



February 18, 2021

Dear Shareholder,

CIB Marine Bancshares, Inc. (“CIB Marine” or the “Company”) is pleased to report its financial results for the year ended December 31, 2020. While 2020 presented hardships and challenges for so many, it also presented opportunities for us to serve our clients and local communities in helpful ways. This was made possible by our colleagues’ dedication and commitment to delivering exceptional service to our clients in the midst of an unprecedented pandemic.

Rapid changes in monetary and fiscal policies in early 2020, designed to counter the “Lockdown Recession” and other economic hardships related to the COVID-19 pandemic, resulted in lower interest rates and a wide range of Federal Reserve and federal government assistance and support programs for households and businesses. These led to a surge in mortgage refinance activity, interest bearing liability repricing, and commercial support activity including Paycheck Protection Program (“PPP”) loans and COVID-19 loan payment deferral activity. During the latter part of the year, the Company was able to return its focus to initiatives designed to improve our deposit mix, enhance margins, and achieve operating efficiencies.

Result of Operations – Summary

Net income for the fourth quarter of 2020 was \$2.3 million, compared to a loss of \$0.4 million for the same period of 2019; and \$8.2 million or \$6.51 basic and \$3.79 diluted earnings per share for the year ended December 31, 2020, compared to \$2.0 million or \$1.92 basic and \$1.08 diluted earnings per share for the same period of 2019. A few highlights for the year include:

- Mortgage lending activity surged in 2020 with residential loan originations for the year swelling to \$600 million, compared to \$331 million during 2019. The increase was due, in part, to lower interest rates with \$254 million of the increase attributable to refinanced mortgage loans, and the remainder from purchase money mortgage loans. Net mortgage banking revenues more than doubled as a result, from \$8.2 million during 2019 to \$20.3 million during 2020, and related mortgage division compensation was up significantly from \$7.5 million to \$13.1 million for the same time periods.
- Net interest income was up \$2.9 million for the year, 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 75 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 \$1.1 million for the 12 months ended December 31, 2020, compared to \$0.8 million for the same period of 2019. The primary reasons for the increase are \$1.1 million in provisions for environmental and qualitative factors, as well as certain borrower credit deterioration, primarily in those industries hardest hit by the Lockdown Recession (i.e., restaurants and hospitality), offset in part by a large non-performing loan resolution during the year. We continue to be cautious about the ongoing effects and consequences of the pandemic.

Financial Condition - Summary

Total assets increased \$47 million from \$704 million at December 31, 2019, to \$751 million as of December 31, 2020. The increase was primarily the result of a \$26 million increase in loans held for sale related to the higher mortgage activity, a \$26 million increase in the loan portfolio in part due to PPP loans, and a \$21 million increase in cash and due from banks due to higher deposits. Additional highlights of our financial condition as of December 31, 2020, include:

- Tangible book value (TBV) increased 17% from \$44.86 at December 31, 2019, to \$52.28 at December

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31, 2020. The increase was due primarily to net income and an improvement in accumulated other comprehensive income during 2020. For further insight: TBV excluding deferred tax assets is \$39.42, TBV after the effects of a conversion of Series B preferred stock to common is \$32.52 (although conversion is only permissible under very limited situations), and TBV with both affects is \$24.84 at December 31, 2020.

- As of December 31, 2020, there were \$24.5 million in outstanding loan balances from 31 loans granted a COVID-19 loan payment deferral and still in an active deferral period, with 37% in the hospitality industry, 15% in the recreation and entertainment industry, and 8% from 1-4 family mortgage loans.
- The allowance for loan and lease losses to total loans was 1.69% at December 31, 2020, up from 1.56% at December 31, 2019. The increase is primarily for environmental and economic factors. 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 0.54% and 0.23%, respectively, at December 31, 2020, down from 1.35% and 1.09%, respectively, at December 31, 2019. These asset quality figures represent the best during the current credit cycle. Given the ongoing effects of the Lockdown Recession and COVID-19, they are generally 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.

Preservation and Use of Company Deferred Tax Assets

The Company has \$16.3 million in deferred tax assets (DTA) at December 31, 2020, compared to \$20.1 million at December 31, 2019. The reduction represents primarily the use of the tax asset to offset state and federal taxes that otherwise would have been paid due to taxable income in 2020. 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 the 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 NOLs prior to their expiration, thereby reducing the value of the DTA. A 5% shareholder could be represented by a single shareholder or multiple related shareholders. At December 31, 2020, 5% of the total value of Company stock was approximately \$2.5 million or the equivalent of approximately 160,000 shares of common stock at the last traded price listed on OTCQB, or approximately 3,800 shares of preferred stock at \$716.59 per share (this assumes a proportionate amount of Series A and B to the original issuance and a weighted average purchase price of \$716.59 per share which is the weighted average price for all shares repurchased from 2018 through 2020). 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. 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 would impact the DTA. For further explanation, please contact the Company.

Preferred Stock Repurchases

During the years 2018 through 2020, the Company repurchased approximately 26% of outstanding shares of preferred stock (14,934 of Series A and 1,175 of Series B), for a total purchase price of \$11.5 million, resulting in a discount to the carrying value of the preferred stock of \$2.1 million. The repurchase of the Series B shares is the equivalent of 313,228 common shares on a fully converted basis. To date, all repurchases of preferred stock have been funded internally with no new debt or stock issued, and we have no outstanding liabilities to settle any repurchase agreements at this time. There is no requirement to redeem

any preferred stock as both classes are perpetual noncumulative preferred with no maturity date. The Company will provide updates in the near future about preferred stock related activities.

2021 Annual Shareholder Meeting

We have scheduled our Annual Meeting of Shareholders for 1:00 pm on Thursday, April 29, 2021, at our corporate offices at 19601 W. Bluemound Road, Brookfield, Wisconsin. As last year, shareholders are strongly encouraged to attend via teleconference for the health and safety of all participants. Additional information regarding the annual meeting, including teleconference information, the Proxy Statement, and shareholder Proxy Card for voting, will be forthcoming.

Concluding Comments

We will continue to manage to the changing landscape while focusing our efforts on providing longer term improved earnings and operational efficiencies. Our ability to rapidly address challenges in ways that productively serve our clients and communities are hallmarks of our CIB Marine team. 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 in 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

	At or for the Years Ended December 31,				
	2020	2019	2018	2017	2016
	(Dollars in thousands, except share and per share data)				
Selected Statements of Operations Data					
Interest and dividend income	\$26,996	\$27,948	\$26,203	\$23,527	\$20,949
Interest expense	4,814	8,647	6,422	4,126	2,997
Net interest income	22,182	19,301	19,781	19,401	17,952
Provision for (reversal of) loan losses	1,053	817	(1,185)	206	(548)
Net interest income after provision for (reversal of) loan losses	21,129	18,484	20,966	19,195	18,500
Noninterest income (1)	21,801	10,156	9,409	8,730	9,400
Noninterest expense	32,003	26,174	25,847	23,615	23,779
Income (loss) from continuing operations before income taxes	10,927	2,466	4,528	4,310	4,121
Income tax expense (benefit)	2,743	423	1,188	(22,644)	50
Net income (loss)	8,184	2,043	3,340	26,954	4,071
Common Share Data (2)					
Basic net income (loss) (3)	6.51	1.92	4.24	22.28	3.37
Diluted net income (loss) (3)	3.79	1.08	2.20	11.10	1.71
Dividends	—	—	—	—	—
Tangible book value per share (4)	52.28	44.86	42.35	37.88	15.14
Book value per share (4)	47.19	39.66	36.77	30.61	7.88
Weighted average shares outstanding - basic	1,262,279	1,227,111	1,213,940	1,209,977	1,208,526
Weighted average shares outstanding - diluted	2,167,731	2,180,776	2,342,643	2,428,959	2,286,130
Financial Condition Data					
Total assets	\$750,982	\$703,791	\$721,259	\$662,394	\$653,559
Loans	539,227	513,705	491,337	483,611	483,518
Allowance for loan losses	(9,122)	(8,007)	(7,947)	(7,701)	(7,592)
Investment securities	108,492	120,398	121,281	114,801	112,072
Deposits	586,373	530,190	536,931	478,633	483,097
Borrowings	51,310	73,847	86,710	84,217	96,944
Stockholders' equity	103,704	93,404	91,035	97,066	69,523
Financial Ratios and Other Data					
Performance Ratios:					
Net interest margin (5)	3.11%	2.91%	3.05%	3.11%	3.01%
Net interest spread (6)	2.93	2.60	2.80	2.93	2.86
Noninterest income to average assets (7)	2.90	1.43	1.37	1.36	1.53
Noninterest expense to average assets	4.26	3.72	3.75	3.67	3.88
Efficiency ratio (8)	72.85	89.07	88.44	83.95	86.94
Earnings (loss) on average assets (9)	1.09	0.29	0.48	4.19	0.66
Earnings (loss) on average equity (10)	8.26	2.18	3.52	36.85	5.88
Asset Quality Ratios:					
Nonaccrual loans to total loans (11)	0.23%	1.09%	1.34%	0.69%	1.26%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (11)	0.40	1.38	1.62	1.02	1.60
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total asset (11)	0.54	1.35	1.45	1.13	1.67
Allowance for loan losses to total loans	1.69	1.56	1.62	1.59	1.57
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (11)	421.14	112.66	99.72	156.68	97.99
Net charge-offs (recoveries) to average loans	(0.01)	0.15	(0.29)	0.02	(0.02)
Capital Ratios:					
Total equity to total assets	13.81%	13.27%	12.62%	14.65%	10.64%
Total risk-based capital ratio	17.44	15.19	15.34	16.62	15.40
Tier 1 risk-based capital ratio	16.19	13.94	14.09	15.36	14.15
Leverage capital ratio	11.46	10.71	10.10	12.39	11.14
Other Data:					
Number of employees (full-time equivalent)	176	176	183	183	171
Number of banking facilities	11	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-for-15 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 includes the difference between the carrying amount less the consideration paid for redeemed preferred stock of \$0.03 million, \$0.3 million and \$1.8 million for the years ended December 31, 2020, 2019 and 2018, respectively.
- (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)

	December 31, 2020	December 31, 2019
	(Dollars in thousands)	
Assets		
Cash and due from banks	\$29,927	\$8,970
Reverse repurchase agreements	—	11,196
Securities available for sale	108,492	120,398
Loans held for sale	42,977	16,928
Net loans	530,105	505,698
Other assets	39,481	40,601
Total assets	<u>\$750,982</u>	<u>\$703,791</u>
Liabilities and Stockholders' Equity		
Deposits	586,373	530,190
Short-term borrowings	51,310	73,847
Other liabilities	9,595	6,350
Total liabilities	<u>647,278</u>	<u>610,387</u>
Stockholders' Equity		
Total stockholders' equity	<u>103,704</u>	<u>93,404</u>
Total liabilities and stockholders' equity	<u>\$750,982</u>	<u>\$703,791</u>

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

	Years Ended December 31,	
	2020	2019
	(Dollars in thousands, except per share data)	
Total interest income	\$26,996	\$27,948
Total interest expense	4,814	8,647
Net interest income	<u>22,182</u>	<u>19,301</u>
Provision for loan losses	1,053	817
Net interest income after provision for loan losses	<u>21,129</u>	<u>18,484</u>
Noninterest income		
Compensation and employee benefits	24,216	18,142
Equipment, occupancy and premises	3,205	3,190
Other expense	4,582	4,842
Total noninterest expense	<u>32,003</u>	<u>26,174</u>
Income from operations before income taxes	<u>10,927</u>	<u>2,466</u>
Income tax expense	2,743	423
Net income	<u>8,184</u>	<u>2,043</u>
Preferred stock dividends	—	—
Discount from repurchase of preferred stock	33	308
Net income allocated to common stockholders	<u>\$8,217</u>	<u>\$2,351</u>