

February 15, 2024

Dear Shareholder,

CIB Marine Bancshares, Inc. (“CIB Marine” or the “Company”) is pleased to report its financial results for the year ended December 31, 2023. CIB Marine’s operating results for the year demonstrated significant loan and deposit growth, and continued strong asset quality, but results were dominated by the adverse effects of the rapid rise in short term interest rates on net interest and mortgage net revenue margins.

Results of Operations – Summary

Net income for the twelve months ended December 31, 2023, was \$0.9 million, with basic and diluted earnings per share of \$0.66 and \$0.49, respectively. For the same period in 2022, net income was \$3.7 million, with basic and diluted earnings per share of \$2.97 and \$2.16, respectively. Income before tax was \$2.5 million for the year compared to \$5.0 million in 2022. There was a \$1.1 million tax provision to adjust the valuation allowance for deferred tax assets related to net operating loss carryforwards, pursuant to a new tax law exempting interest income from commercial loans under \$5 million dollars made to Wisconsin borrowers. Other key developments include:

- Net interest income declined \$2.5 million from 2022 to 2023. The primary reason for the decline was the 214-basis point increase in the cost of interest-bearing liabilities compared to a 122-basis point increase in the yield on earning assets as bank funding came under increasingly competitive pricing pressures and deposit customers moved balances from low- or no-interest to higher interest accounts.
- Net mortgage revenues were up \$1.6 million due to a \$86 million increase in mortgage originations for 2023 over 2022, but the Mortgage Division recorded a \$0.7 million net loss due to higher interest rates and competitive pricing pressures.

Financial Condition - Summary

For the year 2023, total loans held in the portfolio were up \$145 million, consisting of \$89 million in commercial segment loans with the remaining primarily in residential loans. Deposits increased \$95 million, but saw a shift from lower- to higher-cost products. Federal Home Loan Bank borrowings declined from \$91 million on September 30, 2023, to \$45 million on December 31, 2023, due to a deposit funding campaign by CIBM Bank, which also brought the Bank’s loan to deposit ratio back under 100%. Additional highlights of our financial condition as of December 31, 2023, include:

- Non-performing assets, modified loans to borrowers experiencing financial difficulty, and loans 90 days or more past due and still accruing to total assets and nonaccrual loans to total loans were 0.90% and 0.50%, respectively, compared to 0.20% and 0.16%, respectively, on December 31, 2022. Despite this slight moderation in asset quality, these ratios remain relatively strong historically.
- Tangible book value (“TBV”) per share of common stock of \$53.35 was up from year-end 2022, due primarily to improvements in unrealized losses on available for sale securities and earnings for the year, with the former improving from \$6.9 million unrealized loss net of tax at December 31, 2022, to \$5.5 million at December 31, 2023, as a result of the portfolio’s remaining life declining and improvement in mid to longer term interest rates. These unrealized losses are not expected to be realized losses in the future. The securities portfolio is comprised primarily of U.S. government and government sponsored enterprise issued and A to AAA rated municipal issued fixed income securities. For further insight into other factors effecting TBV: TBV per share excluding deferred tax assets (“DTA”) was \$42.30 and, separately, TBV per share after the effects of a conversion of Series B preferred stock to common stock was \$41.14 (conversion is only permissible under very limited situations) at December 31, 2023, up from \$40.75 and \$40.84, respectively, at December 31, 2022.

We encourage you to visit our website, www.cibmarine.com, for a copy of our audited financial statements, additional detailed financial results, and a link to the quarterly reports we file with our regulators. We will continue to release our financial results on a quarterly basis on our website. Should you want a mailed or e-mailed copy of our quarterly results, please contact Shareholder Relations Manager, Elizabeth Neighbors, directly at (262) 695-6010 or Elizabeth.Neighbors@cibmarine.com to be added to our distribution list.

Preferred Stock Redemptions

Our last preferred stock redemption was on December 19, 2022, where CIB Marine redeemed 5,830 shares of Series A Preferred Stock for a total price of \$4.8 million or \$825 per share. Since 2017, we have redeemed 73% of the preferred stock originally issued in 2009. If all Series B stockholders were to convert their shares to common shares under the terms of our Second Amended and Restated Articles of Incorporation, the shares would convert to approximately 429,294 shares of common stock or around 24% of the outstanding pro-forma shares. This is down from 49% on December 31, 2017.

In recent months, we have had multiple discussions with banking and investment banking advisors regarding the capital markets, improving operating results, maximizing shareholder value, and reaching our goal of redeeming all remaining outstanding shares of Series A and Series B preferred stock in the fourth quarter of 2024 at the price of \$825 per share. These preferred redemption plans are subject to change, depending on the Company's operating results, factors affecting the preservation and use of our deferred tax assets, and financial condition, and will require regulatory approvals. We plan to have more discussions with our advisors in the future and we will share more information to the extent changes in our strategy or the means of executing those strategies occur.

2024 Annual Shareholder Meeting

We have scheduled our Annual Meeting of Shareholders for 1:00 pm (central) on Thursday, April 25, 2024. In an effort to reduce costs while ensuring access to the meeting by all shareholders regardless of geographical location, the meeting will be held virtually via live webcast. Additional information regarding the meeting, including webcast information, the Proxy Statement, and shareholder Proxy Card for voting, will be forthcoming.

Concluding Comments

The rapid rise in the federal funds target rate range and short-term U.S. Treasury rates has had an adverse effect on CIB Marine's operating revenues as we have discussed over the course of the past year. Both our net interest margin and our mortgage margins are at or near longer term lows. This has cast a heavy shadow over a number of key successes at the Company, including improvements in our Banking Division's total assets to full time equivalent employee efficiency ratio which is now better than peer; increased mortgage originations and lender to operations staff efficiency metrics; growth in commercial banking relationships and commercial loan origination volumes; and retail deposit growth at competitive rates in a difficult funding market.

As discussed in prior communications, we have implemented cost control measures that are projected to reduce ongoing operating costs by more than \$1 million per annum and we have taken steps to improve net interest margins, including the use of interest rate swaps. With the addition of the lender group in late 2022/early 2023, the Mortgage Division is well positioned to benefit from an improvement in the mortgage markets. However, it will take time at current interest rates for margins to normalize as repricing assets drive net interest margins higher, and the mortgage market continues to consolidate. A significant drop in those same short-term interest rates that rose so rapidly would speed the process for both of our main revenue sources.

Sincerely,



J. Brian Chaffin
President & Chief Executive Officer

FORWARD-LOOKING STATEMENTS

CIB Marine has made statements in this Shareholder Letter that constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. CIB Marine intends these forward-looking statements to be subject to the safe harbor created thereby and is including this statement to avail itself of the safe harbor. Forward-looking statements are identified generally by statements containing words and phrases such as “may,” “project,” “are confident,” “should be,” “intend,” “predict,” “believe,” “plan,” “expect,” “estimate,” “anticipate” and similar expressions. These forward-looking statements reflect CIB Marine’s current views with respect to future events and financial performance that are subject to many uncertainties and factors relating to CIB Marine’s operations and the business environment, which could change at any time.

There are inherent difficulties in predicting factors that may affect the accuracy of forward-looking statements.

Stockholders should note that many factors, some of which are discussed elsewhere in this Shareholder Letter and in the documents that are incorporated by reference, could affect the future financial results of CIB Marine and could cause those results to differ materially from those expressed in forward-looking statements contained or incorporated by reference in this document. These factors, many of which are beyond CIB Marine’s control, include but are not limited to:

- operating, legal, execution, credit, market, security (including cyber), and regulatory risks;
- economic, political, and competitive forces affecting CIB Marine’s banking business;
- the impact on net interest income and securities values from changes in monetary policy and general economic and political conditions; and
- the risk that CIB Marine’s analyses of these risks and forces could be incorrect and/or that the strategies developed to address them could be unsuccessful.

These factors should be considered in evaluating the forward-looking statements, and undue reliance should not be placed on such statements. Forward-looking statements speak only as of the date they are made. CIB Marine undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Forward-looking statements are subject to significant risks and uncertainties and CIB Marine’s actual results may differ materially from the results discussed in forward-looking statements.

CIB MARINE BANCSHARES, INC.
Selected Unaudited Consolidated Financial Data

	At or for the Years Ended December 31,				
	2023	2022	2021	2020	2019
	(Dollars in thousands, except share and per share data)				
Selected Statements of Operations Data					
Interest and dividend income	\$39,069	\$27,332	\$25,059	\$26,996	\$27,948
Interest expense	17,614	3,417	1,796	4,814	8,647
Net interest income	21,455	23,915	23,263	22,182	19,301
Provision for (reversal of) credit losses	(92)	(893)	(1,195)	1,053	817
Net interest income after provision for (reversal of) credit losses	21,547	24,808	24,458	21,129	18,484
Noninterest income (1)	8,900	5,469	15,071	21,801	10,156
Noninterest expense	27,938	25,263	30,377	32,003	26,174
Income from operations before income taxes	2,509	5,014	9,152	10,927	2,466
Income tax expense	1,629	1,288	2,480	2,743	423
Net income	880	3,726	6,672	8,184	2,043
Common Share Data (2)					
Basic net income (3)	0.66	2.97	5.64	6.51	1.92
Diluted net income (3)	0.49	2.16	4.06	3.79	1.08
Dividends	—	—	—	—	—
Tangible book value per share (4)	53.35	53.19	57.06	52.28	44.86
Book value per share (4)	51.58	51.39	54.55	47.19	39.66
Weighted average shares outstanding – basic	1,324,131	1,303,859	1,280,259	1,262,279	1,227,111
Weighted average shares outstanding – diluted	1,811,975	1,795,037	1,778,294	2,167,731	2,180,776
Financial Condition Data					
Total assets	\$899,060	\$752,997	\$745,393	\$750,982	\$703,791
Loans	722,084	577,303	543,819	539,227	513,705
Allowance for credit losses (5)	(9,136)	(7,894)	(8,352)	(9,122)	(8,007)
Investment securities	131,529	124,421	106,647	108,492	120,398
Deposits	727,565	628,869	618,991	586,373	530,190
Borrowings	76,956	34,485	27,049	51,310	73,847
Stockholders' equity	85,075	83,503	91,780	103,704	93,404
Financial Ratios and Other Data					
Performance Ratios:					
Net interest margin (6)	2.72%	3.27%	3.22%	3.11%	2.91%
Net interest spread (7)	2.18	3.10	3.13	2.93	2.60
Noninterest income to average assets (8)	1.08	0.75	2.00	2.90	1.43
Noninterest expense to average assets	3.40	3.30	4.02	4.26	3.72
Efficiency ratio (9)	92.13	85.17	79.10	72.85	89.07
Earnings on average assets (10)	0.11	0.49	0.88	1.09	0.29
Earnings on average equity (11)	1.05	4.15	6.37	8.26	2.18
Asset Quality Ratios:					
Nonaccrual loans to total loans (12)	0.50%	0.16%	0.14%	0.23%	1.09%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (12)	1.07	0.20	0.21	0.40	1.38
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total asset (12)	0.90	0.20	0.21	0.54	1.35
Allowance for loan losses to total loans	1.27	1.37	1.54	1.69	1.56
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (12)	118.59	684.06	726.26	421.14	112.66
Net charge-offs (recoveries) to average loans	(0.01)	(0.08)	(0.08)	(0.01)	0.15
Capital Ratios:					
Total equity to total assets	9.46%	11.09%	12.31%	13.81%	13.27%
Total risk-based capital ratio	13.24	15.71	15.53	17.44	15.19
Tier 1 risk-based capital ratio	10.62	12.78	14.28	16.19	13.94
Leverage capital ratio	8.62	9.73	10.22	11.46	10.71
Other Data:					
Number of employees (full-time equivalent)	193	189	177	176	176
Number of banking facilities	9	10	10	11	11

(1) Noninterest income includes gains and losses on securities.

(2) Common share data prior to September 14, 2020, is adjusted to reflect the 1-for-15 reverse split to allow for comparability between the pre- and post-reverse split periods.

(3) Net income available to common stockholders in the calculation of earnings per share includes the difference between the carrying amount less the consideration paid for redeemed preferred stock of \$0.1 million, \$0.5 million, \$0.03 million and \$0.3 million for the years ended December 31, 2022, 2021, 2020 and 2019, respectively.

(4) Tangible book value per share is the shareholder equity less the carry value of the preferred stock and less the goodwill and intangible assets, divided by the total shares of common outstanding. Book value per share is the shareholder equity less the liquidation preference of the preferred stock, divided by the total shares of common outstanding. Both book value measures are reported inclusive of the net deferred tax assets. As presented here, shares of common outstanding excludes unvested Restricted Stock Awards.

(5) Allowance for credit losses on loans is allowance for loan losses in ending dates and periods prior to January 1, 2023.

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

- (7) Net interest spread is the yield on average interest-earning assets less the rate on average interest-bearing liabilities.
(8) Noninterest income to average assets excludes gains and losses on securities.
(9) The efficiency ratio is noninterest expense divided by the sum of net interest income plus noninterest income, excluding gains and losses on securities.
(10) Earnings on average assets are net income divided by average total assets.
(11) Earnings on average equity are net income divided by average stockholders' equity.
(12) Excludes loans held for sale.

CIB MARINE BANCSHARES, INC.
Summary Consolidated Balance Sheets (unaudited)

	December 31, 2023	December 31, 2022
	(Dollars in thousands)	
Assets		
Cash and due from banks	\$9,491	\$19,667
Securities available for sale and equity securities	131,529	124,421
Loans held for sale	9,209	5,057
Net loans	712,948	569,409
Other assets	35,883	34,443
Total assets	\$899,060	\$752,997
Liabilities and Stockholders' Equity		
Deposits	727,565	628,869
Short-term borrowings	67,227	24,789
Other liabilities	19,193	15,836
Total liabilities	813,985	669,494
Stockholders' Equity		
Total stockholders' equity	85,075	83,503
Total liabilities and stockholders' equity	\$899,060	\$752,997

CIB MARINE BANCSHARES, INC.
Summary Consolidated Statements of Operations (unaudited)

	Years Ended December 31,	
	2023	2022
	(Dollars in thousands, except per share data)	
Total interest income	\$39,069	\$27,332
Total interest expense	17,614	3,417
Net interest income	21,455	23,915
Reversal of provision for credit losses	(92)	(893)
Net interest income after provision for credit losses	21,547	24,808
Noninterest income		
Compensation and employee benefits	8,900	5,469
Equipment, occupancy and premises	18,651	16,705
Other expense	3,703	3,362
Total noninterest expense	5,584	5,196
Income from operations before income taxes	27,938	25,263
Income tax expense	2,509	5,014
Net income	1,629	1,288
Preferred stock dividends	880	3,726
Discount from repurchase of preferred stock	—	—
Net income allocated to common stockholders	\$880	\$3,872