



August 5, 2021

Dear Shareholder,

CIB Marine Bancshares, Inc. (“CIB Marine” or the “Company”) is pleased to report its financial results for the quarter and six months ending June 30, 2021. CIBM Bank saw solid improvement in a number of important areas, as mortgage activity-based earnings remained strong and net interest income, loan, and core deposit balances all continued to grow. In addition, key asset quality metrics posted another quarter of solid results and capital positions increased.

Results of Operations – Summary

Net income for the six months ending June 30, 2021, was \$3.5 million, compared to \$2.5 million for the same period of 2020; or \$2.74 basic and \$1.59 diluted earnings per share for the first half of 2021 compared to \$1.99 basic and \$1.16 diluted earnings per share during the same period of 2020. A few highlights for the quarter and year to date include:

- Net interest income was up \$1.2 million for the year to date compared to the same period of 2020, with cost of funds, loan mix, and loan growth including Paycheck Protection Program (“PPP”) loans as contributing factors. The corresponding 3.24% net interest margin is up 24 basis points from the same period of 2020.
- Noninterest income for the first half of 2021 was up \$1.2 million compared to the same period of 2020 as a result of a \$21 million increase in mortgage lending originations between the two periods due a mix of higher purchase money and refinance activity in a lower rate environment. Increased compensation for the quarter relative to the same period last year is primarily related to the increased mortgage production.

Financial Condition - Summary

Compared to December 31, 2020, total assets were up \$3 million at June 30, 2021, with a \$23 million increase in cash and a \$14 million increase in loans offset, in part, by a \$30 million decline in loans held for sale. In addition, checking accounts are up \$29 million and money market and savings accounts are up by \$22 million, offset in part by a \$30 million decline in time deposits and a \$22 million reduction in FHLB and other borrowings when compared to year-end 2020. Additional highlights of our financial condition as of June 30, 2021, include:

- Tangible book value (“TBV”) of \$54.19 is up 4% from \$52.28 at December 31, 2020 and up 15% from \$47.24 on June 30, 2020, primarily due to increased net income. For further insight: TBV excluding deferred tax assets is \$42.02, TBV after the effects of a conversion of Series B preferred stock to common is \$33.83 (although conversion is only permissible under very limited situations), and TBV with both affects is \$26.52 at June 30, 2021. The size of these differences continues to be somewhat unique for a community bank and helps to explain, in part, the difference of the price of CIBH in the OTCQB market and our TBV per share.
- 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 down to 0.29% and 0.19%, respectively, compared to 0.54% and 0.23%, respectively, at December 31, 2020, and 1.02% and 0.92%, respectively, at June 30, 2020. These asset quality figures are improvements from prior bests for the current credit cycle. There was a reversal of provisions in the quarter and six months ending June 30, 2021, due to net recoveries of previously charged off loans and a reduction in environmental and qualitative factors for the allowance for loan losses. At the same time, the environmental and qualitative factors remain

“Community Banking – The Way It Used To Be”

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higher than normal due to legacy issues related to the pandemic. More information on this matter is included in the additional financial information available on our website as referenced below.

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.

Preservation and Use of Deferred Tax Assets

CIB Marine has \$15.1 million in deferred tax assets (“DTA”) net of its tax liabilities. This substantial asset has been utilized to reduce tax payments and is down from \$22.6 million as of December 31, 2017. As a reminder to our shareholders, the governing rules of Internal Revenue Code Section 382 are complex and provide for potentially deleterious effects on the value of the DTA. For instance, shareholders who accumulate five percent (5%) or more of Company stock could, by themselves or in combination with others, cause a cumulative 50% ownership change over a 3-year test period that would trigger certain Section 382 limitations that may severely limit the use of our net operating losses prior to their expiration dates, thereby reducing the value of the DTA. A 5% shareholder could be represented by a single shareholder or multiple related shareholders. At June 30, 2021, 5% of the total value of Company stock was approximately \$3.5 million, which is the equivalent of approximately 122,000 shares of common stock at the last traded price listed on OTCQB at June 30, 2021 (i.e., \$26.41/share), or approximately 4,500 shares of preferred stock at \$716.59 per share (assuming a proportionate amount of Series A and B to the original issuance and a price of \$716.59 per share which is the weighted average price for all shares repurchased from 2018 through 2020).

CIB Marine recently announced a preferred stock redemption plan that is to be voted on by shareholders at upcoming common and preferred shareholder meetings (please see our shareholder letter dated July 29, 2021, for further details). Part of that plan includes the repurchase of nearly half of the outstanding preferred shares in 2021. Utilizing the redemption plan’s price of \$825 per share for the preferred stock and the June 30, 2021, OTCQB price for common stock, a 5% holder after the initial repurchase of roughly half of the outstanding preferred shares in 2021 would be a common stock holder with roughly 98,700 common shares (and fewer shares if the price of CIBH stock increases). After all preferred shares are repurchased in the future, a 5% holder would hold roughly 64,200 common shares. The total value of Company stock is the sum of the number of shares of each class of qualifying stock under IRS rules, which includes our common and preferred shares of stock, multiplied by its respective fair value per share (e.g., its last traded price). The Company does not directly control present or future fair values of the stock or shareholder stock purchases and the number of shares denoting a 5% shareholder could change significantly as a result. To preserve the DTA for future use, it is in each significant shareholder’s interest to carefully consider the consequences of any stock transactions that could impact the value of the DTA. For further explanation, please contact the Company.

Concluding Comments

We continue to move forward with a number of initiatives under Project Falcon, as discussed in prior communications. Many of these endeavors are direct contributors to the improved earnings seen over the past year, and many others remain poised to positively impact future results.

In addition, we spend a significant amount of time on activities that support economic growth and development in our banking markets with special emphasis jobs and housing in our underserved and low-to moderate-income areas, and small businesses. To highlight a few of these activities, in 2021 we originated roughly 180 PPP loans totaling \$19 million; we are on pace to originate around 150 Affordable Loan Program loans in support of local low- and moderate-income households and communities; and we expect to exceed our community development activity goals in services, donations, and investments.

Finally, our ability to repurchase preferred shares on the basis of mutually agreed upon terms between the preferred and common shareholders is a critical element of CIB Marine's capital plan and ability to capitalize on strategic opportunities in the future. We urge all of our shareholders – common and preferred – to take prompt action when we issue the new Proxy Statements in the coming weeks for our shareholder meetings to be held on September 24, 2021.

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,	
	2021	2020	2021	2020
Selected Statements of Operations Data				
(Dollars in thousands, except share and per share data)				
Interest and dividend income	\$6,239	\$6,669	\$12,504	\$13,305
Interest expense	456	1,343	992	3,032
Net interest income	5,783	5,326	11,512	10,273
Provision for (reversal of) loan losses	(300)	249	(280)	451
Net interest income after provision for (reversal of) loan losses	6,083	5,077	11,792	9,822
Noninterest income (1)	3,135	4,489	8,281	7,131
Noninterest expense	7,279	7,308	15,219	13,630
Income before income taxes	1,939	2,258	4,854	3,323
Income tax expense	558	575	1,356	856
Net income	\$1,381	\$1,683	3,498	2,467
Common Share Data				
Basic net income (2)	\$1.08	\$1.33	\$2.74	\$1.99
Diluted net income (2)	0.63	0.79	1.59	1.16
Dividends	—	—	—	—
Tangible book value per share (3)	54.19	47.24	54.19	47.24
Book value per share (3)	49.16	41.99	49.16	41.99
Weighted average shares outstanding-basic	1,282,917	1,266,174	1,275,971	1,257,224
Weighted average shares outstanding-diluted	2,208,600	2,160,201	2,197,071	2,155,394
Financial Condition Data				
Total assets	\$753,660	\$793,151	\$753,660	\$793,151
Loans	553,642	535,692	553,642	535,692
Allowance for loan losses	(9,165)	(8,483)	(9,165)	(8,483)
Investment securities	108,825	113,303	108,825	113,303
Deposits	609,964	566,811	609,964	566,811
Borrowings	29,592	120,233	29,592	120,233
Stockholders' equity	107,051	97,347	107,051	97,347
Financial Ratios and Other Data				
Performance Ratios:				
Net interest margin (4)	3.26%	2.96%	3.24%	3.00%
Net interest spread (5)	3.16	2.76	3.15	2.77
Noninterest income to average assets (6)	1.68	2.36	2.24	1.95
Noninterest expense to average assets	3.91	3.86	4.09	3.77
Efficiency ratio (7)	81.69	74.61	76.75	78.58
Earnings on average assets (8)	0.74	0.89	0.94	0.68
Earnings on average equity (9)	5.18	6.97	6.62	5.17
Asset Quality Ratios:				
Nonaccrual loans to total loans (10)	0.19%	0.92%	0.19%	0.92%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (10)	0.32	1.07	0.32	1.07
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total asset (10)	0.29	1.02	0.29	1.02
Allowance for loan losses to total loans	1.66	1.58	1.66	1.58
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (10)	519.26	147.79	519.26	147.79
Net charge-offs (recoveries) to average loans	(0.16)	(0.09)	(0.12)	(0.01)
Capital Ratios:				
Total equity to total assets	14.20%	12.27%	14.20%	12.27%
Total risk-based capital ratio	18.02	15.49	18.02	15.49
Tier 1 risk-based capital ratio	16.76	14.23	16.76	14.23
Leverage capital ratio	12.32	10.82	12.32	10.82
Other Data:				
Number of employees (full-time equivalent)	176	177	176	177
Number of banking facilities	10	11	10	11

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

(2) Common share data prior to September 14, 2020, is adjusted to reflect the 1-for-15 reverse split to allow for comparability between the pre- and post- reverse split periods.

(3) 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.

(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, 2021	December 31, 2020
	(Dollars in thousands)	
Assets		
Cash and due from banks	\$52,467	\$29,927
Securities available for sale	108,825	108,492
Loans held for sale	13,168	42,977
Net loans	544,477	530,105
Other assets	34,723	39,481
Total assets	<u>\$753,660</u>	<u>\$750,982</u>
Liabilities and Stockholders' Equity		
Deposits	609,964	586,373
Short-term borrowings	29,592	51,310
Other liabilities	7,053	9,595
Total liabilities	<u>646,609</u>	<u>647,278</u>
Stockholders' Equity		
Total stockholders' equity	107,051	103,704
Total liabilities and stockholders' equity	<u>\$753,660</u>	<u>\$750,982</u>

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

	Quarters Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Interest income	6,239	6,669	12,504	13,305
Interest expense	456	1,343	992	3,032
Net interest income	<u>5,783</u>	<u>5,326</u>	<u>11,512</u>	<u>10,273</u>
Provision for (reversal of) loan losses	(300)	249	(280)	451
Net interest income after provision for (reversal of) loan losses	<u>6,083</u>	<u>5,077</u>	<u>11,792</u>	<u>9,822</u>
Noninterest income	<u>3,135</u>	<u>4,489</u>	<u>8,281</u>	<u>7,131</u>
Compensation and employee benefits	5,099	5,451	11,055	9,872
Equipment, occupancy and premises	827	786	1,640	1,609
Other expense	1,353	1,071	2,524	2,149
Total noninterest expense	<u>7,279</u>	<u>7,308</u>	<u>15,219</u>	<u>13,630</u>
Income from operations before income taxes	<u>1,939</u>	<u>2,258</u>	<u>4,854</u>	<u>3,323</u>
Income tax expense	558	575	1,356	856
Net income	<u>1,381</u>	<u>1,683</u>	<u>3,498</u>	<u>2,467</u>
Discount from repurchase of preferred shares	—	33	—	33
Net income allocated to common stockholders	<u>\$1,381</u>	<u>\$1,716</u>	<u>\$3,498</u>	<u>\$2,500</u>