

August 8, 2024

Dear Shareholder,

CIB Marine Bancshares, Inc. (“CIB Marine” or the “Company”) is pleased to report its financial results for the quarter ended June 30, 2024. Improved net interest income, Mortgage Division profits, and the completion of a sale leaseback transaction by CIBM Bank (the “Bank”) contributed to improved capital ratios for the Bank and the consolidated company. Operating results continue to be heavily affected by the adverse effects of higher interest rates on both net interest income and net mortgage revenues, but further actions and improvements are expected in the coming quarters for the reasons outlined at our Annual Shareholder Meeting and below.

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

Net income for the quarter was \$3.8 million, compared to \$1.2 million for the same period of 2023. Net income for the six months ended June 30, 2024, was \$4.0 million, compared to \$1.4 million for the same period of 2023. Excluding the effects of the non-recurring sale-leaseback transaction gain on sale, net of tax, net income was \$0.5 million for the quarter, compared to \$0.1 million in the same quarter of 2023 after excluding the gain on sale, net of tax, from the sale of retail deposits at the Bank’s Danville branch in the second quarter of 2023. Other key developments for the quarter include:

- The Bank completed a sale-leaseback transaction for the office real estate used by its Bloomington, Champaign, and Urbana, Illinois, branches. The transaction resulted in a net gain on sale of \$4.5 million and \$3.3 million net of tax. The sale of the real estate to a third party will not impact banking services, which will continue at each branch under a 15-year lease.
- Bank operating results improved. Net interest income was up \$0.2 million compared to the prior quarter and net interest margin was up 9 basis points as the 12 basis point increase in average yields on earning assets outpaced a subdued 3 basis point increase in the cost of funds. Mortgage banking income was \$0.2 million for the quarter, compared to a loss in the prior quarter, as the actions taken earlier in the year to improve operating costs are showing some results, although mortgage production remains very low.

### **Financial Condition – Summary**

As a part of a planned balance sheet management strategy to improve our capital ratios in support of a preferred stock redemption, the loan portfolio declined in total balances by \$17 million for the quarter, primarily from commercial segments of the portfolio. In our balance sheet planning we have targeted significantly lower or negative loan portfolio growth in 2024 versus 2023. Deposits declined by \$3 million and we continued to pay down higher cost wholesale deposits and short-term Federal Home Loan Bank borrowings. Further reductions in loans and other assets in the quarters ahead will allow the Bank to continue to improve its cost of funds. Additional highlights of our financial condition as of June 30, 2024, 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 ratios were 1.14% and 0.47%, respectively, compared to 0.90% and 0.50%, respectively, on December 31, 2023, and 0.13% and 0.02%, respectively, on June 30, 2023. The primary reason for the increase in the ratios over the time periods is due to four credit relationships related to the transportation industry that comprise more than 90% of the balances in the first asset quality ratio above.

- Tangible book value (“TBV”) per share of common stock of \$55.36 was up from \$52.59 at March 31, 2024, and \$53.35 at year-end 2023, due primarily to higher earnings. For further insight into other factors affecting TBV: TBV per share excluding deferred tax assets (“DTA”) was \$44.43 and, separately, TBV per share after the effects of a conversion of Series B preferred stock to common stock was \$42.82 (conversion is only permissible under very limited situations) at June 30, 2024, compared to \$41.63 and \$40.70, respectively, at March 31, 2024, and \$42.30 and \$41.14, respectively, at December 31, 2023.

We encourage you to visit our website, [www.cibmarine.com](http://www.cibmarine.com), where you will find our audited financial statements, shareholder communications, earnings releases and other financial information. If you prefer a mailed or e-mailed copy of our quarterly results, please contact Shareholder Relations Manager, Elizabeth Neighbors, at (262) 695-6010 or [Elizabeth.Neighbors@cibmarine.com](mailto:Elizabeth.Neighbors@cibmarine.com) to be added to our distribution list.

### **Preferred Stock Redemptions**

CIB Marine continues to work towards the goal of redeeming all remaining outstanding shares of Series A and Series B preferred stock at the price of \$825 per share in the fourth quarter of 2024, or as soon as possible thereafter.

In support of our preferred stock redemption plan, we have completed the above described sale-leaseback transaction, and continue to execute our balance sheet management strategies of reducing our commercial loan, residential loan, and investment portfolio balances. We had a reduction in the total loan portfolio of \$17 million in the second quarter and expect more in the second half of the year along with a smaller investment securities portfolio resulting in lower assets. With cash inflows from paying assets, funding pressures are reduced and have allowed for a continuation of paying off higher cost borrowings, jumbo CDs and brokered deposits, as well as a reduction in the competitive pricing of other higher costs deposits, all supportive of reduced cost of funds pressure. Coupled with improved SBA loan originations and sales contributing to improved earnings, the higher capital ratios are intended to support a distribution of capital later this year from CIBM Bank to its parent holding company, CIB Marine Bancshares, Inc. Combined with more than \$6 million of available cash on hand at the parent company and a non-bank subsidiary, we plan on redeeming the remaining preferred shares of stock at the agreed total price of \$13.4 million, subject to regulatory approval. There are risks related to the execution of the plan and, accordingly, we continue to evaluate financing contingencies in support of it. As with our prior redemptions, which total 73% of the originally issued preferred stock, our plans and their execution are developed with shareholder value in mind first and foremost.

### **Concluding Comments**

We have taken numerous significant actions outlined in prior press releases and shareholder letters to improve our operating results. As detailed above, we are beginning to see the positive results from those activities and will continue to take actions to adjust to changing markets and conditions to ensure the best path of recovery for earnings.

Our plans to redeem the preferred stock is of the highest order and importance for managing the parent company’s capital position. The plans to do this are in motion and we will continue to strive for completion of the final redemption as soon as we are possible, ideally in the fourth quarter of 2024.

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; 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.

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**CIB MARINE BANCSHARES, INC.**  
**Selected Unaudited Consolidated Financial Data**

	Quarters Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
(Dollars in thousands, except share and per share data)				
<b>Selected Statements of Operations Data</b>				
Interest and dividend income	\$12,052	\$9,152	\$23,853	\$17,624
Interest expense	6,897	3,643	13,737	6,244
Net interest income	5,155	5,509	10,116	11,380
Provision for (reversal of) credit losses on loans	10	(246)	(18)	(87)
Net interest income after provision for (reversal of) credit losses	5,145	5,755	10,134	11,467
Noninterest income (1)	6,904	3,298	8,531	4,708
Noninterest expense	6,904	7,457	13,325	14,262
Income before income taxes	5,145	1,596	5,340	1,913
Income tax expense	1,361	431	1,378	520
<b>Net income</b>	<b>\$3,784</b>	<b>\$1,165</b>	<b>\$3,962</b>	<b>\$1,393</b>
<b>Common Share Data</b>				
Basic net income	\$2.79	\$0.88	\$2.94	\$1.06
Diluted net income	2.06	0.64	2.17	0.77
Dividends	—	—	—	—
Tangible book value per share (2)	55.36	52.47	55.36	52.47
Book value per share (2)	53.61	50.70	53.61	50.70
Weighted average shares outstanding-basic	1,356,255	1,318,470	1,348,440	1,313,564
Weighted average shares outstanding-diluted	1,833,881	1,815,604	1,826,911	1,809,445
<b>Financial Condition Data</b>				
Total assets	\$901,634	\$819,521	\$901,634	\$819,521
Loans	719,129	647,823	719,129	647,823
Allowance for credit losses on loans	(9,083)	(8,999)	(9,083)	(8,999)
Investment securities	123,814	114,661	123,814	114,661
Deposits	768,984	613,808	768,984	613,808
Borrowings	28,222	113,950	28,222	113,950
Stockholders' equity	89,008	83,876	89,008	83,876
<b>Financial Ratios and Other Data</b>				
Performance Ratios:				
Net interest margin (3)	2.38%	2.90%	2.34%	3.06%
Net interest spread (4)	1.71	2.42	1.67	2.62
Noninterest income to average assets (5)	3.09	1.68	1.91	1.21
Noninterest expense to average assets	3.09	3.77	2.98	3.68
Efficiency ratio (6)	57.19	84.35	71.34	88.65
Earnings on average assets (7)	1.69	0.59	0.88	0.36
Earnings on average equity (8)	17.92	5.53	9.38	3.35
Asset Quality Ratios:				
Nonaccrual loans to total loans (9)	0.47%	0.02%	0.47%	0.02%
Nonaccrual loans, modified loans to borrowers experiencing financial difficulty and loans 90 days or more past due and still accruing to total loans (9)	1.38	0.11	1.38	0.11
Nonperforming assets, modified loans to borrowers experiencing financial difficulty and loans 90 days or more past due and still accruing to total assets (9)	1.14	0.13	1.14	0.13
Allowance for loan losses to total loans	1.26	1.39	1.26	1.39
Allowance for loan losses to nonaccrual loans, modified loans to borrowers experiencing financial difficulty and loans 90 days or more past due and still accruing (9)	91.24	1,283.74	91.24	1,283.74
Net charge-offs (recoveries) to average loans	0.03	-0.02	0.03	-0.02
Capital Ratios:				
Total equity to total assets	9.87%	10.23%	9.87%	10.23%
Total risk-based capital ratio	13.90	14.25	13.90	14.25
Tier 1 risk-based capital ratio	11.27	11.49	11.27	11.49
Leverage capital ratio	8.93	9.43	8.93	9.43
Other Data:				
Number of employees (full-time equivalent)	172	206	172	206
Number of banking facilities	9	10	9	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, 2024	December 31, 2023
	(Dollars in thousands)	
<b>Assets</b>		
Cash and due from banks	\$10,690	\$9,491
Securities available for sale and equity securities	123,814	131,529
Loans held for sale	17,897	9,209
Net loans	710,046	712,948
Other assets	39,187	35,883
Total assets	\$901,634	\$899,060
<b>Liabilities and Stockholders' Equity</b>		
Deposits	768,984	727,565
Short-term borrowings	18,477	67,227
Other liabilities	25,165	19,193
Total liabilities	812,626	813,985
<b>Stockholders' Equity</b>		
Total stockholders' equity	89,008	85,075
Total liabilities and stockholders' equity	\$901,634	\$899,060

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

	Quarters Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Dollars in thousands)			
Interest income	12,052	9,152	23,853	17,624
Interest expense	6,897	3,643	13,737	6,244
<b>Net interest income</b>	5,155	5,509	10,116	11,380
Provision for (reversal of) credit losses	10	(246)	(18)	(87)
<b>Net interest income after provision for (reversal of) credit losses</b>	5,145	5,755	10,134	11,467
<b>Noninterest income</b>	6,904	3,298	8,531	4,708
Compensation and employee benefits	4,700	5,101	8,989	9,651
Equipment, occupancy, and premises	848	908	1,746	1,821
Other expense	1,356	1,448	2,590	2,790
<b>Total noninterest expense</b>	6,904	7,457	13,325	14,262
<b>Income from operations before income taxes</b>	5,145	1,596	5,340	1,913
Income tax expense	1,361	431	1,378	520
<b>Net income</b>	3,784	1,165	3,962	1,393
Discount from repurchase of preferred shares	—	—	—	—
<b>Net income allocated to common stockholders</b>	\$3,784	\$1,165	\$3,962	\$1,393