



November 5, 2020

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, 2020. The extraordinary earnings performance outlined below would not have been possible without the dedication of our colleagues across the company and their commitment to delivering exceptional service to our clients in the midst of an unprecedented pandemic.

The pandemic has led to a lower than expected interest rate environment, creating the opportunity for much higher residential loan activity, which we were well prepared for. While some of our Project Falcon initiatives have been delayed due to the pandemic, other initiatives have helped us begin to shift our deposit mix and achieve other operational improvements. The deterioration in the credit environment led us to continue to increase our reserves for loan losses and, at 1.65% of total loans, our reserves are above median peer bank levels. We will continue to manage to the changing landscape while focusing our efforts on providing longer term improved operational efficiencies.

Result of Operations – Summary

Net income for the third quarter of 2020 was \$3.4 million or \$2.69 basic and \$1.56 diluted earnings per share, compared to \$1.0 million or \$1.09 basic and \$0.60 diluted earnings per share for the same period of 2019; and \$5.9 million for the nine months ended September 30, 2020, compared to \$2.4 million for the same period of 2019. A few highlights for the quarter include:

- Mortgage refinance activity has been one of the primary drivers of improved net income. Due to lower interest rates, net mortgage banking revenues and loan originations for the nine months ended September 30, 2020, were \$13.9 million and over \$400 million respectively, compared to \$6.1 million and \$226 million, respectively, for the same period of the prior year. Related mortgage compensation was also higher, explaining the increase in overall compensation over the same period.
- Net interest income was up \$1.9 million for the first nine months of 2020, compared to the same period in 2019. The primary reasons for the increase include: (i) higher average balances in loans held for sale and Paycheck Protection Program (PPP) loans, (ii) a 68 basis point reduction in the cost of interest bearing liabilities due to the lower interest rate environment, and (iii) the payoff of principal plus previous nonaccrual interest on a large non-performing commercial real estate loan.
- Provisions for loan losses were \$1.0 million for the nine months ended September 30, 2020, compared to \$0.1 million for the same period of 2019. The primary reasons for the increase are environmental and qualitative factors, as well as certain borrower credit deterioration, primarily in those industries hardest hit by COVID-19 and the Lockdown Recession (i.e., restaurants and hospitality). We continue to expect elevated provisions for loan losses in the industry and CIBM Bank in the quarters ahead due to the ongoing effects and consequences of the Lockdown Recession.

Financial Condition - Summary

Total assets increased \$90 million from \$704 million at December 31, 2019, to \$794 million as of September 30, 2020. The increase was led by a \$51 million increase in residential loans held for sale and \$43 million in PPP loans. Funding for the new assets came primarily from increases in non-maturing deposits and utilization of the Federal Reserve Bank of Chicago’s PPP Loan Facility. Additional highlights of our financial condition as of September 30, 2020, include:

- Tangible book value (TBV) and stated book value per share of common stock were \$50.35 and \$45.37, respectively, at September 30, 2020, compared to \$44.85 and \$39.60, respectively, at December 31,

“Community Banking – The Way It Used To Be”

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2019. The increases were due primarily to \$5.9 million in net income and a \$1.8 million improvement in accumulated other comprehensive income during the first nine months of 2020. Although not normally illustrated figures, for further insight: TBV excluding deferred tax assets is \$35.72, TBV after the effects of a conversion of Series B preferred stock to common is \$31.37 (although conversion is only permissible under very limited situations), and TBV with both affects is \$22.63 at September 30, 2020.

- During the first nine months of 2020, 92 loans totaling \$74 million in balances were granted a COVID-19 loan payment deferral. As of September 30, 2020, there were 19 loans totaling \$21.0 million in balances and as of October 31, 2020, there were 20 loans totaling \$21.2 million in balances, or 3.9% of total loans at each respective date, that were still in a deferral period. Loans still in a deferral period at October 31, 2020, included 10 commercial real estate loans totaling \$19.5 million in current balances and 10 predominantly first lien residential real estate loans totaling \$1.7 million in current balances.
- 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 0.60% and 0.32%, respectively, at September 30, 2020, down from 1.35% and 1.09%, respectively, at December 31, 2019. The improvements during the first nine months of 2020 were due to certain loan level improvements including a successful large non-performing commercial real estate loan payoff. These asset quality figures represent the best during the current credit cycle and, given the ongoing effects of the Lockdown Recession, are expected to deteriorate from here.

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.

Stock Purchase Activity and Some Potential Effects on the Value of Company Deferred Tax Assets

The Company has \$18.5 million in deferred tax assets (DTA), which represents the amount of estimated future federal and state tax payment reductions the Company expects primarily from its net operating loss carryforwards (NOLs). The governing rules of Internal Revenue Code Section 382 are complex and provide for potentially deleterious effects in the value of the DTA. For instance, shareholders who accumulate five percent (5%) or more of the Company's equity could, by themselves or in combination with others, cause an ownership change for Section 382 purposes. In the event the Company undergoes an ownership change, the Company would be subject to Section 382 limitations that may severely limit the use of NOLs, thereby reducing the value of the DTA. A 5% shareholder could be represented by a single shareholder or multiple related shareholders.

At September 30, 2020, 5% of the total value of Company stock was approximately \$2.5 million or the equivalent of approximately 165,000 shares of common stock (equating to approximately 2.5 million shares of common stock prior to the recent reverse stock split). The total value of Company stock is the sum of the number of shares of each class of qualifying stock under IRS rules, common and preferred, 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. To preserve the DTA, it is in each significant shareholder's interest to carefully consider the impact of any stock transactions that would impact the DTA. For further explanation, please contact the Company.

Reverse Split of Common Stock and OTCQX

The 1-for-15 reverse split of our common stock was completed effective September 14, 2020. Combined with a pending future upgrade for the Company's common stock from the OTCQB to OTCQX market during the fourth quarter, this should assist in improving the marketplace for the common stock.

Concluding Comments

It has been a very busy first nine months of the year. Our ability to rapidly address challenges in ways that productively serve our clients and communities are hallmarks of our CIB Marine team, and I am very thankful for the hard work, support, and counsel from our employees and the Board of Directors as we navigate this uncharted territory together.

We wish you all health and safety during these challenging times.

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,	
	2020	2019	2020	2019
Selected Statements of Operations Data				
(Dollars in thousands, except share and per share data)				
Interest and dividend income	\$7,202	\$7,035	\$20,507	\$21,128
Interest expense	1,017	2,183	4,049	6,617
Net interest income	6,185	4,852	16,458	14,511
Provision for loan losses	501	327	952	102
Net interest income after provision for loan losses	5,684	4,525	15,506	14,409
Noninterest income (1)	8,104	3,835	15,235	7,907
Noninterest expense	9,056	7,233	22,686	19,295
Income before income taxes	4,732	1,127	8,055	3,021
Income tax expense	1,322	93	2,178	603
Net income	\$3,410	\$1,034	\$5,877	\$2,418
Common Share Data (2)				
Basic net income (3)	\$2.69	\$1.09	\$4.69	\$2.23
Diluted net income (3)	1.56	0.60	2.73	1.25
Dividends	—	—	—	—
Tangible book value per share (4)	50.35	45.40	50.35	45.40
Book value per share (4)	45.27	40.20	45.27	40.20
Weighted average shares outstanding-basic	1,267,582	1,230,361	1,260,499	1,218,737
Weighted average shares outstanding-diluted	2,181,868	2,169,090	2,163,850	2,189,033
Financial Condition Data				
Total assets	\$793,604	\$700,711	\$793,604	\$700,711
Loans	546,351	508,758	546,351	508,758
Allowance for loan losses	(9,037)	(7,560)	(9,037)	(7,560)
Investment securities	107,351	120,648	107,351	120,648
Deposits	593,370	557,745	593,370	557,745
Borrowings	87,994	38,468	87,994	38,468
Stockholders' equity	101,271	94,082	101,271	94,082
Financial Ratios and Other Data				
Performance Ratios:				
Net interest margin (5)	3.30%	2.95%	3.10%	2.93%
Net interest spread (6)	3.16	2.62	2.90	2.61
Noninterest income to average assets (7)	4.12	2.19	2.72	1.49
Noninterest expense to average assets	4.60	4.14	4.06	3.67
Efficiency ratio (8)	63.38	83.44	71.71	86.39
Earnings on average assets (9)	1.73	0.59	1.05	0.46
Earnings on average equity (10)	13.51	4.35	8.05	3.48
Asset Quality Ratios:				
Nonaccrual loans to total loans (11)	0.32%	1.14%	0.32%	1.14%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (11)	0.49	1.44	0.49	1.44
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total asset (11)	0.60	1.40	0.60	1.40
Allowance for loan losses to total loans	1.65	1.49	1.65	1.49
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (11)	338.59	103.07	338.59	103.07
Net charge-offs (recoveries) to average loans	(0.04)	0.01	(0.02)	0.13
Capital Ratios:				
Total equity to total assets	12.76%	13.43%	12.76%	13.43%
Total risk-based capital ratio	15.49	15.18	15.49	15.18
Tier 1 risk-based capital ratio	14.23	13.93	14.23	13.93
Leverage capital ratio	10.82	10.86	10.82	10.86
Other Data:				
Number of employees (full-time equivalent)	176	182	176	182
Number of banking facilities	11	11	11	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 share per 15 share reverse split to allow for comparability between the pre and post reverse split periods.
- (3) Net income available to common stockholders in the calculation of earnings per share for the nine months ended September 30, 2020, includes the difference between the carrying amount less the consideration paid for redeemed preferred stock of \$0.03 million and \$0.3 million for the third quarter and nine months ended September 30, 2020.
- (4) 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.
- (5) Net interest margin is the ratio of net interest income to average interest-earning assets.
- (6) Net interest spread is the yield on average interest-earning assets less the rate on average interest-bearing liabilities.
- (7) Noninterest income to average assets excludes gains and losses on securities.
- (8) The efficiency ratio is noninterest expense divided by the sum of net interest income plus noninterest income, excluding gains and losses on securities.
- (9) Earnings on average assets are net income divided by average total assets.
- (10) Earnings on average equity are net income divided by average stockholders' equity.
- (11) Excludes loans held for sale.

CIB MARINE BANCSHARES, INC.
Summary Consolidated Balance Sheets (unaudited)

	September 30, 2020	December 31, 2019
	(Dollars in thousands)	
Assets		
Cash and due from banks	\$30,544	\$8,970
Reverse repurchase agreements	8,208	11,196
Securities available for sale	107,351	120,398
Loans held for sale	67,496	16,928
Net loans	537,314	505,698
Other assets	42,691	40,601
Total assets	\$793,604	\$703,791
Liabilities and Stockholders' Equity		
Deposits	593,370	530,190
Short-term borrowings	54,052	73,847
Long-term borrowings	33,942	—
Other liabilities	10,969	6,350
Total liabilities	692,333	610,387
Stockholders' Equity		
Total stockholders' equity	101,271	93,404
Total liabilities and stockholders' equity	\$793,604	\$703,791

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

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(Dollars in thousands)			
Interest income	\$7,202	\$7,035	\$20,507	\$21,128
Interest expense	1,017	2,183	4,049	6,617
Net interest income	6,185	4,852	16,458	14,511
Provision for loan losses	501	327	952	102
Net interest income after provision for loan losses	5,684	4,525	15,506	14,409
Noninterest income	8,104	3,835	15,235	7,907
Compensation and employee benefits	7,329	5,309	17,201	13,441
Occupancy and premises	742	755	2,351	2,336
Other expense	985	1,169	3,134	3,518
Total noninterest expense	9,056	7,233	22,686	19,295
Income from operations before income taxes	4,732	1,127	8,055	3,021
Income tax expense	1,322	93	2,178	603
Net income	3,410	1,034	5,877	2,418
Discount from repurchase of preferred shares	—	308	33	308
Net income allocated to common stockholders	\$3,410	\$1,342	\$5,910	\$2,726