2019 Annual Shareholder Meeting

<u>Management's Presentation</u>
(J. Brian Chaffin)

Good afternoon. It is my pleasure to share with you some of the operating results from 2018 and the first quarter 2019, as well as some of our plans for 2019. For a complete review of 2018 financials, I encourage all shareholders to review the audited financial statements provided with this year's proxy.

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- The company's 2018 financial performance demonstrated significant accomplishments relative to our stated 2018 outlook ranges and a few challenges.
- Pre-tax net income was $4.5 million compared to our outlook range of $3.5 to $5.2 million.
- Total assets were $721 million versus our outlook range of $660 to $698 million.
- Pre-tax return on average assets was 0.66% compared to our outlook range of 0.52% to 0.76%.
- Pre-tax basic earnings per share – before gains from repurchase of preferred shares – was 25 cents versus a range of 19 cents to 28 cents and, on a fully diluted basis, the actual result was 13 cents versus a range of 9 cents to 14 cents.
- Consolidated earnings were impacted by a $500,000 increase in professional fees for legal, tax, accounting, and other services related to the repurchase of preferred stock, which Mark Elste will talk more about later in the presentation.

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Revenue Growth – 2018 and 2019

- We continue to focus on growing revenue through our net interest margin business represented by our Corporate and Retail Banking Divisions as well as expanding our non-interest income business units of Mortgage Banking, Government Guaranteed Lending, and Trust.
- Over the past 3 years we have added 11 non-mortgage positions – 8 of which are in revenue generating functions and 3 in other support positions.
- Five of these new revenue positions have been in our Government Guaranteed Lending Division which has shown terrific growth and profitability since its inception.
- Three of the revenue positions have been in our Corporate Banking Division to leverage market opportunities – specifically, two in the Wheaton office, and one in Indianapolis.
- We feel there is significant capacity remaining in these new positions that will contribute to continued growth in revenue going forward.
- Of course, while growing revenue is important, we also must continue to control costs by finding more efficient means of supporting our business activities.
- Lee Abner, Director of Technology Services, along with Janet Nicholas and the rest of his team, meet with all divisions of the Company throughout the year to look for opportunities for improving processes and systems, then identify the appropriate technology to meet that need through an initiative we refer to as "The Art of the Possible".

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Corporate Banking

- This slide shows a further breakdown of our commercial lending portfolio, generated by our Corporate Banking group, by loan segment as well as geographic market.
- Our Corporate Banking team, led by Jim Mullaney, beat the budget in new loan originations during 2018 although the growth in loan balances do not reflect this success.

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- During 2018, we experienced higher than normal prepayments from the sale of commercial real estate, which we had financed, and from favorable resolution of troubled credits.
- We opened 2019 with stronger than expected growth in commercial real estate loan originations.
- Corporate Banking loan balances increased $7 million in the first quarter adjusting for a $5 million decline in high-quality, short-term commercial paper.
- Our Corporate Banking team also added $4 million in commercial deposits in 2018 and is planning for continued growth in 2019 with enhanced offerings such as our new SBA Repo Trust account and new Reciprocal Deposit services, both designed for high balance accounts.

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Retail Banking

- Under the leadership of Mark Wilmington, our Retail Banking Division provides much of the funding needs generated by our lending activities and, like the industry on whole, we've seen a significant upturn in the cost of funds, in particular at the margin for new and repricing deposits.
- We are focusing much attention toward improving our cost of funds and continue to look for ways to enhance the client experience through expanding digital offerings and other innovations.
- We have upgraded our website and unified all markets and divisions under the CIBM Bank brand, and created a full time marketing director position to ensure more consistent and proactive marketing activities in the future.
- Our Retail team also had great success in 2018 rolling out our new Fast Track loan program and that momentum is continuing into 2019.
- We believe this program will continue to fuel new loan and deposit growth while providing the small business community access to affordable and convenient financing.
- As consumer behavior continues to evolve in the banking industry, we remain focused on providing high quality service to our client base that desires personal interaction while also expanding our ebanking services for enhanced capabilities and convenience, such as adding person-to-person and person-to-business electronic money transfer capabilities planned for 2019.

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Mortgage Banking

- With rising interest rates the past two years, the mortgage industry has shifted from a refinance to a predominately purchase market.
- While many mortgage operations have struggled to remain profitable and some have closed down, we continue to originate high quality loans to grow our own portfolio and maintain a profitable secondary market operation.

- Gary Maughan and his team have differentiated themselves in the industry by providing an exceptional experience for clients in quality service and quick turn-around times with a very broad product offering.
- This has served us very well in the recruitment of new mortgage loan officers – such as our new lending team in Sheboygan, Wisconsin. We have also recently added new lenders in Central Illinois, Northern Indiana and the Greater Chicago market.
- Our Affordable Loan Program, designed to assist low and moderate income borrowers and geographies, continued to make gains in 2018, growing 46%, in support of our mission to enhance the quality of life and economic development of our communities.
- While the first quarter of 2019 is off to a slower start, with the recent addition of several new loan officers, easing interest rates, and a continued focus on cost efficiencies and improving margins, we expect the Mortgage Division to remain profitable and meet 2019 goals.

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Government Guaranteed Lending

- As reflected in this slide, our Government Guaranteed Lending Division, led by Joe Arie, achieved significant growth in loans closed, revenue, and profit contribution in 2018.
- We continue to expand this business unit and now have 5 business development officers generating loan opportunities.
- The government shutdown at the beginning of 2019 delayed loan closings such that no gain on sale was reported in the first quarter.
- However, the pipeline is robust so we expect a strong 2nd quarter like we saw last year, and continued growth in revenue, balances, and net contribution year over year.

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Trust Division

- Led by Dan Rasmussen, General Counsel and Chief Administrative Officer, our Trust Division opened the first SBA Repo account late in the third quarter of 2018 with a client that has utilized this product in the past.

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- After a reasonable period of operational testing and achieving a stable supply, we are now ready to market this account more broadly and have several prospects we are now approaching.
- We utilize highly reputable and financially strong counterparties to execute these transactions and as seen by this slide we can provide a very competitive return for a liquid, secured investment.
- Initiatives for 2019 include hiring an experienced trust sales professional and expanding the SBA Repo client base with future expansion of the product line into additional wealth management products and services.

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Credit Administration

- Our Credit Administration team, led by Paul Melnick, continues to perform at a high level in meeting the demands of new loan production; managing the risk profile of our total loan portfolio; and resolving the inevitable problem loans that occur in our business.
- To review, here are some of the key asset quality highlights:
  - Asset quality as measured by nonperforming assets, troubled debt restructures, and loans 90 days past due and accruing, to total assets was a very solid 1.45% at

December 31, 2018.

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- We recognized a net recovery of 0.29% of average loans in 2018 compared to a net charge off of 0.02% of average loans in 2017, allowing for a reversal of credit losses of $1.2 million in 2018. These are very favorable results for the past two years compared to industry norms.
- Substandard and doubtful loans increased by $1.5 million during 2018, while special mention loans decreased $5.9 million due to the collection and repayment of some problem loans.

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Community Development

- Joanne Blaesing, Director of Community Development, has led our banking teams in expanding our partnerships with not for profit organizations across the Company.
- We are very proud of the efforts of our team members to assist these very valuable organizations in providing financial education, budget coaching, tax preparation, home buying seminars, career mentoring, board representation, and financial contributions.
- This picture is our Peoria, Illinois, banking team receiving the Judy Morris Memorial Kappa Alpha Theta CASA Community Award in appreciation for extraordinary service and devotion to CASA, an organization that provides specially trained courtroom volunteers to represent the needs and best interests of abused and neglected children.
- A sampling of other entities we partner with include the Salvation Army, Big Brothers Big Sisters, Wisconsin Volunteer Income Tax Assistance Program, the Neighborhood House of Peoria, United Way, and Lead for Life in Champaign, Illinois
- Integrated in CIBM Bank's pillars of "Service, Solutions and Integrity" – the word "Service" not only applies to how we approach every customer interaction, it also applies to the commitment we have to the communities we live and work in.
- We place great value and focus on helping these organizations in making the communities we work and live in a better place for everyone.

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Brand Unification

- You may recognize this next slide as the cover of our 2018 Annual Report highlighting our new CIBM Bank logo and icon.
- This icon is our CIBM fingerprint – it's unique, secure, and a visual representation of our mission statement.

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- We have nearly completed installation of new signs at all of our offices and we're very excited to unify our brand and marketing efforts under the CIBM name.
- Since first introducing this unified brand name in December, we've received very positive feedback from the clients and communities we serve.
- We are enthusiastic about the new marketing opportunities a unified brand provides.

In summary, while we are pleased with our operating results in 2018 and the growth in many of our core business units, we know there are more opportunities for revenue growth and improved efficiencies. We will continue our efforts to control operating costs with technology solutions and focus on improving our deposit mix to lower our cost of funds.

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Earlier this month we reported pre-tax earnings of $0.9 million for the first quarter of 2019, which is very close to budget, but slightly under results for the first quarter of 2018. Mortgage revenues are at a seasonal low in the first quarter of the year, and we did not record any gain on sale of SBA 7(a) loans in the first quarter this year. As previously indicated, however, our SBA 7(a) pipeline is strong and we expect a strong second quarter.
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2019 Earnings Outlook
Our earnings guidance for 2019 is as follows:
- Our pre-tax income outlook is $3.7 million to $5.4 million;
- Total assets of $700 million to $730 million;
- Pre-tax return on average assets of 0.50% to 0.75%; and
- Basic earnings per share of $0.19 to $0.29; and on a diluted basis $0.11 to $0.16.

The key elements to meeting this forecast are:
- Continued moderate to strong growth in commercial loans;
- Modest growth in core deposits;
- Improvement in cost of funds relative to peers;
- Better net interest margins;
- Growing into our capacity in SBA lending;
- Expanding mortgage lender force and housing market;
- Technology supported electronic service improvements; and
- Expense and staff management commensurate with goals to improve the quality and efficiency of our operations.

Allow me now to turn the podium back over to Mark Elste.
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CHAIRMAN'S PRESENTATION
(Mark Elste)

Thank you Brian. Before answering questions that have been submitted for this meeting, allow me to briefly discuss the initiatives we have advanced the past two years and update you on our plans for the next 12 months.
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At the Annual Shareholder meeting in 2017, I spoke with you about the performance of the Company's common shares which were trading at $1.30 on the OTCQB on March 31, 2017. I talked about the Board's commitment to creating shareholder value and reviewed the steps we had taken which allowed the stock to increase more than 300% from $0.40 on March 31, 2016.
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On March 31, 2019, CIBH common stock was trading at $1.60 on the OTCQB. While much has changed in the preceding two years, our focus on delivering shareholder value has not. Your Company's Board has directed management to methodically pursue bottom line value via preferred stock repurchase transactions while strictly adhering to a dedicated and disciplined process that is accretive to long-term shareholder value. I congratulate your Board and management team for their execution of the plan.

Admittedly, the journey has not always been easy. We have had detractors over the past several years. Both existing shareholders and investment opportunists sought personal advantage at the

expense of the Company's stakeholders. But, with the support of our shareholders, we persisted and remained committed to future growth that was consistent and sustainable.
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In the past year, we reported that one of the most significant steps we could take to build shareholder value was to retire preferred stock at a discount to par. The success of that strategy is tied directly to our steadfast commitment to the following core principles:

- We will not engage in transactions that do not build value for the Company and our shareholders.
- We will not engage in a transaction that will cause the loss of our valuable deferred tax assets unless the off-setting discount is significant enough to make the transaction, on net, accretive. And, to be abundantly clear on this issue, over the last 3 years alone the Company would have paid approximately $4.7 million in estimated tax payments if it did not have the deferred tax asset.
- In other words, we will not overpay for the repurchase of Company stock.

The Board and management have never wavered from those principals and our shareholders have been the beneficiaries of that discipline.
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Last year, we amended our Articles of Incorporation to allow the Company to engage in non-mandatory transactions with preferred shareholders to repurchase their stock via either negotiated transactions or a modified Dutch auction process.

In June of last year, we announced the results of the first preferred stock modified Dutch auction. In total, 43,003 shares, representing 72% of the outstanding preferred stock, were offered to the Company for purchase. The weighted average offer price was $806.27.

Prior to the auction, the Company had been clear about the criteria it would require for repurchases and provided examples of transactions which might be accretive, to provide additional clarity to the preferred shareholders.

In the end, the vast majority of shareholders tendered preferred shares at prices that, if accepted, would have been dilutive to the value of the Company's common stock. Consequently, less than 5% of the shares offered met the criteria established by the Board and were repurchased.

Following the modified Dutch auction, the Company announced that it was available to engage in discussions with preferred shareholders interested in selling their shares in negotiated transactions. We were successful in reaching an agreement with a number of preferred shareholders on a structured repurchase. In total, between the auction and the negotiated transactions, the Company was successful in agreeing to repurchase 23% of the 60,000 preferred shares originally issued in 2009. 15% of the total issued preferred stock was repurchased by the end of the third quarter of 2018 and an agreement to repurchase an additional 8% of the total issued preferred stock was entered into with settlement to occur prior to December 1, 2019, subject to certain purchase conditions.

The purchased shares consisted of both Series A and B shares on a pro rata basis. The purchases were paid for with cash on hand and did not trigger the loss of any deferred tax assets.

All purchase transactions met the Board's criteria. They resulted in $1.8 million being transferred to additional paid in capital, increasing the common stock book value and tangible book value. The transactions also provided a liquidity opportunity for nearly one-quarter of the Company's preferred shareholders.

The approach approved by the Board and executed by the Company in 2018 to purchase preferred stock was highly successful in meeting the needs of the Company and our shareholders. While the process was challenging at times, it demonstrates the benefits of a meticulous approach to delivering value and provides a road map for future transactions.

We have commenced the process for the second annual modified Dutch auction and expect to hold a third such auction in 2020. As we did last year, we will be clear with preferred shareholders that transactions must be accretive to the Company's bottom line. If a capital raise is required for a purchase, an appropriate off-setting price discount will be required. If a transaction will trigger the loss of the Company's deferred tax asset, then that too will need to be reflected in the offer price. If preferred shareholders tender offers at prices that do not create value for the Company, they will be rejected. It is important to remember that your Company has absolutely no requirement to redeem any preferred stock as both classes are *perpetual non-cumulative preferred*. That is, *there is no circumstance where the Company can be compelled to redeem preferred shares*.

Given this description of circumstances, the repurchase of all preferred stock will not likely be completed within the allotted time frame. Originally, we modified the Articles of Incorporation for a three-year term with the expectation that the provisions would sunset and preferred shareholders would return to the status quo at the end of the period. In other words, they would hold a non-cumulative perpetual preferred stock with limited opportunity for non-mandatory discounted Company repurchases. Our impression, however, is that the preferred shareholders like the option to resell their shares without the prior restrictions. It is quite possible that we will come to you in 2020 and ask to extend the preferred stock repurchase provisions approved in 2018. Of course, such an extension will depend on obtaining the approval of the preferred shareholders, as well as the common. Without such an extension, the Company simply would henceforth not be able to redeem any preferred shares past the sunset provision at a discount to par.

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While creating shareholder value and restructuring the capital composition of the Company remains a top priority of the Board, it is far from the only priority the Board has established. I'd like to briefly touch on a few other initiatives that we have laid out for 2019:

- **Cybersecurity.** Enhanced cyber risk management standards are one of the most important issues in the financial services sector and the subject of new regulations proposed by the FDIC and Federal Reserve. Preventative security measures, enhanced monitoring, and operational integrity are critical elements of our cybersecurity program and our strategy for protecting the Company and our customers. We have upgraded our systems, elevated the Board's role in reviewing cybersecurity protocols, and brought in external expertise, including Board level expertise - one of our newest Board members, Mark Henderson, is Chief Information Officer at the University of Illinois. We expect this to become the new norm. Cybersecurity will continue to be a mission critical item for all banks into the foreseeable future and deserves the added Board scrutiny.

- **Strategic Acquisitions.** While we have dedicated significant amounts of our available cash to the repurchase of preferred stock, the Board recognizes the need to improve revenue-generating lines of business through strategic acquisitions. We evaluate acquisition opportunities in all banking business lines and, in fact, have been an active bidder in the past year. We believe that acquisitions in areas that will improve non-interest income offer the highest potential returns for the Company in the near term and have focused our efforts on wealth management businesses to grow our Trust Division and prospects that are complementary to our Government Guaranteed Lending Division. While no transactions are currently pending, management remains very active in evaluating options.

- **Board Quality and Board Diversity.** Another Board initiative is our continuing effort to maintain Board quality and develop Board diversity. We are extremely fortunate to have a variety of experienced business and industry leaders serving on our Board. Many are long-term members of the Board with valuable institutional knowledge and years of financial industry expertise.

  One of my personal objectives for 2019 is to work with the Board's Nominating Committee, chaired by Director Chuck Baker, in order to develop plans for our next generation of Board members so that we maintain the quality we have enjoyed on the Board while also diversifying its membership. Studies have consistently confirmed that greater diversity on the Board is a competitive advantage for companies. I intend to lead the efforts at the Company as our Board becomes more inclusive and representative of our shareholders and the communities we serve.

- **Enhance Shareholder Value.** Finally, the Board is committed to enhancing shareholder value notwithstanding all the accretive initiatives already discussed. The objective is to engage in activities that will close the gap between your Company's current common stock trading price and its book value. A number of items are under examination. For example, we will likely come before you at this meeting next year to engage in a reverse stock split in order to elevate the price of stock significantly above $5.00 per share. The Board appreciates that many of Wall Street's brokerage houses will not accept any stock for deposit and liquid trading activities if the stock is below the $5.00 per share price. The notion in this example is to increase the trading liquidity of your stock by broadening its trading attributes.

This being the completion of my prepared comments, let me now turn the conversation to the shareholder questions submitted.
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Question & Answer Period
(Mark Elste)

The First Shareholder Question: Can you negotiate the exchange of outstanding preferred stock for newly issued common stock or re-issue trust preferred securities for preferred stock?

Theoretically, that would be possible if you could negotiate such an agreement with preferred shareholders. Taking non-cumulative perpetual preferred stock that has no maturity date and has never been paid a dividend and exchanging it for voting equity stock or trust preferred securities that receive fixed quarterly payments may not be in the best interests of the Company or our shareholders, but it is an option available to us if favorable terms could be negotiated between the parties.

Another Shareholder Question: How much common stock do "Company insiders" own?
[Slide #33]

Slide #33 shows stock ownership information available to us for our Directors and Executive Management, as well as our Directors and all members of management of the Company. As a private company, disclosure of this information is not mandatory and it is possible that officers below Executive Management level may own additional shares in nominee name that we are unable to include in this slide. The numbers reflect that there is significant ownership of the Company represented by the Board and management, which aligns the interests of Company management with building long-term shareholder value.
[Slide #34]

GOODBYE
(Mark Elste)

Ladies and gentlemen, we wish to thank you for your participation in today's annual shareholder meeting. Members of the management team and the Board will be in the room immediately after the meeting in order to get to know you better. Please understand that, for your protection as well as ours, we must limit our responses to information that is publicly available to all shareholders. That may necessitate addressing some questions or issues in future shareholder letters or press releases, rather than individual conversations. Good day to you all and thank you for being a shareholder of CIB Marine.