



November 7, 2019

Dear Shareholder,

CIB Marine Bancshares, Inc.'s ("CIB Marine" or the "Company") results for the quarter and nine months ended September 30, 2019, and a brief shareholder update are outlined below.

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

Income before taxes for the third quarter of 2019 was \$1.1 million compared to \$1.2 million for the same period in 2018, and for the nine months ending September 30, 2019, it was \$3.0 million compared to \$3.3 million for the same period in 2018.

Highlights of our earnings results include:

- Income before taxes for subsidiary CIBM Bank was \$1.2 million for the quarter compared to \$1.7 million for the same period in 2018, and \$3.3 million for the nine months ended September 30, 2019, compared to \$4.2 million for the same period in 2018. The primary reasons for the change include higher cost of funds, higher loan loss provisions and lower gains on sale of SBA loans during 2019 versus the prior year.
- Lower interest rates and new hires helped to lift mortgage production in the third quarter ending September 30, 2019, resulting in \$44 million more originations compared to the same period of 2018.

### **Financial Condition - Summary**

Net loan balances are up \$18 million this year through September 30, 2019, on higher residential and commercial loan production, and SBA reverse repurchase agreements are down \$55 million resulting primarily from lower demand for the utilization of the open credit facilities.

Highlights of our financial condition include:

- Tangible book value per share and stated book value per share at September 30, 2019, were \$3.03 and \$2.68 per share of common stock, respectively, compared to \$2.82 and \$2.45, respectively, at December 31, 2018. The increase reflects reported income for the nine months ended September 30, 2019, improved net accumulated other comprehensive income (loss) due to improved available for sale security fair values as a result of lower market interest rates, and discounts to the repurchase of preferred stock in the third quarter.
- Non-performing assets, restructured loans, and loans 90 days or more past due and still accruing to total assets was 1.40% at September 30, 2019, versus 1.45% at December 31, 2018, and 1.11% at September 30, 2018. The increase from one year ago is primarily the result of one loan placed on non-accrual during the fourth quarter of 2018. CIB Marine's allowance for loan losses was 1.49% at September 30, 2019, versus 1.62% at December 31, 2018, and 1.62% at September 30, 2018. The decline was primarily due to a \$0.5 million charge-off of a loan that was previously reserved for.

Attached please find unaudited summary financial results for the quarter and nine months ended September 30, 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.

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

Phone: (262) 695-6010 • Fax: (262) 695-6014  
19601 West Bluemound Road • Brookfield, WI 53045

## **Preferred Stock**

CIB Marine's second of three modified Dutch auctions for preferred shareholders is concluded. Of the approximately 29,475 shares of preferred stock offered for sale, 2,229 shares of preferred stock were approved for repurchase pursuant to our 2018 amendments to the Articles of Incorporation. The total price for the shares approved was \$1.6 million, resulting in a discount of \$0.3 million to the \$1.9 million carrying value of the preferred stock shares. The discount was transferred to paid-in capital for common stock during the third quarter and most settlements have been completed to date. As a reminder, a \$3.5 million liability currently exists for the purchase of 4,923 preferred shares, which CIBM anticipates settling on or before December 1, 2019. No new capital or debt was issued to fund any of the preferred stock repurchases to date nor is any anticipated to be issued to fund any outstanding settlements due.

Total repurchased shares to date, including those pending settlements, (the "Repurchased Shares") amount to approximately 26% of the 60,000 shares of preferred stock originally issued in 2009. The Repurchased Shares were all held outside of collateral trusts supporting collateralized debt obligations at the time of the 2018 amendments to the Articles of Incorporation; now only 3% of the remaining outstanding shares are held outside such trusts. Also, the Repurchased Shares include 1,159 shares of Series B Preferred Stock, effectively terminating conversion rights equal to 4.6 million shares of common stock.

CIB Marine has had communications with an investment fund it believes is the primary beneficial owner or in control of the vast majority of the remaining outstanding shares of preferred stock. This ownership or control position is represented to us as including shares that were held inside collateral trusts supporting collateralized debt obligations at the end of 2018. Any further progress in the repurchase of preferred shares is likely contingent on reaching agreement with the fund and a willingness on the seller's part to accept a discount to the preferred stock liquidation value that will be accretive to common stock value. The Amendments to the Articles of Incorporation that permit repurchases at a discount to liquidation value terminate and spring back to the prior terms following the modified Dutch auction in 2020. We believe it is in the best interests of all CIB Marine shareholders to continue the provisions in the Amended Articles of Incorporation that permit negotiated repurchase transactions with shareholders on a voluntary basis and upon mutually agreeable terms. It is anticipated that an Amendment to the Articles will be submitted to the common and preferred shareholders in 2020 to accomplish this goal and to facilitate further repurchases of outstanding preferred stock. Failing to achieve that would likely terminate all repurchases of preferred stock following the 2020 modified Dutch auction into the foreseeable future.

## **Concluding Comments**

Compared to the second quarter, third quarter mortgage production was strong as we hired additional lenders and rates were lower, SBA gains on sale increased on improved production, and our cost of funds started to decline.

Management has been actively working on deposit and loan product enhancements to make banking with CIBM Bank easier and more convenient, and growth strategies including developing business pipelines for the quarters ahead. As a reminder, we completed our brand unification project earlier this year and if you have not done so yet, please visit our new website at [www.cibmbank.com](http://www.cibmbank.com) or a local branch. We have received favorable client feedback on name unification and our clients will find greater convenience in doing business with us as a result of it.

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,	
	2019	2018	2019	2018
(Dollars in thousands, except share and per share data)				
<b>Selected Statements of Operations Data</b>				
Interest and dividend income	\$7,035	\$6,798	\$21,128	\$19,194
Interest expense	2,183	1,767	6,617	4,358
Net interest income	4,852	5,031	14,511	14,836
Provision for (reversal of) loan losses	327	(13)	102	10
Net interest income after provision for (reversal of) loan losses	4,525	5,044	14,409	14,826
Noninterest income (1)	3,835	3,063	7,907	7,863
Noninterest expense	7,233	6,871	19,295	19,432
Income before income taxes	1,127	1,236	3,021	3,257
Income tax expense	93	345	603	875
<b>Net income</b>	<b>\$1,034</b>	<b>\$891</b>	<b>2,418</b>	<b>\$2,382</b>
<b>Common Share Data</b>				
Basic net income (2)	\$0.07	\$0.14	\$0.15	\$0.23
Diluted net income (2)	0.04	0.07	0.08	0.12
Dividends	—	—	—	—
Tangible book value per share (3)	3.03	2.71	3.03	2.71
Book value per share (3)	2.68	2.34	2.68	2.34
Weighted average shares outstanding-basic	18,455,408	18,232,169	18,281,049	18,201,320
Weighted average shares outstanding-diluted	32,536,354	34,589,375	32,835,500	35,958,705
<b>Financial Condition Data</b>				
Total assets	\$700,711	\$723,733	\$700,711	\$723,733
Loans	508,758	507,677	508,758	507,677
Allowance for loan losses	(7,560)	(8,217)	(7,560)	(8,217)
Investment securities	120,648	118,345	120,648	118,345
Deposits	557,745	523,729	557,745	523,729
Borrowings	38,468	104,357	38,468	104,357
Stockholders' equity	94,082	88,993	94,082	88,993
<b>Financial Ratios and Other Data</b>				
Performance Ratios:				
Net interest margin (4)	2.95%	2.97%	2.92%	3.10%
Net interest spread (5)	2.62	2.72	2.61	2.87
Noninterest income to average assets (6)	2.19	1.72	1.49	1.56
Noninterest expense to average assets	4.14	3.82	3.67	3.82
Efficiency ratio (7)	83.44	84.63	86.39	85.38
Earnings on average assets (8)	0.59	0.50	0.46	0.47
Earnings on average equity (9)	4.35	3.77	3.48	3.30
Asset Quality Ratios:				
Nonaccrual loans to total loans (10)	1.14%	0.73%	1.14%	0.73%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (10)	1.44	1.09	1.44	1.09
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total asset (10)	1.40	1.11	1.40	1.11
Allowance for loan losses to total loans	1.49	1.62	1.49	1.62
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (10)	103.07	148.99	103.07	148.99
Net charge-offs (recoveries) to average loans	0.01	(0.14)	0.13	(0.14)
Capital Ratios:				
Total equity to total assets	13.43%	12.30%	13.43%	12.30%
Total risk-based capital ratio	15.18	14.43	15.18	14.43
Tier 1 risk-based capital ratio	13.93	13.18	13.93	13.18
Leverage capital ratio	10.86	9.90	10.86	9.90
Other Data:				
Number of employees (full-time equivalent)	182	188	182	188
Number of banking facilities	11	11	11	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 \$0.3 million for the third quarter and nine months ended September 30, 2019, \$1.7 million for the third quarter of 2018 and \$1.8 million for the nine months ended September 30, 2018.

(3) 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 918,665 shares of common stock at September 30, 2019.

(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)**

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
	<b>(Dollars in thousands)</b>	
<b>Assets</b>		
Cash and due from banks	\$9,582	\$13,037
Reverse repurchase agreements	4,083	58,662
Securities available for sale	120,648	121,281
Loans held for sale	25,347	4,632
Net loans	501,198	483,390
Other assets	39,853	40,257
Total assets	<b>\$700,711</b>	<b>\$721,259</b>
<b>Liabilities and Stockholders' Equity</b>		
Deposits	557,745	536,931
Short-term borrowings	38,468	86,710
Other liabilities	10,416	6,583
Total liabilities	606,629	630,224
<b>Stockholders' Equity</b>		
Total stockholders' equity	94,082	91,035
Total liabilities and stockholders' equity	<b>\$700,711</b>	<b>\$721,259</b>

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

	Quarters Ended September 30,		Nine Months Ended September 30,	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>(Dollars in thousands)</b>			
Interest income	\$7,035	\$6,798	\$21,128	\$19,194
Interest expense	2,183	1,767	6,617	4,358
<b>Net interest income</b>	4,852	5,031	14,511	14,836
Provision for (reversal of) loan losses	327	(13)	102	10
<b>Net interest income after provision for (reversal of) loan losses</b>	4,525	5,044	14,409	14,826
<b>Noninterest income</b>	3,835	3,063	7,907	7,863
Compensation and employee benefits	5,309	4,514	13,441	13,252
Occupancy and premises	755	729	2,336	2,216
Other expense	1,169	1,628	3,518	3,964
<b>Total noninterest expense</b>	7,233	6,871	19,295	19,432
<b>Income from operations before income taxes</b>	1,127	1,236	3,021	3,257
Income tax expense	93	345	603	875
<b>Net income</b>	1,034	891	2,418	2,382
Discount from repurchase of preferred shares	308	1,703	308	1,808
<b>Net income allocated to common stockholders</b>	<b>\$1,342</b>	<b>\$2,594</b>	<b>\$2,726</b>	<b>\$4,190</b>