

May 4, 2023

Dear Shareholder,

CIB Marine Bancshares, Inc. (“CIB Marine” or the “Company”) is pleased to report its financial results for the quarter ended March 31, 2023. CIB Marine’s operating successes for the first quarter of 2023 were overshadowed by expenses related to an expansion opportunity in our Mortgage Division.

Results of Operations – Summary

Net income for the first quarter or the three-month period ending March 31, 2023, was \$0.2 million, with basic and diluted earnings per share of \$0.17 and \$0.13, respectively, and a return on average assets (“ROAA”) of 0.12%. For the same period in 2022, net income was \$0.9 million, with basic and diluted earnings per share of \$0.69 and \$0.50, respectively, and a ROAA of 0.48%. The Banking Division continued with trending improvement while the combination of expenses related to the addition of 36 mortgage sales employees and the bear mortgage market resulting primarily from higher interest rates, resulted in a loss in the Mortgage Division compared to the same period in 2022.

- Net interest income increased \$0.4 million to \$5.9 million with a net interest margin of 3.22% for the quarter, compared to \$5.5 million and 3.05%, respectively, for the same quarter in 2022. The primary reason was higher average earning asset balances and related yields.
- Provisions for credit losses were \$0.2 million for the quarter or up \$0.5 million from the *reversal* of provisions for credit losses of \$0.3 million for the same period in 2022. Provisions this year were primarily due to growth in loan balances whereas the recovery in 2022 was primarily due to improved environmental factors including those related to the pandemic last year.

Financial Condition - Summary

Our Banking Division had a strong first quarter with total loans held in the portfolio up \$31 million and deposits up \$3 million. Additional highlights of our financial condition as of March 31, 2023, include:

- Asset quality remained historically strong with 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 of 0.14% and 0.08%, respectively, compared to 0.20% and 0.16%, respectively, on December 31, 2022.
- Tangible book value (“TBV”) per share of common stock of \$53.28 was up from December 31, 2022, due to improved earnings and accumulated other comprehensive income with the latter comprised of unrealized losses on available for sale investment securities after the effect of taxes. The \$5.9 million in unrealized losses are not expected to result in realized losses in the future if they are held to maturity. For further insight into other factors effecting TBV: TBV excluding deferred tax assets (“DTA”) was \$42.44 and, separately, TBV after the effects of a conversion of Series B preferred stock to common stock was \$41.81 (conversion is only permissible under very limited situations).

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.

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. On March 31, 2023, 5% of the total value of Company stock was approximately \$2.6 million, which is the equivalent of approximately 88,700 shares of common stock at the last traded price of \$28.80 as listed on OTCQX, or approximately 3,100 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 as a result the number of shares that denote a 5% shareholder could change significantly.

2023 Annual Shareholder Meeting

Our Annual Meeting was held on Thursday, April 27, 2023. All matters presented to the shareholders were approved, including the election of three directors and the ratification of our independent registered public accounting firm.

Concluding Comments

CIBM Bank has previously announced the sale of consumer retail deposits from its Danville, Illinois, branch to a local depository institution. The deposits totaled approximately \$29 million at the close of December 31, 2022, and are subject to changes in the respective accounts' final balances. We recently received regulatory approval and expect the transaction to close effective May 31, 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. More financial information regarding the transaction will be provided with second quarter results after June 30, 2023.

CIB Marine's Banking Division has continued to grow and improve with loan portfolio growth exceeding our prior expectations and deposit balances responding reasonably well to the bank deposit market disruptions in March. The Mortgage Division is expected to improve in the second half of the year after the short-term expenses related to the expansion of its sales force are behind us. The ratio of Mortgage Division sales to operations staff was 1.2:1 on March 31, 2022. After the changes described above, that ratio has risen to 1.9:1. Our mortgage lending force is predominately commission based.

With recession risks continuing to be higher than normal, we are cautious about the credit cycle. In addition, higher short-term interest rates relative to last year will likely continue to cause some repricing of deposit and borrowing costs at higher levels at least into the foreseeable future. Although these are potential headwinds, we continue to focus on developing quality core banking relationships and improving operating results.

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 Three Months Ended March 31,	
	2023	2022
	(Dollars in thousands, except share and per share data)	
Selected Statements of Operations Data		
Interest and dividend income	\$8,472	\$5,879
Interest expense	2,601	413
Net interest income	5,871	5,466
Provision for (reversal of) credit losses	159	(325)
Net interest income after provision for (reversal of) loan losses	5,712	5,791
Noninterest income (1)	1,410	1,705
Noninterest expense	6,805	6,262
Income before income taxes	317	1,234
Income tax expense	89	334
Net income	\$228	\$900
Common Share Data		
Basic net income	\$0.17	\$0.69
Diluted net income	0.13	0.50
Dividends	—	—
Tangible book value per share (2)	53.28	54.53
Book value per share (2)	51.48	52.07
Weighted average shares outstanding-basic	1,308,603	1,295,573
Weighted average shares outstanding-diluted	1,803,218	1,792,181
Financial Condition Data		
Total assets	\$787,244	\$764,641
Loans	608,492	529,212
Allowance for credit losses on loans (3)	(9,193)	(8,011)
Investment securities	126,001	109,533
Deposits	632,339	631,953
Borrowings	65,173	36,789
Stockholders' equity	83,554	89,931
Financial Ratios and Other Data		
Performance Ratios:		
Net interest margin (4)	3.22%	3.05%
Net interest spread (5)	2.82	2.98
Noninterest income to average assets (6)	0.72	0.97
Noninterest expense to average assets	3.58	3.35
Efficiency ratio (7)	93.90	85.98
Earnings on average assets (8)	0.12	0.48
Earnings on average equity (9)	1.11	3.98
Asset Quality Ratios:		
Nonaccrual loans to total loans (10)	0.08%	0.13%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (10)	0.12	0.20
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total assets (10)	0.14	0.19
Allowance for credit losses on loans (3) to total loans	1.51	1.51
Allowance for credit losses on loans (3) to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (10)	1,262.77	742.45
Net charge-offs (recoveries) to average loans	(0.02)	0.01
Capital Ratios:		
Total equity to total assets	10.62%	11.76%
Total risk-based capital ratio	14.84	17.52
Tier 1 risk-based capital ratio	11.99	14.43
Leverage capital ratio	9.56	10.27
Other Data:		
Number of employees (full-time equivalent)	202	172
Number of banking facilities	10	10

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

(2) 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.

(3) Allowance for credit losses on loans is allowance for loan losses in ending dates and periods prior to March 31, 2023.

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

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

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

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

(8) Earnings on average assets are net income divided by average total assets.

(9) Earnings on average equity are net income divided by average stockholders' equity.

(10) Excludes loans held for sale.

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

	March 31, 2023	December 31, 2022
	(Dollars in thousands)	
Assets		
Cash and due from banks	\$16,490	\$19,667
Securities available for sale and equity securities	126,001	124,421
Loans held for sale	10,848	5,057
Net loans	599,299	569,409
Other assets	34,606	34,443
Total assets	<u>\$787,244</u>	<u>\$752,997</u>
Liabilities and Stockholders' Equity		
Deposits	\$632,339	\$628,869
Short-term borrowings	55,469	24,789
Other liabilities	15,821	15,836
Total liabilities	<u>703,629</u>	<u>669,494</u>
Stockholders' Equity		
Total stockholders' equity	<u>83,615</u>	<u>83,503</u>
Total liabilities and stockholders' equity	<u>\$787,244</u>	<u>\$752,997</u>

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

	Years Ended March 31,	
	2023	2022
	(Dollars in thousands, except per share data)	
Total interest income	\$8,472	\$5,879
Total interest expense	2,601	413
Net interest income	<u>5,871</u>	<u>5,466</u>
Provision for (reversal of) credit losses	159	(325)
Net interest income after provision for loan losses	<u>5,712</u>	<u>5,791</u>
Noninterest income	1,410	1,705
Compensation and employee benefits	4,550	4,229
Equipment, occupancy and premises	913	864
Other expense	1,342	1,169
Total noninterest expense	<u>6,805</u>	<u>6,262</u>
Income from operations before income taxes	317	1,234
Income tax expense	89	334
Net income	<u>228</u>	<u>900</u>
Preferred stock dividends	—	—
Discount from repurchase of preferred stock	—	—
Net income allocated to common stockholders	<u>\$228</u>	<u>\$900</u>