



February 22, 2022

Dear Shareholder,

CIB Marine Bancshares, Inc. (“CIB Marine” or the “Company”) is pleased to report its financial results for the year ended December 31, 2021. Annual operating results for the Company’s wholly owned subsidiary, CIBM Bank, were highlighted by improved net interest income and related margins, which were supported by growth in core deposits, strong asset quality, and solid mortgage operations results, as mortgage lending activity begins to normalize from 2020 levels.

Results of Operations – Summary

Net income for the year ended December 31, 2021, was \$6.7 million, resulting in a return on average assets (“ROAA”) of 0.88%. Net income and ROAA for the same period in 2020 were \$8.2 million and 1.09%, respectively, reflecting record mortgage banking results for CIB Marine. The earnings per share, basic and diluted, for the year 2021 were \$5.64 and \$4.06, respectively, compared to \$6.51 and \$3.79, respectively, for the same period in 2020. The improved diluted earnings per share reflects the reduction in the average diluted shares of common stock due to the redemption of convertible Series B preferred stock in October 2021. A few highlights include:

- The net interest margin for the year was 3.22% compared to 3.11% in 2020. Net interest income increased \$1.1 million in 2021 when compared to 2020, as a result of a number of factors, including a \$0.4 million increase in accreted deferred Paycheck Protection Program (PPP) fees net of costs, a \$10 million increase in average interest earning asset balances, and improvement in our cost of funds relative to yields on interest earning assets.
- Strong asset quality results, \$0.4 million in net recoveries of previously charged off loans, and favorable developments in economic environmental factors resulted in a \$1.2 million reversal of the provisions for loan losses for the year 2021, compared to a \$1.1 million provision in the year 2020.

Financial Condition - Summary

Although total assets were down \$6 million for the year, cash and due from balances were up \$29 million and net loan balances were up \$5 million, offset in part by a \$33 million reduction in loans held for sale, due to lower levels of refinance mortgage lending activity. The rise in cash and due from balances was supported by a \$33 million increase in deposit balances, primarily in checking and money market deposit accounts. Additional highlights of our financial condition as of December 31, 2021, include:

- Tangible book value per share of common stock (“TBV”) of \$57.06 is up from \$52.28 at December 31, 2020, primarily due to net income, but also as a result of the \$0.5 million in discounts to the carrying value of preferred stock redeemed during 2021. For further insight: TBV excluding deferred tax assets (“DTAs”) was \$45.53 and TBV after the effects of a conversion of Series B preferred stock to common was \$43.51 (conversion is only permissible under very limited situations); compared to \$39.42 and \$32.52, respectively, at December 31, 2020. Trade volume and prices for the Company’s common stock, CIBH, is quoted on the OTCQX market.
- 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 down to 0.21% and 0.14%, respectively, compared to 0.54% and 0.23%, respectively, at December 31, 2020, and 0.25% and 0.18%, respectively, at September 30, 2021. The improvements reflect collection related activities, continued favorable trends in the unemployment rate and GDP in the economy, and ongoing supporting fiscal and monetary policy.

“Community Banking – The Way It Used To Be”

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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 Redemptions

On October 29, 2021, we completed the initial \$18 million pro-rata preferred stock redemption outlined in our Second Amended and Restated Articles of Incorporation (the “Articles”), as approved by common and preferred shareholders in September 2021. The redemption included the repurchase of approximately 21,818 shares of preferred stock, or nearly 50% of all outstanding Series A and Series B preferred shares at a price of \$825 per share. The total redemption price was at a \$0.5 million discount to the carrying value of the preferred stock, and further reduced the dilution that would occur upon the conversion of the Series B preferred shares to common shares (which may occur only in certain, limited circumstances) from 40% to 24% of the total issued and outstanding common shares on a pro-forma, fully-diluted basis. Going forward, all remaining issued and outstanding shares of Series A must be redeemed before the Company may redeem any Series B preferred shares, as outlined in our Articles.

Sub-Debt Issuance

Operating improvements and market conditions created favorable circumstances for CIB Marine to issue \$10 million in subordinated debentures in February 2022 (the “Sub-Debt”). The 10-year notes bear interest at 4.50% per annum through February 18, 2027, and thereafter pay a quarterly floating rate equal to the Three-Month Term SOFR plus 275 basis points. The purpose of the capital raise is primarily to support future redemptions of our preferred stock, as outlined in our Articles, and future needs of the Company and Bank. Future preferred stock redemptions will be determined based on a number of factors, including capital needs at the Company and Bank; regulatory consents; and our Internal Revenue Code Section 382 analysis of the potential impairment of DTA, which is greatly influenced by the timing and amount of future redemptions.

Preservation and Use of Deferred Tax Assets

In addition to the preferred stock redemptions mentioned above, we want to continue to remind our shareholders that if they accumulate 5% or more of Company stock over a 3-year test period they could, by themselves or in combination with others, cause a cumulative 50% ownership change. Such an event would trigger certain Section 382 limitations that could severely limit our ability to use net operating loss carryforwards prior to their expiration dates, thereby reducing the value of the Company’s \$14.7 million DTA net of liabilities. At December 31, 2021, 5% of the total value of Company stock was approximately \$3.4 million, which is the equivalent of approximately 87,880 shares of common stock at the last traded price listed on OTCQX at December 31, 2021 (i.e., \$39.10/share), or approximately 4,795 shares of preferred stock at \$825 per share, the price paid per share of preferred stock on the last redemption date of October 29, 2021. Under the assumption all preferred share are redeemed, 5% of Company common stock would be 64,593 shares.

The Company does not directly control a number of factors related to Section 382 events, including fair market values of stock or shareholder purchases/sales of stock, and the number of shares that denote a 5% shareholder could change significantly as a result. Significant shareholders are cautioned to carefully consider the consequences of any stock transactions that could impact the value of the Company’s DTA. For further explanation or inquiry, please contact the Company.

2022 Annual Shareholder Meeting

We have scheduled our Annual Meeting of Shareholders for 1:00 pm on Thursday, April 28, 2022, at the Sheraton Lisle Naperville, 3000 Warrenville Rd, Lisle, Illinois. Additional information regarding the 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 regulatory and economic landscape with particular focus on improved quality of earnings, customer care and service, and shareholder value as we operate in 2022 with anticipated lower mortgage lending volumes. I am very thankful for the hard work of our employees, as well as their skill and willingness to navigate through this complex and quickly evolving environment together.

We wish you all health and safety in 2022.

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,				
	2021	2020	2019	2018	2017
	(Dollars in thousands, except share and per share data)				
Selected Statements of Operations Data					
Interest and dividend income	\$25,059	\$26,996	\$27,948	\$26,203	\$23,527
Interest expense	1,796	4,814	8,647	6,422	4,126
Net interest income	23,263	22,182	19,301	19,781	19,401
Provision for (reversal of) loan losses	(1,195)	1,053	817	(1,185)	206
Net interest income after provision for (reversal of) loan losses	24,458	21,129	18,484	20,966	19,195
Noninterest income (1)	15,071	21,801	10,156	9,409	8,730
Noninterest expense	30,377	32,003	26,174	25,847	23,615
Income from continuing operations before income taxes	9,152	10,927	2,466	4,528	4,310
Income tax expense (benefit)	2,480	2,743	423	1,188	(22,644)
Net income	6,672	8,184	2,043	3,340	26,954
Common Share Data (2)					
Basic net income (3)	5.64	6.51	1.92	4.24	22.28
Diluted net income (3)	4.06	3.79	1.08	2.20	11.10
Dividends	—	—	—	—	—
Tangible book value per share (4)	57.06	52.28	44.86	42.35	37.88
Book value per share (4)	54.55	47.19	39.66	36.77	30.61
Weighted average shares outstanding - basic	1,280,259	1,262,279	1,227,111	1,213,940	1,209,977
Weighted average shares outstanding – diluted	1,778,294	2,167,731	2,180,776	2,342,643	2,428,959
Financial Condition Data					
Total assets	\$745,393	\$750,982	\$703,791	\$721,259	\$662,394
Loans	543,819	539,227	513,705	491,337	483,611
Allowance for loan losses	(8,352)	(9,122)	(8,007)	(7,947)	(7,701)
Investment securities	106,647	108,492	120,398	121,281	114,801
Deposits	618,991	586,373	530,190	536,931	478,633
Borrowings	27,049	51,310	73,847	86,710	84,217
Stockholders' equity	91,780	103,704	93,404	91,035	97,066
Financial Ratios and Other Data					
Performance Ratios:					
Net interest margin (5)	3.22%	3.11%	2.91%	3.05%	3.11%
Net interest spread (6)	3.13	2.93	2.60	2.80	2.93
Noninterest income to average assets (7)	2.00	2.90	1.43	1.37	1.36
Noninterest expense to average assets	4.02	4.26	3.72	3.75	3.67
Efficiency ratio (8)	79.10	72.85	89.07	88.44	83.95
Earnings (loss) on average assets (9)	0.88	1.09	0.29	0.48	4.19
Earnings (loss) on average equity (10)	6.37	8.26	2.18	3.52	36.85
Asset Quality Ratios:					
Nonaccrual loans to total loans (11)	0.14%	0.23%	1.09%	1.34%	0.69%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (11)	0.21	0.40	1.38	1.62	1.02
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total asset (11)	0.21	0.54	1.35	1.45	1.13
Allowance for loan losses to total loans	1.54	1.69	1.56	1.62	1.59
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (11)	726.26	421.14	112.66	99.72	156.68
Net charge-offs (recoveries) to average loans	(0.08)	(0.01)	0.15	(0.29)	0.02
Capital Ratios:					
Total equity to total assets	12.31%	13.81%	13.27%	12.62%	14.65%
Total risk-based capital ratio	15.53	17.44	15.19	15.34	16.62
Tier 1 risk-based capital ratio	14.28	16.19	13.94	14.09	15.36
Leverage capital ratio	10.22	11.46	10.71	10.10	12.39
Other Data:					
Number of employees (full-time equivalent)	177	176	176	183	183
Number of banking facilities	10	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 \$0.5 million, \$0.03 million, \$0.3 million and \$1.8 million for the years ended December 31, 2021, 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, 2021	December 31, 2020
	(Dollars in thousands)	
Assets		
Cash and due from banks	\$59,184	\$29,927
Securities available for sale	106,647	108,492
Loans held for sale	9,859	42,977
Net loans	535,467	530,105
Other assets	34,236	39,481
Total assets	<u>\$745,393</u>	<u>\$750,982</u>
Liabilities and Stockholders' Equity		
Deposits	618,991	586,373
Short-term borrowings	27,049	51,310
Other liabilities	7,573	9,595
Total liabilities	<u>653,613</u>	<u>647,278</u>
Stockholders' Equity		
Total stockholders' equity	<u>91,780</u>	<u>103,704</u>
Total liabilities and stockholders' equity	<u>\$745,393</u>	<u>\$750,982</u>

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

	Years Ended December 31,	
	2021	2020
	(Dollars in thousands, except per share data)	
Total interest income	\$25,059	\$26,996
Total interest expense	1,796	4,814
Net interest income	<u>23,263</u>	<u>22,182</u>
Provision for loan losses	(1,195)	1,053
Net interest income after provision for loan losses	<u>24,458</u>	<u>21,129</u>
Noninterest income		
Compensation and employee benefits	15,071	21,801
Equipment, occupancy and premises	21,825	24,216
Other expense	3,271	3,205
Total noninterest expense	<u>5,281</u>	<u>4,582</u>
Income from operations before income taxes	<u>30,377</u>	<u>32,003</u>
Income tax expense	9,152	10,927
Net income	<u>2,480</u>	<u>2,743</u>
Preferred stock dividends	6,672	8,184
Discount from repurchase of preferred stock	—	—
Net income allocated to common stockholders	<u>546</u>	<u>33</u>
	<u>\$7,218</u>	<u>\$8,217</u>