



Dear Shareholder,

February 13, 2020

CIB Marine Bancshares, Inc. (“CIB Marine” or the “Company”) is pleased to report its financial results for the year ended December 31, 2019.

Result of Operations – Summary

Net income for the year ended December 31, 2019, was \$2.0 million or \$0.13 basic and \$0.07 diluted earnings per share, compared to \$3.3 million or \$0.28 basic and \$0.15 diluted earnings per share for the same period of 2018.

Key issues for 2019 include:

- The most significant change from 2018 to 2019 was the provision for loan losses, which was \$0.8 million in 2019 compared to a \$1.2 million reversal of provision in 2018. Provisions for 2019 were primarily the result of impairments on a few loans and growth in portfolio balances. Credit quality measures overall improved during 2019 with 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 reported at 1.35% and 1.09%, respectively, at December 31, 2019, compared to 1.45% and 1.34%, respectively, at December 31, 2018.
- Revenue was up \$0.3 million over 2018 as a result of a \$1.8 million increase in mortgage revenue, thanks to a \$55 million increase in mortgage loans originated for sale, which was offset by a \$1.1 million decline in gains on the sale of SBA 7(a) loans, stemming from reduced SBA 7(a) loan originations, which reflects an industry trend for the year, and a \$0.5 million decline in net interest income, due to higher cost of funds.

Financial Condition - Summary

Total assets were down \$17 million from December 31, 2018, to December 31, 2019, reflecting a \$47 million decrease in reverse repurchase agreements offset, in part, by a \$22 million increase in the loan portfolio.

Highlights of our financial condition as of December 31, 2019, include:

- Tangible book value and stated book value at December 31, 2019, were \$2.99 and \$2.64 per share of common stock, respectively; reflecting increases of \$0.17 and \$0.19, respectively, compared to the prior year-end. The increases were due primarily to \$2.0 million in net income; a \$1.4 million improvement in accumulated other comprehensive income; and a \$0.3 million discount to the carrying value of the preferred stock repurchased in 2019, which was accretive to the common shareholders.
- Net loan growth of \$22 million was the result the Commercial Banking Division meeting internal production goals and strong residential production due in part to higher refinance activity in the market. The net change in balances for commercial loans was \$9 million and \$15 million for residential real estate loans.

Attached please find unaudited financial results for the year ended December 31, 2019, including selected financial information, a summary balance sheet, and a summary income statement.

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.

Preferred Stock Repurchase Activity

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. Total preferred shares repurchased to date amount to approximately 26% of the 60,000 shares of preferred stock originally issued in 2009 and include 14,736 shares of Series A preferred stock and 1,159 shares of Series B preferred stock, effectively terminating conversion rights equal to 4.6 million shares of common stock associated with Series B shares.

“Community Banking – The Way It Used To Be”

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Amendments made to CIB Marine's Articles of Incorporation in 2018 are due to expire in 2020, at which time the Company will be required to terminate all negotiations for the repurchase of preferred stock. CIB Marine believes it is not in the best interest of any shareholder to eliminate the potential for voluntary preferred stock repurchases and that, by doing so, the perpetual non-cumulative preferred stock will become more illiquid and less valuable to current holders and potential acquirers. Therefore, CIB Marine anticipates submitting additional amendments to the Articles to both common and preferred shareholders for approval in 2020 in order to permanently allow for voluntarily negotiated transactions of preferred stock. Any such amendment would require the approval of each class of stock voting separately in order for the amendment to become effective.

Board of Director Updates

CIB Marine was pleased to announce the addition of two talented women to the Board of Directors during the fourth quarter of 2019. Ms. Gina Cocking is based in the Company's Chicagoland market and currently serves as Managing Director and Chief Executive Officer of Colonnade Advisors, LLC, an independent investment bank focused on the financial services and business services sectors. Ms. Cocking will stand for election at the annual meeting of shareholders to be held in 2020. Ms. JoAnn Cotter is based in the Company's Wisconsin market and is a retired partner of Wipfli LLP where she served as the leader of the firm's Financial Institutions Practice.

2020 Annual Shareholder Meeting

We have scheduled our Annual Meeting of Shareholders for 1:00 pm on Thursday, April 30, 2020, in Brookfield, Wisconsin. Additional information regarding the annual meeting, including the proxy statement and shareholder proxy card for voting, is forthcoming.

Concluding Comments

CIB Marine is focused on the future - improving our mix of deposits to favor more checking and service oriented accounts, continuing to improve our residential mortgage product suite, hiring and retaining skilled and talented bankers, enhancing our brand, adapting and continuing to upgrade our deposit products and payment services for the evolving digital age of banking and changing demographics; all while mindfully managing our costs and effectively managing the spectrum of banking risks, including credit risk and growing cyber security risks. The banking team at CIB Marine is engaged, planning and preparing for growth and improved results in 2020.

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,				
	2019	2018	2017	2016	2015
	(Dollars in thousands, except share and per share data)				
Selected Statements of Operations Data					
Interest and dividend income	\$27,948	\$26,203	\$23,527	\$20,949	\$18,530
Interest expense	8,647	6,422	4,126	2,997	2,377
Net interest income	19,301	19,781	19,401	17,952	16,153
Provision for (reversal of) loan losses	817	(1,185)	206	(548)	61
Net interest income after provision for (reversal of) loan losses	18,484	20,966	19,195	18,500	16,092
Noninterest income (1)	10,156	9,409	8,730	9,400	4,426
Noninterest expense	26,174	25,847	23,615	23,779	21,117
Income (loss) from continuing operations before income taxes	2,466	4,528	4,310	4,121	(599)
Income tax expense (benefit)	423	1,188	(22,644)	50	6
Net income (loss)	2,043	3,340	26,954	4,071	(605)
Common Share Data					
Basic net income (loss) (2)	0.13	0.28	1.49	0.22	(0.03)
Diluted net income (loss) (2)	0.07	0.15	0.74	0.11	(0.03)
Dividends	—	—	—	—	—
Tangible book value per share (3)	2.99	2.82	2.53	1.01	0.79
Book value per share (3)	2.64	2.45	2.04	0.53	0.31
Weighted average shares outstanding - basic	18,406,663	18,209,096	18,149,660	18,127,892	18,127,892
Weighted average shares outstanding - diluted	32,711,639	35,139,642	36,434,384	35,791,952	18,127,892
Financial Condition Data					
Total assets	\$703,791	\$721,259	\$662,394	\$653,559	\$571,233
Loans	513,705	491,337	483,611	483,518	445,050
Allowance for loan losses	(8,007)	(7,947)	(7,701)	(7,592)	(8,064)
Investment securities	120,398	121,281	114,801	112,072	94,702
Deposits	530,190	536,931	478,633	483,097	443,571
Borrowings	73,847	86,710	84,217	96,944	58,883
Stockholders' equity	93,404	91,035	97,066	69,523	65,586
Financial Ratios and Other Data					
Performance Ratios:					
Net interest margin (4)	2.91%	3.05%	3.11%	3.01%	3.18%
Net interest spread (5)	2.60	2.80	2.93	2.86	3.03
Noninterest income to average assets (6)	1.43	1.37	1.36	1.53	0.84
Noninterest expense to average assets	3.72	3.75	3.67	3.88	4.02
Efficiency ratio (7)	89.07	88.44	83.95	86.94	102.68
Earnings (loss) on average assets (8)	0.29	0.48	4.19	0.66	(0.12)
Earnings (loss) on average equity (9)	2.18	3.52	36.85	5.88	(0.89)
Asset Quality Ratios:					
Nonaccrual loans to total loans (10)	1.09%	1.34%	0.69%	1.26%	0.70%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (10)	1.38	1.62	1.02	1.60	1.96
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total asset (10)	1.35	1.45	1.13	1.67	2.25
Allowance for loan losses to total loans	1.56	1.62	1.59	1.57	1.81
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (10)	112.66	99.72	156.68	97.99	92.25
Net charge-offs (recoveries) to average loans	0.15	(0.29)	0.02	(0.02)	(0.11)
Capital Ratios:					
Total equity to total assets	13.27%	12.62%	14.65%	10.64%	11.48%
Total risk-based capital ratio	15.19	15.34	16.62	15.40	15.45
Tier 1 risk-based capital ratio	13.94	14.09	15.36	14.15	14.20
Leverage capital ratio	10.71	10.10	12.39	11.14	12.27
Other Data:					
Number of employees (full-time equivalent)	176	183	183	171	173
Number of banking facilities	11	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 and \$1.8 million for the years ended December 31, 2019 and 2018, respectively.

(3) 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.

(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)

	December 31, 2019	December 31, 2018
	(Dollars in thousands)	
Assets		
Cash and due from banks	\$8,970	\$13,037
Reverse repurchase agreements	11,196	58,662
Securities available for sale	120,398	121,281
Loans held for sale	16,928	4,632
Net loans	505,698	483,390
Other assets	40,601	40,257
Total assets	<u>\$703,791</u>	<u>\$721,259</u>
Liabilities and Stockholders' Equity		
Deposits	530,190	536,931
Short-term borrowings	73,847	86,710
Other liabilities	6,350	6,583
Total liabilities	<u>610,387</u>	<u>630,224</u>
Stockholders' Equity		
Total stockholders' equity	<u>93,404</u>	<u>91,035</u>
Total liabilities and stockholders' equity	<u>\$703,791</u>	<u>\$721,259</u>

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

	Years Ended December 31,	
	2019	2018
	(Dollars in thousands, except per share data)	
Total interest income	27,948	26,203
Total interest expense	8,647	6,422
Net interest income	<u>19,301</u>	<u>19,781</u>
Provision for (reversal of) loan losses	817	(1,185)
Net interest income after provision for (reversal of) loan losses	<u>18,484</u>	<u>20,966</u>
Noninterest income	10,156	9,409
Compensation and employee benefits	18,142	17,458
Equipment, occupancy and premises	3,190	3,003
Other expense	4,842	5,386
Total noninterest expense	<u>26,174</u>	<u>25,847</u>
Income from operations before income taxes	<u>2,466</u>	<u>4,528</u>
Income tax expense	423	1,188
Net income	<u>2,043</u>	<u>3,340</u>
Preferred stock dividends	—	—
Discount from repurchase of preferred stock	308	1,808
Net income allocated to common stockholders	<u>\$2,351</u>	<u>\$5,148</u>