

August 3, 2023

Dear Shareholder,

CIB Marine Bancshares, Inc. (“CIB Marine” or the “Company”) is pleased to report its financial results for the quarter ended June 30, 2023. CIB Marine’s operating results reflect a number of significant activities including the expansion of mortgage operations; the sale of retail deposits related to our Danville, Illinois, branch; and loan portfolio growth.

### **Results of Operations – Summary**

Net income for the three-month period ending June 30, 2023, was \$1.2 million compared to \$0.9 million for the same period of 2022. Net income for the six-month period ending June 30, 2023, was \$1.4 million compared to \$1.8 million for the same period of 2022.

- The sale of \$23 million in retail deposits from the Bank’s Danville, Illinois, branch resulted in \$1.3 million in total income and \$1.0 million on a tax adjusted basis for the first half of 2023.
- Net interest income and margin were \$11.4 million and 3.06%, respectively, for the six months ended June 30, 2023, compared to \$11.4 million and 3.15%, respectively, in the same period of 2022. Although earning assets were higher in the 2023 period, the cost of interest-bearing liabilities increased at a more rapid pace than the yields on interest-earning assets; noninterest-bearing demand deposit balances were down due to the attraction of higher interest rates in interest-bearing deposit products; and competition for deposit balances was up as liquidity in the banking industry was down relative to the same period in 2022.
- The Mortgage Division incurred a net loss of \$0.5 million in the first half of 2023, but despite relatively high rates, housing stock in short supply, and tight margins, the Mortgage Division was able to turn a profit in the second quarter after the significant loss in the first quarter that included extra costs related to significant new staff additions. Loan production year to date has been spread evenly between the new loan originators and the Division’s existing staff. Recently hired mortgage lenders are expected to become more fully established and up-front growth costs should diminish in the second half of 2023.

### **Financial Condition - Summary**

The Company’s loan portfolio balances have grown by \$70 million year to date, comprised primarily of \$38 million in residential loans and \$31 million in commercial segment loans. This growth is expected to slow in the second half of 2023 as a larger percentage of mortgage loan originations will be originated for sale.

- 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 ratios of 0.13% and 0.02%, respectively, compared to 0.20% and 0.16%, respectively, on December 31, 2022.
- The market for deposit accounts and the related cost of interest-bearing deposits and liabilities are up substantially over the last few quarters due to competitive pressures related to declining liquidity in the banking industry and rising federal funds target rates by the Federal Reserve to quell inflation. We do not expect this to abate for the remainder of the year. The Company is actively managing its bank funding composition to fund its earning assets at the lowest cost available over the short term and continuing to focus on growing core banking relationships for the longer term. In response to the rising cost of funds, the Company has adjusted lower budgeted controllable costs for the second half of the year and continually reassesses our loan prices.

We encourage you to visit our website, [www.cibmarine.com](http://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](mailto: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 deferred tax assets net of tax liabilities resulting in an impairment expense and a reduction in stockholder's equity. On June 30, 2023, 5% of the total value of Company stock was approximately \$2.3 million, which is the equivalent of approximately 94,615 shares of common stock at the last traded price of \$24.00 as listed on OTCQX, or approximately 2,750 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.

### **Concluding Comments**

We are pleased to have completed the sale of deposits from our Danville branch, grown our banking customer relationships, and made significant strides in expanding our mortgage operations for the future. We are focused on meeting the challenges related to the rising cost of funds and thin margin mortgage environment, and improving our operating results in the periods ahead.

Sincerely,



J. Brian Chaffin  
President & Chief Executive Officer

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### **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;
- the relative strength or weakness of the commercial and real estate markets where our borrowers are located, including related vacancy rates, and asset and market prices; 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**

	Quarters Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<b>Selected Statements of Operations Data</b>				
(Dollars in thousands, except share and per share data)				
Interest and dividend income	\$9,152	\$6,411	\$17,624	\$12,290
Interest expense	3,643	517	6,244	930
Net interest income	5,509	5,894	11,380	11,360
Provision for (reversal of) credit losses on loans (3)	(246)	40	(87)	(285)
Net interest income after provision for (reversal of) loan losses	5,755	5,854	11,467	11,645
Noninterest income (1)	3,298	1,660	4,708	3,365
Noninterest expense	7,457	6,374	14,262	12,636
Income before income taxes	1,596	1,140	1,913	2,374
Income tax expense	431	251	520	585
<b>Net income</b>	<b>\$1,165</b>	<b>\$889</b>	<b>\$1,393</b>	<b>\$1,789</b>
<b>Common Share Data</b>				
Basic net income	\$0.88	\$0.68	\$1.06	\$1.38
Diluted net income	0.64	0.49	0.77	1.00
Dividends	—	—	—	—
Tangible book value per share (2)	52.47	53.68	52.47	53.68
Book value per share (2)	50.70	51.22	50.70	51.22
Weighted average shares outstanding-basic	1,318,460	1,307,289	1,313,553	1,300,164
Weighted average shares outstanding-diluted	1,815,593	1,798,002	1,809,435	1,793,809
<b>Financial Condition Data</b>				
Total assets	\$819,521	\$774,356	\$819,521	\$774,356
Loans	647,823	549,175	647,823	549,175
Allowance for credit losses on loans (3)	(8,999)	(8,010)	(8,999)	(8,010)
Investment securities	114,661	122,483	114,661	122,483
Deposits	613,808	642,500	613,808	642,500
Borrowings	113,950	37,693	113,950	37,693
Stockholders' equity	83,876	89,111	83,876	89,111
<b>Financial Ratios and Other Data</b>				
Performance Ratios:				
Net interest margin (4)	2.90%	3.23%	3.06%	3.15%
Net interest spread (5)	2.42	3.14	2.62	3.06
Noninterest income to average assets (6)	1.68	0.91	1.21	0.94
Noninterest expense to average assets	3.77	3.34	3.68	3.35
Efficiency ratio (7)	84.35	83.52	88.65	84.72
Earnings on average assets (8)	0.59	0.47	0.36	0.47
Earnings on average equity (9)	5.53	3.96	3.35	3.97
Asset Quality Ratios:				
Nonaccrual loans to total loans (10)	0.02%	0.22%	0.02%	0.22%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (10)	0.11	0.28	0.11	0.28
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total assets (10)	0.13	0.25	0.13	0.25
Allowance for loan losses to total loans	1.39	1.46	1.39	1.46
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (10)	1,283.74	512.48	1,283.74	512.48
Net charge-offs (recoveries) to average loans	-0.02	0.03	-0.02	0.02
Capital Ratios:				
Total equity to total assets	10.23%	11.51%	10.23%	11.51%
Total risk-based capital ratio	14.25	16.85	14.25	16.85
Tier 1 risk-based capital ratio	11.49	13.85	11.49	13.85
Leverage capital ratio	9.43	10.20	9.43	10.20
Other Data:				
Number of employees (full-time equivalent)	208	159	208	159
Number of banking facilities	10	10	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) For periods ending prior to March 31, 2023, these are provision for (reversal of) loan losses and allowance for loan losses, respectively.

(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)**

	June 30, 2023	December 31, 2022
	(Dollars in thousands)	
<b>Assets</b>		
Cash and due from banks	\$14,444	\$19,667
Securities available for sale and equity securities	114,661	124,421
Loans held for sale	14,726	5,057
Net loans	638,824	569,409
Other assets	36,866	34,443
Total assets	<u>\$819,521</u>	<u>\$752,997</u>
<b>Liabilities and Stockholders' Equity</b>		
Deposits	\$613,808	\$628,869
Short-term borrowings	104,238	24,789
Other liabilities	17,599	15,836
Total liabilities	<u>735,645</u>	<u>669,494</u>
<b>Stockholders' Equity</b>		
Total stockholders' equity	83,876	83,503
Total liabilities and stockholders' equity	<u>\$819,521</u>	<u>\$752,997</u>

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

	Quarters Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Dollars in thousands)			
Interest income	9,152	6,411	17,624	12,290
Interest expense	3,643	517	6,244	930
<b>Net interest income</b>	5,509	5,894	11,380	11,360
Provision for (reversal of) loan losses	(246)	40	(87)	(285)
<b>Net interest income after provision for (reversal of) loan losses</b>	5,755	5,854	11,467	11,645
<b>Noninterest income</b>	3,298	1,660	4,708	3,365
Compensation and employee benefits	5,101	4,175	9,651	8,404
Equipment, occupancy, and premises	908	847	1,821	1,711
Other expense	1,448	1,352	2,790	2,521
<b>Total noninterest expense</b>	7,457	6,374	14,262	12,636
<b>Income from operations before income taxes</b>	1,596	1,140	1,913	2,374
Income tax expense	431	251	520	585
<b>Net income</b>	1,165	889	1,393	1,789
Discount from repurchase of preferred shares	—	—	—	—
<b>Net income allocated to common stockholders</b>	<u>\$1,165</u>	<u>\$889</u>	<u>\$1,393</u>	<u>\$1,789</u>