



May 7, 2020

Dear Shareholder,

CIB Marine Bancshares, Inc. (“CIB Marine” or the “Company”) is pleased to report its financial results for the quarter ended March 31, 2020.

Result of Operations – Summary

Net income for the first quarter, was \$0.8 million or \$0.04 basic and \$0.02 diluted earnings per share, compared to \$0.6 million or \$0.03 basic and \$0.02 diluted earnings per share for the same period of 2019. Pre-tax income for the quarter, was \$1.1 million compared to \$0.9 million for the same period of 2019, and would have been stronger by nearly \$1.0 million except for some COVID-19 related charges in our mortgage pipeline due to market dislocations and disruptions in the mortgage markets and the provision for loan losses due primarily to the near-term decline in economic conditions. A few highlights for the quarter include:

- Revenues were up \$1.4 million from the same period in 2019. The increase was supported by improved loan production in mortgage banking and gains on the sale of SBA 7(a) loans, as well as higher net interest income as a result of lower cost of funds. Non-interest expense was up \$0.8 million for the same period, primarily due to commissions related to mortgage and SBA loan production.
- The provision for loan losses was up \$0.4 million and our write-downs in other real estate owned were up \$0.3 million for the three months ending March 31, 2020, versus the same period in 2019. The increase in provisions was primarily due to COVID-19 related deterioration of economic conditions in the first quarter of 2020, net of other factors. Further deterioration in economic conditions and, correspondingly, to credit quality is expected in 2020 and will impact some segments of the economy more severely.

Financial Condition - Summary

Total assets, including loans and securities balances outstanding, were little changed from December 31, 2019, to March 31, 2020. However, since March 31, 2020, CIBM Bank has approved approximately 300 U.S. government guaranteed Paycheck Protection Program (PPP) loans totaling \$43 million and has funded PPP loans totaling \$41 million as of today. Funding for the new loans is being provided primarily by the Federal Reserve Bank of Chicago utilizing the PPP Loan Facility at the rate of 0.35%. Additional highlights of our financial condition as of March 31, 2020, include:

- Tangible book value and stated book value per share of common stock were \$3.07 and \$2.73, respectively, compared to \$2.99 and \$2.64, respectively, at December 31, 2019. The increases were due primarily to \$0.8 million in net income and a \$1.5 million improvement in accumulated other comprehensive income.
- 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 1.24% and 0.97%, respectively, at March 31, 2020, down from 1.35% and 1.09%, respectively, at December 31, 2019, and 1.51% and 1.29%, respectively, at March 31, 2019. The improvements during the first quarter of 2020 were related to certain loan level improvements, although credit quality is expected to deteriorate in the foreseeable future due to the economic impact of COVID-19. As of today, approximately 57 loans totaling \$48 million have been approved for COVID-19 payment deferrals, which are short-term loan payment deferrals for customers who were current with their loan payments prior to being directly impacted by COVID-19.

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

“Community Banking – The Way It Used To Be”

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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.

2020 Annual Shareholder Meeting

Our annual shareholder meeting was held on Thursday, April 30, 2020. All proposals presented to the common shareholders for a vote were approved, including an amendment to the Amended Articles of Incorporation (the “Articles”) to support future repurchases of preferred stock; an amendment to our Articles to authorize the Board of Directors to effect a 1:15 reverse stock split, should the Board determine that such a split is in the best interests of the Company and its shareholders; the election of three directors; and the ratification of our independent registered public accounting firm.

A Special Meeting of Preferred Shareholders will be held in the next few months to vote on the proposal to amend the Articles to permit continued negotiated voluntary preferred stock repurchase transactions. The results of that preferred shareholder vote, as well as management’s presentation at the Annual Meeting of shareholders and the Special Meeting of Preferred Shareholders, will be available on our website.

Preferred Stock

CIB Marine’s third and final modified Dutch auction for preferred shareholders has commenced and will conclude in June 2020. We have previously laid out minimum criteria that we expect repurchase opportunities to meet, including that results should be accretive to common shareholders and CIB Marine’s tax assets should not be adversely impacted without compensating factors. Given the economic circumstances related to COVID-19 and our limited amount of cash on hand, the price CIB Marine is willing to pay to repurchase preferred stock will require significant discounting to our current carrying value in order to compensate for any possible dilutive effects of a capital raise, if needed to fund a repurchase, and any potential adverse consequences to our current deferred tax assets.

Concluding Comments

Early in January 2020, CIBM Bank embarked on a company-wide initiative designed to improve operating performance over the coming years. This project involved nearly 40% of our employees and was focused on key revenue improvement areas as well as customer experience, products and other matters. By the end of March, CIBM Bank was deep into our COVID-19 pandemic response – spending significant time coordinating, communicating and implementing our many internal and external responses to COVID-19 and the related economic downturn. Much of our time has been spent evaluating and preparing for significant changes in operations, products, and delivery due to emerging social distancing norms, “shelter at home” orders by states, and the many government support programs for individuals, businesses, and the financial sector. Our investors can be proud of the dedication and commitment CIBM Bank employees have exhibited through this period.

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 Three Months Ended March 31,	
	2020	2019
	(Dollars in thousands, except share and per share data)	
Selected Statements of Operations Data		
Interest and dividend income	\$6,636	\$7,015
Interest expense	1,689	2,178
Net interest income	4,947	4,837
Provision for (reversal of) loan losses	202	(158)
Net interest income after reversal of loan losses	4,745	4,995
Noninterest income (1)	2,642	1,362
Noninterest expense	6,322	5,505
Income before income taxes	1,065	852
Income tax expense	281	229
Net income	\$784	\$623
Common Share Data		
Basic net income	\$0.04	\$0.03
Diluted net income	0.02	0.02
Dividends	—	—
Tangible book value per share (2)	3.07	2.90
Book value per share (2)	2.73	2.53
Weighted average shares outstanding-basic	18,724,047	18,232,169
Weighted average shares outstanding-diluted	32,329,698	32,815,744
Financial Condition Data		
Total assets	\$705,473	\$702,152
Loans	513,992	489,273
Allowance for loan losses	(8,107)	(7,865)
Investment securities	120,105	123,500
Deposits	531,999	542,938
Borrowings	68,950	57,220
Stockholders' equity	95,841	92,507
Financial Ratios and Other Data		
Performance Ratios:		
Net interest margin (3)	3.04%	2.94%
Net interest spread (4)	2.78	2.64
Noninterest income to average assets (5)	1.51	0.76
Noninterest expense to average assets	3.67	3.14
Efficiency ratio (6)	83.74	89.24
Earnings on average assets (7)	0.45	0.36
Earnings on average equity (8)	3.32	2.76
Asset Quality Ratios:		
Nonaccrual loans to total loans (9)	0.97%	1.29%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (9)	1.25	1.66
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total asset (9)	1.24	1.51
Allowance for loan losses to total loans	1.58	1.61
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (9)	126.26	96.96
Net charge-offs (recoveries) to average loans	0.08	(0.06)
Capital Ratios:		
Total equity to total assets	13.59%	13.17%
Total risk-based capital ratio	15.36	15.56
Tier 1 risk-based capital ratio	14.11	14.31
Leverage capital ratio	11.08	10.39
Other Data:		
Number of employees (full-time equivalent)	177	177
Number of banking facilities	11	11

- (1) Noninterest income includes gains and losses on securities.
- (2) 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.
- (3) Net interest margin is the ratio of net interest income to average interest-earning assets.
- (4) Net interest spread is the yield on average interest-earning assets less the rate on average interest-bearing liabilities.
- (5) Noninterest income to average assets excludes gains and losses on securities.
- (6) The efficiency ratio is noninterest expense divided by the sum of net interest income plus noninterest income, excluding gains and losses on securities.
- (7) Earnings on average assets are net income divided by average total assets.
- (8) Earnings on average equity are net income divided by average stockholders' equity.
- (9) Excludes loans held for sale.

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

	March 31, 2020	December 31, 2019
	(Dollars in thousands)	
Assets		
Cash and due from banks	\$9,006	\$8,970
Reverse repurchase agreements	3,622	11,196
Securities available for sale	120,105	120,398
Loans held for sale	24,988	16,928
Net loans	505,885	505,698
Other assets	41,867	40,601
Total assets	<u>\$705,473</u>	<u>\$703,791</u>
Liabilities and Stockholders' Equity		
Deposits	531,999	530,190
Short-term borrowings	68,950	73,847
Other liabilities	8,683	6,350
Total liabilities	<u>609,632</u>	<u>610,387</u>
Stockholders' Equity		
Total stockholders' equity	<u>95,841</u>	<u>93,404</u>
Total liabilities and stockholders' equity	<u><u>\$705,473</u></u>	<u><u>\$703,791</u></u>

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

	Quarter Ended March 31,	
	2020	2019
	(Dollars in thousands, except per share data)	
Total interest income	6,636	7,015
Total interest expense	1,689	2,178
Net interest income	<u>4,947</u>	<u>4,837</u>
Provision for (reversal of) loan losses	202	(158)
Net interest income after provision for (reversal of) loan losses	<u>4,745</u>	<u>4,995</u>
Noninterest income	<u>2,642</u>	<u>1,362</u>
Compensation and employee benefits	4,421	3,687
Equipment, occupancy and premises	823	791
Other expense	1,078	1,027
Total noninterest expense	<u>6,322</u>	<u>5,505</u>
Income from operations before income taxes	<u>1,065</u>	<u>852</u>
Income tax expense	281	229
Net income	<u>784</u>	<u>623</u>
Preferred stock dividends	—	—
Discount from repurchase of preferred stock	—	—
Net income allocated to common stockholders	<u><u>\$784</u></u>	<u><u>\$623</u></u>