses, a net recovery may result in a credit provision (i.e., a reversal of provisions for credit 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 credit 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 Accruing Loans
	(Dollars in thousands)					
At September 30, 2023						
Commercial	$—	$—	$—	$—	$77,756	$77,756
Commercial real estate	—	—	—	—	351,678	351,678
Construction and development	—	—	—	—	44,497	44,497
Residential real estate	—	—	—	—	194,732	194,732
Home equity	300	103	—	403	14,334	14,737
Purchased home equity pools	—	—	—	—	326	326
Other consumer	—	—	—	—	84	84
Deferred loan costs	1	—	—	1	1,226	1,227
Total	$301	$103	$—	$404	$684,633	$685,037
At December 30, 2022						
Commercial	$—	$—	$—	$—	$65,946	$65,946
Commercial real estate	—	—	—	—	317,181	317,181
Construction and development	—	—	—	—	34,063	34,063
Residential real estate	125	—	—	125	144,316	144,441
Home equity	293	14	32	339	13,044	13,383
Purchased home equity pools	—	—	—	—	342	342
Other consumer	—	—	—	—	89	89
Deferred loan costs	1	—	—	1	909	910
Total	$419	$14	$32	$465	$575,890	$576,355

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 Accruing Loans
	(Dollars in thousands)					
At September 30, 2022						
Commercial	$—	$—	$—	$—	$66,132	$66,132
Commercial real estate	—	—	—	—	311,585	311,585
Construction and development	—	—	—	—	28,898	28,898
Residential real estate	—	—	—	—	141,934	141,934
Home equity	52	55	100	207	14,000	14,207
Purchased home equity pools	—	—	—	—	348	348
Other consumer	—	—	—	—	96	96
Deferred loan costs	—	—	—	—	933	933
Total	$52	$55	$100	$207	$563,926	$564,133

CIB Marine had $0.4 million loans past due 30 days or more and still accruing on September 30, 2023, $0.5 million on December 31, 2022, and $0.2 million on September 30, 2022.

CIB MARINE BANCSHARES, INC.
Uninsured Deposits (unaudited)

CIB Marine's subsidiary bank, CIBM Bank, estimated its uninsured deposit balances were $149 million or 23% of total deposits at September 30, 2023, and $178 million or 28% of total deposits at December 31, 2022. The decline was due in part to larger deposit clients choosing to utilize fully FDIC insured products like CIBM Bank's reciprocal deposit products or non-deposit uninsured collateralized government repo sweep product (the latter is included in Borrowings in the balance sheet).

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, 2023						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	$92,700	13.58%				
CIBM Bank	83,953	12.31	$54,574	8.00%	$68,217	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	$74,438	10.91%				
CIBM Bank	75,416	11.06	$40,930	6.00%	$54,574	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	$74,438	8.93%				
CIBM Bank	75,416	9.05	$33,326	4.00%	$41,658	5.00%
Common Equity Tier 1 (1)						
CIBM Bank	$75,416	11.06%	$30,698	4.50%	$44,341	6.50%
December 31, 2022						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	$90,929	15.71%				
CIBM Bank	81,849	14.15	46,268	8.00	$57,835	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	$73,988	12.78%				
CIBM Bank	74,612	12.90	34,701	6.00	$46,268	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	$73,988	9.73%				
CIBM Bank	74,612	9.81	30,409	4.00	$38,012	5.00%
Common Equity Tier 1 (2)						
CIBM Bank	$74,612	12.90%	$26,026	4.50%	$37,593	6.50%

(1) 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.

Preservation and Use of Deferred Tax Assets

We continue to remind our common and preferred shareholders that if they accumulate 5% or more of Company common and/or preferred stock versus their lowest ownership percent over a 3-year test period, they could, by themselves or in combination with others, cause a cumulative 50% ownership change. Such an event would trigger certain Internal Revenue Code Section 382 limitations that could severely limit our ability to use net operating loss carryforwards prior to their expiration dates, thereby reducing the value of the Company's approximately $17 million deferred tax assets net of tax liabilities resulting in an impairment expense and a reduction in stockholder's equity. On September 30, 2023, 5% of the total value of Company stock was approximately $2.3 million, which is the equivalent of approximately 93,710 shares of common stock at the last traded price of $24.80 as of September 30, 2023, as listed on OTCQX, or approximately 2,815 shares of preferred stock at $825 per share, the price paid per share of preferred stock on the last redemption date of December 19, 2022. Under the assumption all remaining preferred shares are redeemed, thereafter 5% of Company common stock would be approximately 66,695 shares.

The Company does not directly control a number of factors related to Section 382 events, including the fair market value of stock or shareholder purchases/sales of stock, and as a result the number of shares that denote a 5% shareholder could change significantly.