



May 9, 2019

Dear Shareholder,

CIB Marine Bancshares, Inc.'s ("CIB Marine" or the "Company") results for the quarter ended March 31, 2019 and a brief shareholder update are outlined below.

### **Result of Operations – Summary**

Income before taxes at the consolidated company for the quarter ended March 31, 2019, was \$0.9 million compared to \$1.0 million for the same period of 2018.

Highlights for the first quarter of 2019 include:

- The consolidated company results reflect a slower start to the year in non-interest income business lines along with collection activity in a non-bank subsidiary that benefited net interest income and gain on sale of asset by a combined \$0.2 million.
- Income before taxes for subsidiary CIBM Bank was \$0.8 million for the quarter ended March 31, 2019, compared to \$1.1 million in the same period of 2018. Comparing the two periods there was a reduction in non-interest income of \$0.6 million and a corresponding reduction of \$0.3 million in compensation expense due to lower mortgage and SBA loan production.

### **Financial Condition - Summary**

Total assets were down \$19 million from December 31, 2018 to March 31, 2019, reflecting a \$16 million decrease in reverse repurchase agreement balances and a \$5 million decrease in short term non-rated commercial paper held in the loan portfolio partially offset by loan originations.

Highlights of our financial condition as of March 31, 2019, include:

- CIB Marine's tangible book value per share and stated book value per share at March 31, 2019, were \$2.90 and \$2.53 per share of common stock, respectively, compared to \$2.82 and \$2.45, respectively, at December 31, 2018. The increase reflects income for the quarter and a reduction in accumulated other comprehensive loss due to improved available for sale security values as a result of lower mid- and long-term interest rates.
- Nonperforming assets, troubled debt restructures, and loans 90 days past due and accruing loans to total assets were 1.51% at March 31, 2019, compared to 1.45% at December 31, 2018, and allowance for loan losses to total loans was 1.61% at March 31, 2019, compared to 1.62% at December 31, 2018.

Attached please find unaudited summary financial results for the first quarter ended March 31, 2019, including selected financial information, a summary balance sheet, and a summary income statement.

We encourage you to visit our website, [www.cibmarine.com](http://www.cibmarine.com), for our earnings release, audited financial statements and additional detailed financial results as well as a link to the quarterly reports we file with our regulators; and [www.otcmarkets.com](http://www.otcmarkets.com) (symbol: CIBH) for current and historical stock price information, as well as other disclosures. 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.

### **2019 Annual Shareholder Meeting**

Our shareholder meeting was held on Thursday, April 25, 2019. All matters presented to the shareholders for vote were approved, including the election of three directors and the ratification of our independent registered public accounting firm. For more information about the results, a discussion of preferred stock repurchase activity, and performance outlooks please visit our website [www.cibmarine.com](http://www.cibmarine.com).

*"Community Banking – The Way It Used To Be"*

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## **Preferred Stock**

CIB Marine's second of three modified Dutch auctions for preferred shareholders is currently underway. We have previously laid out minimum criteria that we expect repurchase opportunities to meet, including that results should be accretive to common shareholders and CIB Marine's tax assets should not be adversely impacted without compensating factors. Given our limited amount of cash on hand, the price CIB Marine is willing to pay to repurchase preferred stock will require significant discounting to our current carrying value in order to compensate for any possible dilutive effects of a capital raise, if needed to fund a repurchase, and any potential adverse consequences to our current \$21 million in deferred tax assets.

## **Concluding Comments**

Operating results for the first quarter of 2019 were mixed. Our corporate banking team opened the year with stronger than budgeted originations despite a \$5 million reduction of non-rated commercial paper in the loan portfolio and deposit balances were up \$6 million from the start of the year. However, cost of funds were up again and our non-interest income business lines had a softer first quarter as our SBA group felt the effects of the government shut-down and our mortgage group was impacted by seasonal factors. The good news on the non-interest income front is our SBA and mortgage pipelines are growing and we are planning on a stronger second quarter for non-interest income.

Technology and non-bank competition continues to be a driving force in community banking. In order to support our clients in this evolving deposit and payment systems marketplace, CIBM plans to enhance its digital banking services over the quarters and years ahead to make banking with us easier and more convenient.

Our brand unification project is nearing completion. We have updated our website and will be installing new CIBM Bank signage at a few remaining locations during the second quarter. We continue to receive very positive feedback from our clients and the communities we serve, and we look forward to the opportunities a common brand will provide us going forward.

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.

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

	At or for the Three Months Ended March 31,	
	2019	2018
(Dollars in thousands, except share and per share data)		
<b>Selected Statements of Operations Data</b>		
Interest and dividend income	\$7,015	\$6,009
Interest expense	2,178	1,185
Net interest income	4,837	4,824
Reversal of loan losses	(158)	(126)
Net interest income after reversal of loan losses	4,995	4,950
Noninterest income (1)	1,362	1,832
Noninterest expense	5,505	5,824
Income before income taxes	852	958
Income tax expense	229	389
<b>Net income</b>	<b>\$623</b>	<b>\$669</b>
<b>Common Share Data</b>		
Basic net income	\$0.03	\$0.04
Diluted net income	0.02	0.02
Dividends	—	—
Tangible book value per share (2)	2.90	2.54
Book value per share (2)	2.53	2.06
Weighted average shares outstanding-basic	18,232,169	18,161,989
Weighted average shares outstanding-diluted	32,815,744	36,544,029
<b>Financial Condition Data</b>		
Total assets	\$702,152	\$663,580
Loans	489,273	472,746
Allowance for loan losses	(7,865)	(7,331)
Investment securities	123,500	115,596
Deposits	542,938	484,258
Borrowings	57,220	79,227
Stockholders' equity	92,507	97,407
<b>Financial Ratios and Other Data</b>		
Performance Ratios:		
Net interest margin (3)	2.94%	3.20%
Net interest spread (4)	2.64	2.99
Noninterest income to average assets (5)	0.78	1.15
Noninterest expense to average assets	3.14	3.63
Efficiency ratio (6)	88.80	87.28
Earnings on average assets (7)	0.36	0.43
Earnings on average equity (8)	2.76	2.89
Asset Quality Ratios:		
Nonaccrual loans to total loans (9)	1.29%	0.19%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (9)	1.66	0.53
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total asset (9)	1.51	0.85
Allowance for loan losses to total loans	1.61	1.55
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (9)	96.96	294.77
Net charge-offs (recoveries) to average loans	(0.06)	0.21
Capital Ratios:		
Total equity to total assets	13.17%	14.68%
Total risk-based capital ratio	15.66	16.91
Tier 1 risk-based capital ratio	14.31	15.66
Leverage capital ratio	10.36	12.16
Other Data:		
Number of employees (full-time equivalent)	177	184
Number of banking facilities	11	11

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

(2) Tangible book value per share is the stockholder 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 stockholder equity less the liquidation preference of the preferred stock, divided by the total shares of common outstanding. As presented here, and similar to how our basic earnings per share is calculated, the shares of common outstanding excludes unvested Restricted Stock Awards totaling 1,331,384 shares of common stock at March 31, 2019.

(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)**

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
	<b>(Dollars in thousands)</b>	
<b>Assets</b>		
Cash and due from banks	\$8,168	\$13,037
Reverse repurchase agreements	42,729	58,662
Securities available for sale	123,500	121,281
Loans held for sale	4,467	4,632
Net loans	481,408	483,390
Other assets	41,880	40,257
Total assets	<b>\$702,152</b>	<b>\$721,259</b>
<b>Liabilities and Stockholders' Equity</b>		
Deposits	542,938	536,931
Short-term borrowings	57,220	86,710
Other liabilities	9,487	6,583
Total liabilities	609,645	630,224
<b>Stockholders' Equity</b>		
Total stockholders' equity	92,507	91,035
Total liabilities and stockholders' equity	<b>\$702,152</b>	<b>\$721,259</b>

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

	<b>Quarters Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
	<b>(Dollars in thousands)</b>	
Total interest income	7,015	6,009
Total interest expense	2,178	1,185
<b>Net interest income</b>	<b>4,837</b>	<b>4,824</b>
Provision for (reversal of) loan losses	(158)	(126)
<b>Net interest income after provision for (reversal of) loan losses</b>	<b>4,995</b>	<b>4,950</b>
<b>Noninterest income</b>	<b>1,362</b>	<b>1,832</b>
Compensation and employee benefits	3,687	4,056
Equipment, occupancy and premises	791	728
Other expense	1,027	1,040
<b>Total noninterest expense</b>	<b>5,505</b>	<b>5,824</b>
<b>Income from operations before income taxes</b>	<b>852</b>	<b>958</b>
Income tax expense	229	289
<b>Net income</b>	<b>623</b>	<b>669</b>
Preferred stock dividends	—	—
Discount from repurchase of preferred stock	—	—
<b>Net income allocated to common stockholders</b>	<b>\$623</b>	<b>\$669</b>