

August 4, 2022

Dear Shareholder,

CIB Marine Bancshares, Inc. (“CIB Marine” or the “Company”) is pleased to report its financial results for the quarter and six months ended June 30, 2022. CIB Marine’s operating results were dominated by significant seasonal and cyclical mortgage trends, but also reflected another quarter of core deposit growth and continued strong asset quality.

Results of Operations – Summary

Net income for the six months ended June 30, 2022, was \$1.8 million, with basic and diluted earnings per share of \$1.38 and \$1.00, respectively, and an annualized return on average assets (“ROAA”) of 0.47%. For the same period in 2021, net earnings were \$3.5 million, with basic and diluted earnings per share of \$2.74 and \$1.59, respectively, and annualized ROAA was 0.94%. The primary source of change was the operating results of the Mortgage Banking Division, where higher interest rates have caused a 54% decline in total mortgage originations and substantial tightening in pricing margins during the first half of 2022.

- Net interest income was \$11.4 million during the six month period, up \$0.3 million from the same period in 2021 after adjusting for PPP loan fee accretions and subordinated debt interest expenses. The favorable changes are primarily the result of higher interest income from interest bearing cash and securities due to both higher balances and yields, as well as lower interest bearing deposit costs.
- Non-interest income was down \$4.9 million during the first six months of 2022, compared to the same period of 2021, due primarily to the reduction in net mortgage banking revenues. With higher fed funds rates forecasted in the coming quarters, we do not foresee a favorable outlook over the near term, but we continue to enhance operational tools and practices for longer term improvements in our Mortgage Banking Division.

Financial Condition - Summary

Total assets were up \$29 million at June 30, 2022, from the start of the fiscal and calendar year. Securities, cash and due from, and loan balances were up \$16 million, \$9 million, and \$5 million, respectively. In addition, interest and non-interest bearing checking accounts balances were up \$12 million on a combined basis and time deposits were up \$15 million. Additional highlights of our financial condition as of June 30, 2022, include:

- There were no loans past due 30 days or longer and still accruing, reflecting the current asset quality strength. 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 0.25% and 0.22%, respectively, compared to 0.21% and 0.14%, respectively, at December 31, 2021, and 0.29% and 0.19%, respectively, at June 30, 2021.
- Tangible book value (“TBV”) per share of common stock of \$53.68 was down from year-end 2021, due primarily to the very rapid increase in interest rates during the period, which resulted in a \$4.7 million unrealized loss in the market value of available for sale securities. 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 fixed income and A to AAA rated municipal securities. For further insight into other factors effecting TBV: TBV excluding deferred tax assets (“DTA”) was \$41.34 and TBV after the effects of a conversion of Series B preferred stock to common stock was \$41.21 (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.

Preferred Stock Redemptions

At our 2022 Annual Shareholder Meeting, we announced plans to redeem approximately 5,830 shares of Series A preferred stock during the fourth quarter of 2022. The redemption will be pro-rata among Series A preferred stockholders and at the fixed redemption price in our Articles of Incorporation of \$825 per share, for a total price of approximately \$4.8 million. Further details will be provided closer to the redemption date. The \$10 million of sub-debt issued by CIB Marine during the first quarter of 2022 is the primary source of funds for this planned redemption. At this time, CIB Marine plans on redeeming the remaining shares of Series A and Series B preferred stock in the fourth quarter of 2024. These plans are subject to change, depending on the Company's operating results, factors effecting the preservation and use of our deferred tax assets, and financial condition, and will require regulatory approvals. CIB Marine will consider redeeming preferred shares earlier or later if circumstances change and it is in the best interest of the Company and its shareholders to do so.

Preservation and Use of Deferred Tax Assets

We want to 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 \$15 million DTA net of tax liabilities resulting in an impairment expense and a reduction in stockholder's equity. At June 30, 2022, 5% of the total value of Company stock was approximately \$3.2 million, which is the equivalent of approximately 91,350 shares of common stock at the last traded price listed on OTCQX at June 30, 2022 (i.e., \$35.13/share), or approximately 3,890 shares of preferred stock at \$825 per share, the price paid per share of preferred stock on the last redemption date of October 29, 2021. Under the assumption all remaining preferred shares are redeemed, thereafter 5% of Company common stock would be approximately 65,450 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. A significant amount of CIB Marine's preferred shares continue to be held by two CDOs. Public information available on these CDOs shows the senior tranches are paid off or close to being paid off. This could cause actions (e.g., a liquidation or distribution) that could result in a change in ownership of those preferred shares. When added with all other stock ownership changes, such actions could cause the cumulative 50% ownership change test to be breached thereby triggering restrictions in the use of our DTA and reducing the DTA's value as a result. Significant shareholders are cautioned 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

With a Federal Reserve determined to rapidly raise short-term interest rates to dampen aggregate demand in the economy and reduce soaring inflation, recession risks are up. Environments like these demand we focus on our core business activity and manage an array of risks – from credit to interest rate to liquidity. In addition, CIBM Bank's loan portfolio continues to evolve with more emphasis on first lien residential loans in the consumer segments and geographical and real estate property type diversification in the

commercial real estate segments. A higher recession risk hardens our resistance to making credit exceptions or loosening standards due to competitive pressures. The mortgage business outlook continues to be down for the foreseeable future after two years of higher profitability. Our net interest income has performed better in the second quarter as rising rates have created some shorter term opportunities with short term repricing and new earning assets given deposit pricing in the markets. Although rising rates place pressure on checking and savings account balances, growth in the relationships for these product types remain critical to our long term success.

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

	Quarters Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Selected Statements of Operations Data				
(Dollars in thousands, except share and per share data)				
Interest and dividend income	\$6,411	\$6,239	\$12,290	\$12,504
Interest expense	517	456	930	992
Net interest income	5,894	5,783	11,360	11,512
Provision for (reversal of) loan losses	40	(300)	(285)	(280)
Net interest income after provision for (reversal of) loan losses	5,854	6,083	11,645	11,792
Noninterest income (1)	1,660	3,135	3,365	8,281
Noninterest expense	6,374	7,279	12,636	15,219
Income before income taxes	1,140	1,939	2,374	4,854
Income tax expense	251	558	585	1,356
Net income	\$889	\$1,381	\$1,789	3,498
Common Share Data				
Basic net income	\$0.68	\$1.08	\$1.38	\$2.74
Diluted net income	0.49	0.63	1.00	1.59
Dividends	—	—	—	—
Tangible book value per share (2)	53.68	54.14	53.68	54.14
Book value per share (2)	51.22	49.11	51.22	49.11
Weighted average shares outstanding-basic	1,307,289	1,282,917	1,300,164	1,275,971
Weighted average shares outstanding-diluted	1,798,002	2,208,493	1,793,809	2,196,964
Financial Condition Data				
Total assets	\$774,356	\$753,660	\$774,356	\$753,660
Loans	549,175	553,642	549,175	553,642
Allowance for loan losses	(8,010)	(9,165)	(8,010)	(9,165)
Investment securities	122,483	108,825	122,483	108,825
Deposits	642,500	609,964	642,500	609,964
Borrowings	37,693	29,592	37,693	29,592
Stockholders' equity	89,111	107,051	89,111	107,051
Financial Ratios and Other Data				
Performance Ratios:				
Net interest margin (3)	3.23%	3.26%	3.15%	3.24%
Net interest spread (4)	3.14	3.16	3.06	3.15
Noninterest income to average assets (5)	0.91	1.68	0.94	2.24
Noninterest expense to average assets	3.34	3.91	3.35	4.09
Efficiency ratio (6)	83.52	81.69	84.72	76.75
Earnings on average assets (7)	0.47	0.74	0.47	0.94
Earnings on average equity (8)	3.96	5.18	3.97	6.62
Asset Quality Ratios:				
Nonaccrual loans to total loans (9)	0.22%	0.19%	0.22%	0.19%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (9)	0.28	0.32	0.28	0.32
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total assets (9)	0.25	0.29	0.25	0.29
Allowance for loan losses to total loans	1.46	1.66	1.46	1.66
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (9)	512.48	519.26	512.48	519.26
Net charge-offs (recoveries) to average loans	0.03	(0.16)	0.02	(0.12)
Capital Ratios:				
Total equity to total assets	11.51%	14.20%	11.51%	14.20%
Total risk-based capital ratio	16.85	18.02	16.85	18.02
Tier 1 risk-based capital ratio	13.85	16.76	13.85	16.76
Leverage capital ratio	10.20	12.32	10.20	12.32
Other Data:				
Number of employees (full-time equivalent)	159	176	159	176
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) Net interest margin is the ratio of net interest income to average interest-earning assets.

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

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

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

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

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

(9) Excludes loans held for sale.

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

	June 30, 2022	December 31, 2021
	(Dollars in thousands)	
Assets		
Cash and due from banks	\$68,097	\$59,184
Securities available for sale	122,483	106,647
Loans held for sale	7,519	9,859
Net loans	541,165	535,467
Other assets	35,092	34,236
Total assets	<u>\$774,356</u>	<u>\$745,393</u>
Liabilities and Stockholders' Equity		
Deposits	642,500	618,991
Short-term borrowings	28,013	27,049
Other liabilities	14,732	7,573
Total liabilities	<u>685,245</u>	<u>653,613</u>
Stockholders' Equity		
Total stockholders' equity	89,111	91,780
Total liabilities and stockholders' equity	<u>\$774,356</u>	<u>\$745,393</u>

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

	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2022	2021	2022	2021
	(Dollars in thousands)			
Interest income	6,411	6,239	12,290	12,504
Interest expense	517	456	930	992
Net interest income	<u>5,894</u>	<u>5,783</u>	<u>11,360</u>	<u>11,512</u>
Provision for (reversal of) loan losses	40	(300)	(285)	(280)
Net interest income after provision for (reversal of) loan losses	<u>5,854</u>	<u>6,083</u>	<u>11,645</u>	<u>11,792</u>
Noninterest income	<u>1,660</u>	<u>3,135</u>	<u>3,365</u>	<u>8,281</u>
Compensation and employee benefits	4,175	5,099	8,404	11,055
Equipment, occupancy and premises	847	827	1,711	1,640
Other expense	1,352	1,353	2,521	2,524
Total noninterest expense	<u>6,374</u>	<u>7,279</u>	<u>12,636</u>	<u>15,219</u>
Income from operations before income taxes	<u>1,140</u>	<u>1,939</u>	<u>2,374</u>	<u>4,854</u>
Income tax expense	251	558	585	1,356
Net income	<u>889</u>	<u>1,381</u>	<u>1,789</u>	<u>3,498</u>
Discount from repurchase of preferred shares	—	—	—	—
Net income allocated to common stockholders	<u>\$889</u>	<u>\$1,381</u>	<u>\$1,789</u>	<u>\$3,498</u>