



FOR IMMEDIATE RELEASE
March 2, 2021

FOR INFORMATION CONTACT:
J. Brian Chaffin, President & CEO
(217) 355-0900
brian.chaffin@cibmbank.com

CIB MARINE BANCSHARES, INC. RESPONDS TO SHAREHOLDER PROPOSAL

BROOKFIELD, Wis. – CIB Marine Bancshares, Inc. (the “Company” or “CIBM”) (OTCQB: CIBH), recently received notice from a Cayman Islands-based investment fund of its intent to submit two proposals for consideration at the Company’s 2021 Annual Meeting: (i) nomination of two of its representatives to serve on the Company’s Board of Directors; and (ii) an Amendment to the Company’s Restated and Amended Articles of Incorporation (“Articles”), which, if approved, would be in direct contravention of the Company’s disciplined process for preferred stock repurchases whereby every transaction must be accretive to value, on reasonable market-like terms, and in the best interest of the Company and its shareholders. The offshore investment fund is the largest single owner of preferred stock in the Company and would be the largest single recipient of payments from the Company under the investment fund’s proposed amendment to the Articles, which also includes requiring the Company to issue \$20 million of subordinated debt, make mandatory dividend payments on the outstanding preferred stock, and repurchase shares of preferred stock at fixed prices that are approximately 19% higher than the average price paid by the Company for all prior repurchases to date.

The press release issued by the offshore investment fund discussed at length its proposed director nominees but did not specifically reference its proposal to amend the Company’s Articles. The release did, however, contain several statements about the Company’s financial performance that the Board feels compelled to correct to avoid the dissemination of false or misleading information and to protect the interests of our shareholders, as provided in the Select Financial Information below.

Preferred Stock Repurchases

Commenting on the Company’s recent preferred stock repurchase activity, Mr. J. Brian Chaffin, the Company’s President & CEO said, “From June 2018 through June 2020, we repurchased 26% of our outstanding Preferred Stock (14,934 shares of Series A and 1,175 shares of Series B) at a weighted average price of \$717 per share. The aggregate purchase price for those repurchases totaled \$11.5 million, which represented a \$4.6 million discount to the stated liquidation value and a \$2.1 million discount to our carrying value of the shares. The shares of Series B preferred we repurchased were convertible (in very limited

circumstances) into 313,228 post-reverse split common shares, which would represent 12.6% of the total issued and outstanding common shares on a pro-forma fully diluted post-converted basis. All of the repurchases were funded internally with no new debt incurred or stock issued. This process created a liquidity opportunity for voluntary sellers at freely negotiated prices and each repurchase transaction was accretive to book value. It was a win/win situation for all parties involved.

“We believe the best repurchase results for all are achieved when individual investors are given the opportunity to negotiate transactions according to their interests, rather than having one stakeholder set terms for all preferred shareholders,” Chaffin stated. “We further believe that Company earnings are better used to repurchase shares of preferred stock than to pay dividends on noncumulative stock and interest on subordinated debt. There are viable alternatives that do not dilute value or impair future earnings that should be negotiated. We are confident that there is common ground with many preferred shareholders and we will continue to pursue it.

“We do not believe that the actions proposed by the offshore investment fund are in the best interests of the Company or our shareholders and intend to oppose the proposals at our upcoming annual shareholder meeting. We will be issuing a letter to our shareholders discussing this topic in greater detail in the coming days.”

Select Financial Information

The Company’s current Chairman and CEO/President assumed their positions in 2015. Since that time, the financial performance and condition of the Company have improved steadily, including in the following ways (results are split-adjusted, where applicable):

- Shareholder equity has grown \$38 million, or 58%, and we returned \$11.5 million to preferred shareholders.
- Tangible book value per share of common stock has grown 340% from \$11.87 to \$52.28.
- Over the last 5 years, the market price of CIBH has increased 147% while the KBW Nasdaq Bank Total Return Index (BKXTR) has increased 32% over the same period.
- Earnings per share has risen from a loss of \$0.50 to earnings of \$6.51 per share of common stock.
 - Earnings in 2020 were \$8.2 million. The earnings improvement was achieved by improving core banking earnings from traditional lending and deposit services, as well as through the development of Mortgage Banking and Government Guaranteed Lending Divisions.

In order to improve efficiency and control costs over the last five years, the Board continued its focus on commission and performance-based compensation and strictly controlled other compensation expenses, as evidenced by the following:

- CIBM Bank's base salary and wage component of compensation increased, on average, just 2.5% per year;
- Nearly all of the Company's increase in total compensation relates to compensation tied directly to financial performance and risk outcomes:
 - The largest increase relates to the payment of competitive commissions for sales employees, primarily in the Mortgage Division. Commission compensation in that division is up significantly, but the revenues from the related activity are up nearly twice as much.
 - The second largest increase was in bonus programs, which reward earnings, asset quality, and other targeted performance improvements.
 - The Company and Board have acted consistently to align the interests of management with common shareholders. For example, the Company's CEO has not received any increase in base pay over the last three years, but instead has received competitive restricted stock grants that vest contingent upon financial performance and asset quality goals determined by the Board.
- Management's interests are aligned with the long-term performance of the Company, with more than 7.6% of outstanding common shares held by members of executive management and the Board of Directors.

The Board and management initiated a process called "Project Falcon" in early 2020, which is designed to enhance operating margins and efficiencies. They are pleased with the performance of the Company in 2020 and in comparison to its peers. Outlined below are selected highlights comparing the bank subsidiary, CIBM Bank, to its national peer bank median for the year 2020:

- CIBM Bank's return on average assets ratio (ROAA) rose 91 basis points to 1.23%. Peer ROAA fell 7 basis points to 1.15%.
- CIBM Bank's net interest margin (NIM) rose 23 basis points to 3.12%. Peer NIM fell 29 basis points to 3.56%.
 - CIBM Bank's fourth quarter interest bearing cost of funds moved to the 43rd percentile from 78th percentile the prior year.
- CIBM Bank's loan loss rate was a net recovery of 0.01%, compared to the peer net loss of 0.08%.

- CIBM Bank’s loan loss reserves to total loans was 1.69%, and non-accrual loans to total loans was 0.21%, at year-end, compared to the peer’s 1.36% and 0.55%, respectively.
- CIBM Bank’s efficiency ratio improved 17 percentage points to 71%, compared to a peer improvement of 1 percentage point to 63%.

CIB Marine Bancshares, Inc. is the holding company for CIBM Bank, which operates ten banking offices and five mortgage loan offices in Illinois, Wisconsin and Indiana. More information on the Company is available at www.cibmarine.com, including recent shareholder letters, links to regulatory financial reports, and audited financial statements.

FORWARD-LOOKING STATEMENTS

CIB Marine has made statements in this release that may 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 Earnings Release 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.
