



November 4, 2021

Dear Shareholder,

CIB Marine Bancshares, Inc. (“CIB Marine” or the “Company”) is pleased to report its financial results for the quarter and nine months ended September 30, 2021. CIB Bank’s third quarter results reflect continued loan and core deposit growth contributing to improvements in net interest income; robust mortgage production, even as we begin to normalize after last year’s record levels; and solid asset quality coupled with a reversal of prior provisions for loan losses.

Results of Operations – Summary

Net income for the nine months ended September 30, 2021, was \$5.6 million or a return on average assets (“ROAA”) of 0.99% compared to \$5.9 million or ROAA of 1.05%, with the prior year reflecting record mortgage banking results for CIB Marine. The earnings per share, basic and diluted, for the same nine-month period, were \$4.36 and \$2.53, respectively, compared to \$4.69 and \$2.73, respectively, for the same period in 2020. A few highlights include:

- Year-to-date net interest income was up \$0.9 million 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 3.23% net interest margin is up 13 basis points from the same period of 2020. Remaining deferred PPP loan fees less costs are approximately \$0.5 million on \$14 million in outstanding balances. These deferred net fees are expected to accrete into interest income over the coming several quarters.
- Noninterest income for the nine months ended September 30, 2021, was \$12.4 million. Although down from the same period in 2020, this historically strong result – CIB Marine’s second best in the past decade – is composed of solid mortgage lending margins and a strong mix of purchase money and cash out refinance loan originations as levels of rate refinance mortgage activity begin to decline.

Financial Condition - Summary

Compared to December 31, 2020, total assets were up \$25 million at September 30, 2021, with a \$39 million increase in cash and a \$20 million increase in loans offset in part by a \$25 million decline in loans held for sale and \$6 million decline in investment securities. In addition, checking accounts are up \$33 million and money market and savings accounts are up by \$44 million, offset in part by a \$38 million decline in time deposits and a \$17 million reduction in FHLB and other borrowings when compared to year-end 2020. Additional highlights of our financial condition as of September 30, 2021, include:

- Tangible book value (“TBV”) of \$55.60 is up from \$52.28 at December 31, 2020, and \$50.35 on September 30, 2020, primarily due to increased net income. For further insight: TBV excluding deferred tax assets is \$43.80; TBV after the effects of a conversion of Series B preferred stock to common is \$34.70 (conversion is only permissible under very limited situations); and TBV with both affects is \$27.60 at September 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 as quoted on the OTCQX 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 0.25% and 0.18%, respectively, compared to 0.54% and 0.23%, respectively, at December 31, 2020, and 0.60% and 0.032%, respectively, at September 30, 2021. There was a reversal of provisions in the quarter and nine months ended September 30, 2021, due to improved asset quality and a reduction in environmental and qualitative

“Community Banking – The Way It Used To Be”

*Phone: (262) 695-6010 • Fax: (630) 735-2841
19601 West Bluemound Road • Brookfield, WI 53045*

factors for the allowance for loan losses. At the same time, the environmental and qualitative factors still remain 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.

Shareholder Meetings

On September 24, 2021, CIB Marine held both its Annual Meeting of Common Shareholders and a Special Meeting of Preferred Shareholders. All proposals presented at both meetings were approved by our shareholders, including the election of four directors, the ratification of our independent registered public accounting firm by our common shareholders, and the approval of our Seconded Amended and Restated Articles of Incorporation (the “Articles”) by both common and preferred shareholders.

Initial \$18 Million Preferred Stock Redemption Completion

On October 29, 2021, CIB Marine completed the initial \$18 million pro-rata preferred stock redemption outlined in our Articles (the “Initial Redemption”). The redemption included the repurchase of approximately 21,818 shares of preferred stock, or nearly 50% of all outstanding Series A and Series B preferred shares at a price of \$825 per share. The transaction reflects a \$545,000 discount to the carrying value of the redeemed preferred shares, resulting in pro-forma TBV per share of outstanding common stock of \$56.02 and diluted earnings per share of \$3.44 for the year (using pro-forma period end diluted shares of common and including the \$545,000 preferred stock carry value discount) compared to the \$55.60 TBV and \$2.53 earnings per share reported for September 30, 2021, respectively. In addition, with this redemption, the dilution that would occur with the conversion of the Series B shares to common shares (which may occur only in certain, limited circumstances) has been reduced from 40% to 24% of the total issued and outstanding shares on a pro-forma, fully diluted basis.

Preservation and Use of Deferred Tax Assets

As a reminder, shareholders or groups of shareholders who accumulate 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. Such an event would trigger certain Internal Revenue Code Section 382 limitations that could severely limit our net operating losses prior to their expiration dates, thereby reducing the value of the Company’s \$14.4 million deferred tax assets (“DTAs”) net of liabilities. At September 30, 2021, 5% of the total value of Company stock was approximately \$3.5 million, which is the equivalent of approximately 113,900 shares of common stock at the last traded price listed on OTCQX at September 30, 2021 (i.e., \$30.80/share), or approximately 4,900 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).

Utilizing the September 30, 2021, OTCQX price for common stock and the \$825 redemption price for preferred stock, on a pro forma basis, 5% of the total value of Company stock is roughly 93,900 shares of common stock upon completion of the October 29, 2021, Initial Redemption; and approximately 64,400 common shares upon redemption of all preferred shares pursuant to the Articles.

The Company does not directly control a number of factors related to Section 382 events, including fair market values of stock or shareholder purchases/sales of stock, and the number of shares that denote a 5% shareholder could change significantly as a result. Significant shareholders are cautioned to carefully consider the consequences of any stock transactions that could impact the value of the Company’s DTA. For further explanation or inquiry, please contact the Company.

Concluding Comments

With the \$18 million Initial Redemption complete, our attention now turns to positioning the Company to ensure all preferred shares are redeemed within the timeframe established in the Articles through solid earnings performance and preparing for potential contingencies. A significant contributor to improved earnings will be the activities generated by our “Project Falcon” initiative. Since Project Falcon’s inception in early 2019, we have been able to realize significant improvements when compared to our local and national peers. For example, our cost of funds peer ranking has improved from over the 80th percentile to under the 50th, and our net interest margin improved while the median peer margin declined. As we head into the final quarter of 2021, the focus of our Project Falcon activities will be directed towards those projects that address longer-term earnings performance and operating efficiencies.

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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Selected Statements of Operations Data				
(Dollars in thousands, except share and per share data)				
Interest and dividend income	\$6,311	\$7,202	\$18,815	\$20,507
Interest expense	417	1,017	1,409	4,049
Net interest income	5,894	6,185	17,406	16,458
Provision for (reversal of) loan losses	(413)	501	(693)	952
Net interest income after provision for (reversal of) loan losses	6,307	5,684	18,099	15,506
Noninterest income (1)	4,072	8,104	12,353	15,235
Noninterest expense	7,517	9,056	22,736	22,686
Income before income taxes	2,862	4,732	7,716	8,055
Income tax expense	788	1,322	2,144	2,178
Net income	\$2,074	\$3,410	5,572	5,877
Common Share Data				
Basic net income (2)	\$1.61	\$2.69	\$4.36	\$4.69
Diluted net income (2)	0.94	1.56	2.53	2.73
Dividends	—	—	—	—
Tangible book value per share (3)	55.60	50.35	55.60	50.35
Book value per share (3)	50.58	45.27	50.58	45.27
Weighted average shares outstanding-basic	1,286,536	1,267,582	1,278,818	1,260,499
Weighted average shares outstanding-diluted	2,208,493	2,181,868	2,200,867	2,163,850
Financial Condition Data				
Total assets	\$775,912	\$793,604	\$775,912	\$793,604
Loans	559,079	546,351	559,079	546,351
Allowance for loan losses	(8,699)	(9,037)	(8,699)	(9,037)
Investment securities	102,243	107,351	102,243	107,351
Deposits	624,579	593,370	624,579	593,370
Borrowings	34,577	87,994	34,577	87,994
Stockholders' equity	108,984	101,271	108,984	101,271
Financial Ratios and Other Data				
Performance Ratios:				
Net interest margin (4)	3.21%	3.30%	3.23%	3.10%
Net interest spread (5)	3.12	3.16	3.14	2.90
Noninterest income to average assets (6)	2.13	4.12	2.20	2.72
Noninterest expense to average assets	3.92	4.60	4.03	4.06
Efficiency ratio (7)	75.34	63.38	76.28	71.71
Earnings on average assets (8)	1.08	1.73	0.99	1.05
Earnings on average equity (9)	7.59	13.51	6.95	8.05
Asset Quality Ratios:				
Nonaccrual loans to total loans (10)	0.18%	0.32%	0.18%	0.32%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (10)	0.27	0.49	0.27	0.49
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total asset (10)	0.25	0.60	0.25	0.60
Allowance for loan losses to total loans	1.56	1.65	1.56	1.65
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (10)	575.33	338.59	575.33	338.59
Net charge-offs (recoveries) to average loans	0.04	(0.04)	(0.07)	(0.02)
Capital Ratios:				
Total equity to total assets	14.05%	12.76%	14.05%	12.76%
Total risk-based capital ratio	18.14	16.13	18.14	16.13
Tier 1 risk-based capital ratio	16.89	14.87	16.89	14.87
Leverage capital ratio	12.44	11.20	12.44	11.20
Other Data:				
Number of employees (full-time equivalent)	179	176	179	176
Number of banking facilities	10	11	10	11

- (1) Noninterest income includes gains and losses on securities.
- (2) Net income available to common stockholders in the calculation of earnings per share includes the difference between the carrying amount less the consideration paid for redeemed preferred stock of \$0.03 million for the 9 months ended September 30, 2020.
- (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)

	September 30, 2021	December 31, 2020
	(Dollars in thousands)	
Assets		
Cash and due from banks	\$69,217	\$29,927
Securities available for sale	102,243	108,492
Loans held for sale	18,258	42,977
Net loans	550,380	530,105
Other assets	35,814	39,481
Total assets	<u>\$775,912</u>	<u>\$750,982</u>
Liabilities and Stockholders' Equity		
Deposits	624,579	586,373
Short-term borrowings	34,577	51,310
Other liabilities	7,772	9,595
Total liabilities	<u>666,928</u>	<u>647,278</u>
Stockholders' Equity		
Total stockholders' equity	108,984	103,704
Total liabilities and stockholders' equity	<u>\$775,912</u>	<u>\$750,982</u>

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

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Interest income	6,311	\$7,202	18,815	\$20,507
Interest expense	417	1,017	1,409	4,049
Net interest income	<u>5,894</u>	<u>6,185</u>	<u>17,406</u>	<u>16,458</u>
Provision for (reversal of) loan losses	(413)	501	(693)	952
Net interest income after provision for (reversal of) loan losses	<u>6,307</u>	<u>5,684</u>	<u>18,099</u>	<u>15,506</u>
Noninterest income	<u>4,072</u>	<u>8,104</u>	<u>12,353</u>	<u>15,235</u>
Compensation and employee benefits	5,436	7,329	16,491	17,201
Equipment, occupancy and premises	785	742	2,425	2,351
Other expense	1,296	985	3,820	3,134
Total noninterest expense	<u>7,517</u>	<u>9,056</u>	<u>22,736</u>	<u>22,686</u>
Income from operations before income taxes	<u>2,862</u>	<u>4,732</u>	<u>7,716</u>	<u>8,055</u>
Income tax expense	788	1,322	2,144	2,178
Net income	<u>2,074</u>	<u>3,410</u>	<u>5,572</u>	<u>5,877</u>
Discount from repurchase of preferred shares	—	—	—	33
Net income allocated to common stockholders	<u>\$2,074</u>	<u>\$3,410</u>	<u>\$5,572</u>	<u>\$5,910</u>