

February 16, 2023

Dear Shareholder,

CIB Marine Bancshares, Inc. (“CIB Marine” or the “Company”) is pleased to report its financial results for the year ended December 31, 2022. CIB Marine’s operating results for the year were dominated by rising net interest income and related net interest margins; continued asset quality strength; recoveries of prior loan losses; and the difficult operating environment for mortgage banking.

Results of Operations – Summary

Net income for the twelve months ended December 31, 2022, was \$3.7 million, with basic and diluted earnings per share of \$2.97 and \$2.16, respectively, and a return on average assets (“ROAA”) of 0.49%. For the same period in 2021, net income was \$6.7 million, with basic and diluted earnings per share of \$5.64 and \$4.06, respectively, and a ROAA of 0.88%. The traditional banking lines of business showed continued improvement over the year, while cyclical mortgage banking activity declined severely due primarily to higher interest rates, resulting in a 58% decline in mortgage originations over the prior year with substantial tightening in pricing margins.

- Net interest income increased \$0.7 million to \$23.9 million with a net interest margin of 3.27% for the year, compared to \$23.3 million and 3.22%, respectively, for 2021. This was despite a decline of \$0.8 million in PPP loan fee accretion income and \$0.4 million more in subordinated debt interest expenses in 2022 compared to the year prior.
- Net recoveries from loans previously charged off and other collection-related activities resulted in a \$0.9 million reversal of loan losses for the year, compared to \$1.2 million reversal in the year prior.

Financial Condition - Summary

Total loans held in the portfolio were up \$33 million and investment securities were up \$18 million for the year. Strong commercial loan originations and an improved rate environment for securities supported movement from cash to portfolio assets during the year. Deposits were up \$10 million for the year lead by higher time deposit balances as higher interest rates incentivized the movement of customer funds from checking accounts to interest earning products. Additional highlights of our financial condition as of December 31, 2022, include:

- Non-performing assets, restructured loans, and loans 90 days or more past due and still accruing to total assets and nonaccrual loans to total loans were 0.20% and 0.16%, respectively, compared to 0.21% and 0.14%, respectively, on December 31, 2021. In addition, net recoveries resulting from collections of loans previously charged off were 0.33% of average loans for the quarter ending December 31, 2022.
- Tangible book value (“TBV”) per share of common stock of \$53.19 was down from year-end 2021, due primarily to the very rapid increase in interest rates for year, which resulted in a \$6.9 million unrealized loss net of tax in the market value of available for sale securities, offset in part by earnings. 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 excluding deferred tax assets (“DTA”) was \$40.75 and, separately, TBV after the effects of a conversion of Series B preferred stock to common stock was \$40.84 (conversion is only permissible under very limited situations). Year-end DTA was higher than the prior year due to the tax effects of the unrealized losses for investment securities, otherwise CIB Marine continued to utilize and reduce its historical net operating loss carryforwards.

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

On December 19, 2022, CIBM redeemed 5,830 shares of Series A Preferred Stock for a total price of \$4.8 million or \$825 per share. The redemption was at a total discount of \$146,000 to the carrying value for the preferred shares, which is added to net income in the per share earnings allocated to common shareholder calculation.

At this time, CIB Marine plans to redeem all remaining shares of Series A and Series B preferred stock in the fourth quarter of 2024 at the price of \$825 per share. These 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.

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 \$16 million DTA net of tax liabilities resulting in an impairment expense and a reduction in stockholder's equity. At December 31, 2022, 5% of the total value of Company stock was approximately \$2.8 million, which is the equivalent of approximately 86,100 shares of common stock at the last traded price listed on OTCQX at December 31, 2022 (i.e., \$32.40 per share), or approximately 3,400 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 65,440 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 the number of shares that denote a 5% shareholder could change significantly as a result.

Changes in ownership of preferred shares are included in the cumulative 50% ownership change test. To our knowledge, there is only one remaining Collateralized Debt Obligation that holds CIB Marine preferred shares at this time. The assessments performed by our advisors at year-end and December 19, 2022 (i.e., the 2022 preferred share redemption date), suggest that cumulative ownership changes over the prior three years were less than 50%. We continue to caution our significant shareholders to carefully consider the consequences of any stock purchase or sale transaction that could impact the value of the Company's DTA. For further explanation or inquiry, please contact the Company.

Concluding Comments

CIB Marine has continued to make improvements in its Commercial and Retail Divisions with high quality deposit relationship development and strong portfolio lending originations. The successes of these divisions over the past few years have led to significantly higher net interest income and operating efficiencies for the traditional banking business lines. At the same time, credit quality trends for the loan portfolio continue to reflect solid credit culture and outcomes. With the Federal Reserve taking aggressive monetary policy actions during 2022, recession risks continue to run higher at this time and CIB Marine is closely managing its underwriting and other risk parameters.

Mortgage Division net income contributions were very strong during 2020 and 2021, totaling \$8.6 million on a combined basis and contributing significantly to the accelerated use of our DTA. This is in stark comparison

to the \$0.9 million net loss for 2022 and the Division's first annual loss since acquiring the assets of Avenue Mortgage Corp. in 2013. To improve the Division's operating efficiencies and better leverage its infrastructure, we hired Frank Binetti as our Director of Mortgage Originations. Frank will work alongside our Director of Mortgage Banking, Gary Maughan, to hire more mortgage lenders and prepare the Division for profitable growth in the future. Since late 2022, the Division has hired more than 30 qualified and proven mortgage lenders whose originations primarily include conventional and government first lien residential loans. Approximately one half of these new hires are based in our existing markets and the remainder are primarily in New England. CIB Marine has sold over 85% of its residential mortgage loan originations over the past five years and expects to continue to do the same into the future. Residential loans typically retained in the Bank's portfolio include 10- and 15-year fixed rate mortgages; stronger, long-term fixed-rate loans that assist in meeting our Community Reinvestment Act requirements in our primary banking markets; and adjustable-rate mortgages.

Finally, I am pleased to announce that CIBM Bank has agreed with a local depository institution to sell its Danville, Illinois, branch retail deposits, which totaled \$29 million in balances as of December 31, 2022. The balances are subject to change prior to the closing. The transaction requires regulatory approvals and is not expected to close until the second quarter of 2023. This strategic move is part of our ongoing initiatives designed to improve efficiencies, resource utilization, and operating results in our primary business lines and markets.

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,				
	2022	2021	2020	2019	2018
	(Dollars in thousands, except share and per share data)				
Selected Statements of Operations Data					
Interest and dividend income	\$27,332	\$25,059	\$26,996	\$27,948	\$26,203
Interest expense	3,417	1,796	4,814	8,647	6,422
Net interest income	23,915	23,263	22,182	19,301	19,781
Provision for (reversal of) loan losses	(893)	(1,195)	1,053	817	(1,185)
Net interest income after provision for (reversal of) loan losses	24,808	24,458	21,129	18,484	20,966
Noninterest income (1)	5,469	15,071	21,801	10,156	9,409
Noninterest expense	25,263	30,377	32,003	26,174	25,847
Income from continuing operations before income taxes	5,014	9,152	10,927	2,466	4,528
Income tax expense (benefit)	1,288	2,480	2,743	423	1,188
Net income	3,726	6,672	8,184	2,043	3,340
Common Share Data (2)					
Basic net income (3)	2.97	5.64	6.51	1.92	4.24
Diluted net income (3)	2.16	4.06	3.79	1.08	2.20
Dividends	—	—	—	—	—
Tangible book value per share (4)	53.19	57.06	52.28	44.86	42.35
Book value per share (4)	51.39	54.55	47.19	39.66	36.77
Weighted average shares outstanding – basic	1,303,859	1,280,259	1,262,279	1,227,111	1,213,940
Weighted average shares outstanding – diluted	1,795,037	1,778,294	2,167,731	2,180,776	2,342,643
Financial Condition Data					
Total assets	\$752,997	\$745,393	\$750,982	\$703,791	\$721,259
Loans	577,303	543,819	539,227	513,705	491,337
Allowance for loan losses	(7,894)	(8,352)	(9,122)	(8,007)	(7,947)
Investment securities	124,421	106,647	108,492	120,398	121,281
Deposits	628,869	618,991	586,373	530,190	536,931
Borrowings	34,485	27,049	51,310	73,847	86,710
Stockholders' equity	83,503	91,780	103,704	93,404	91,035
Financial Ratios and Other Data					
Performance Ratios:					
Net interest margin (5)	3.27%	3.22%	3.11%	2.91%	3.05%
Net interest spread (6)	3.10	3.13	2.93	2.60	2.80
Noninterest income to average assets (7)	0.75	2.00	2.90	1.43	1.37
Noninterest expense to average assets	3.30	4.02	4.26	3.72	3.75
Efficiency ratio (8)	85.17	79.10	72.85	89.07	88.44
Earnings (loss) on average assets (9)	0.49	0.88	1.09	0.29	0.48
Earnings (loss) on average equity (10)	4.15	6.37	8.26	2.18	3.52
Asset Quality Ratios:					
Nonaccrual loans to total loans (11)	0.16%	0.14%	0.23%	1.09%	1.34%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (11)	0.20	0.21	0.40	1.38	1.62
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total asset (11)	0.20	0.21	0.54	1.35	1.45
Allowance for loan losses to total loans	1.37	1.54	1.69	1.56	1.62
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (11)	684.06	726.26	421.14	112.66	99.72
Net charge-offs (recoveries) to average loans	(0.08)	(0.08)	(0.01)	0.15	(0.29)
Capital Ratios:					
Total equity to total assets	11.09%	12.31%	13.81%	13.27%	12.62%
Total risk-based capital ratio	15.71	15.53	17.44	15.19	15.34
Tier 1 risk-based capital ratio	12.78	14.28	16.19	13.94	14.09
Leverage capital ratio	9.73	10.22	11.46	10.71	10.10
Other Data:					
Number of employees (full-time equivalent)	189	177	176	176	183
Number of banking facilities	10	10	11	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, \$0.3 million, and \$1.8 million for the years ended December 31, 2022, 2021, 2020, 2019 and 2018, 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) Net interest margin is the ratio of net interest income to average interest-earning assets.

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

(7) Noninterest income to average assets excludes gains and losses on securities.

(8) The efficiency ratio is noninterest expense divided by the sum of net interest income plus noninterest income, excluding gains and losses on securities.

- (9) Earnings on average assets are net income divided by average total assets.
(10) Earnings on average equity are net income divided by average stockholders' equity.
(11) Excludes loans held for sale.

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

	December 31, 2022	December 31, 2021
	(Dollars in thousands)	
Assets		
Cash and due from banks	\$19,667	\$59,184
Securities available for sale and equity securities	124,421	106,647
Loans held for sale	5,057	9,859
Net loans	569,409	535,467
Other assets	34,443	34,236
Total assets	<u>\$752,997</u>	<u>\$745,393</u>
Liabilities and Stockholders' Equity		
Deposits	628,869	618,991
Short-term borrowings	24,789	27,049
Other liabilities	15,836	7,573
Total liabilities	<u>669,494</u>	<u>653,613</u>
Stockholders' Equity		
Total stockholders' equity	<u>83,503</u>	<u>91,780</u>
Total liabilities and stockholders' equity	<u><u>\$752,997</u></u>	<u><u>\$745,393</u></u>

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

	Years Ended December 31,	
	2022	2021
	(Dollars in thousands, except per share data)	
Total interest income	\$27,332	\$25,059
Total interest expense	3,417	1,796
Net interest income	<u>23,915</u>	<u>23,263</u>
Provision for loan losses	(893)	(1,195)
Net interest income after provision for loan losses	<u>24,808</u>	<u>24,458</u>
Noninterest income		
Compensation and employee benefits	5,469	15,071
Equipment, occupancy and premises	16,705	21,825
Other expense	3,362	3,271
Total noninterest expense	<u>5,196</u>	<u>5,281</u>
Income from operations before income taxes	<u>25,263</u>	<u>30,377</u>
Income tax expense	5,014	9,152
Net income	<u>1,288</u>	<u>2,480</u>
Preferred stock dividends	3,726	6,672
Discount from repurchase of preferred stock	—	—
Net income allocated to common stockholders	<u><u>146</u></u>	<u><u>546</u></u>
	<u><u>\$3,872</u></u>	<u><u>\$7,218</u></u>