



May 6, 2021

Dear Shareholder,

CIB Marine Bancshares, Inc. (“CIB Marine” or the “Company”) is pleased to report its financial results for the quarter ending March 31, 2021.

CIBM Bank had a productive and profitable first quarter in 2021. A number of new federal policy implementations occurred during the first quarter of 2021, including a new round of Paycheck Protection Program (“PPP”) loans and loan payment support for small businesses in a number of industries, including restaurants and hospitality. With continued monetary and fiscal stimulus programs, the economy has been infused with substantial liquidity resulting in an increase in checking and money market deposit balances. Mortgage activity has also been robust. Despite the rapid increase in long term U.S. Treasury and mortgage lending rates during the quarter, mortgage rates remain near historic lows, sustaining both mortgage refinancing and new home purchase financing as well as cash out and debt consolidation refinance activity given the higher home equity levels in our communities.

#### **Result of Operations – Summary**

Net income for the first quarter of 2021 was \$2.1 million, compared to \$0.8 million for the same period of 2020; or \$1.67 basic and \$0.97 diluted earnings per share compared to \$0.63 basic and \$0.36 diluted earnings per share, respectively, in the first quarter of 2020. A few highlights for the quarter include:

- Noninterest income was up \$2.5 million compared to the same period of 2020, the result of a \$60 million increase in mortgage lending originations between the two periods due primarily to higher refinance activity in a lower rate environment. Increased compensation for the quarter relative to the same period last year is primarily related to the increased mortgage production.
- Net interest income was up \$0.8 million compared to the same period of 2020, the result of higher average earning asset balances, including PPP, commercial real estate and residential loans held for sale, as well as lower cost of funds. The 3.23% net interest margin is up 19 basis from the same period of 2020.

#### **Financial Condition - Summary**

Compared to December 31, 2020, total assets were up \$2 million at March 31, 2021, reflecting a \$22 million increase in cash and due from and \$4 million increase in investment securities offset by a \$25 million decrease in loans held for sale. In addition, checking accounts are up \$20 million and money market and savings accounts are up by \$24 million, offset by a \$22 million decline in time deposits and a \$27 million reduction in FHLB borrowings. Additional highlights of our financial condition as of March 31, 2021, include:

- Tangible book value (“TBV”) of \$53.25 is up 2% from \$52.28 at December 31, 2020 and up 16% from \$46.05 on March 31, 2020, primarily due to increased net income. For further insight: TBV excluding deferred tax assets is \$40.43, TBV after the effects of a conversion of Series B preferred stock to common is \$33.22 (although conversion is only permissible under very limited situations), and TBV with both affects is \$25.53 at March 31, 2021. The magnitude of these adjusted calculations are somewhat unique for a community bank and help to explain, in part, the difference of the price of CIBH and our TBV per share, although this relationship is not one for one.
- The allowance for loan and lease losses to total loans was 1.71%, compared to 1.69% at December 31, 2020, and 1.58% on March 31, 2020. The increase over the last twelve months is primarily related to 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 0.52% and

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*“Community Banking – The Way It Used To Be”*

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0.23%, respectively, compared to 0.54% and 0.23%, respectively, at December 31, 2020, and 1.24% and 0.97%, respectively, at March 31, 2020. These continue to be some of the best asset quality figures of the current credit cycle. At the same time, the legacy of the pandemic and the “Lockdown Recession” in 2020 has created some higher risk loan categories that we have reported on in the past. More information on this matter is included in our additional financial information available on our website as referenced below.

We encourage you to visit our website, [www.cibmarine.com](http://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](mailto:Elizabeth.Neighbors@cibmarine.com) to be added to our distribution list.

### **Preservation and Use of Deferred Tax Assets**

CIB Marine has \$15.4 million in deferred tax assets (“DTA”) net of its tax liabilities, a substantial asset that has been utilized more quickly over the past few years. 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 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 March 31, 2021, 5% of the total value of Company stock was approximately \$2.9 million which is the equivalent of approximately 137,000 shares of common stock at the last traded price listed on OTCQB, or approximately 3,980 shares of preferred stock at \$716.59 per share (assuming a proportionate amount of Series A and B to the original issuance and a price of \$716.59 per share which is the weighted average price for all shares repurchased from 2018 through 2020). It is insightful to understand that if all preferred shares were redeemed at some time in the future, based on current outstanding shares of common stock a 5% holder would be a holder of approximately 64,000 shares from that point forward. 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 and the number of shares denoting a 5% shareholder could change significantly as a result. 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 could impact the value of the DTA. For further explanation, please contact the Company.

### **2021 Annual Shareholder Meeting**

On April 27, 2021, we issued a shareholder letter announcing the postponement of our April 29, 2021 Annual Meeting to May 19, 2021. During this three-week period, we are applying for regulatory approval to distribute \$18 million from CIBM Bank to CIB Marine to be used for 2021 preferred stock repurchases, conducting a Section 382 analysis of the proposed 2021 repurchase transaction, and negotiating final documents related to a preferred stock repurchase plan to repurchase all outstanding preferred stock over the next four years, subject to all regulatory approvals. Provided final agreements can be reached, we will then reschedule our Annual Meeting for a later date in order to add a third proposal to the Proxy Statement to address an amendment to our Amended and Restated Articles of Incorporation, which will be necessary in order to implement the repurchase plan. We will continue to update you as this situation progresses.

### **Concluding Comments**

We began 2021 with a continuation of the solid earnings we saw in 2020. As the increase in vaccinations lessens the effects of the pandemic, we have increasingly focused on “Project Falcon”, our program

designed to drive further improvements in CIBM Bank's performance. More recent Project Falcon initiatives include: implementing cost-saving technologies in loan operations; phone system enhancements to streamline client communication; investing in improved digital self-service systems; development and launch of four residential loans products to ensure our mortgage lenders remain competitive and service a wider group of borrowers, boosting portfolio yield; and fulfilling a marketing strategy designed to strengthen checking account originations.

CIB Marine's dedication to the ongoing economic growth of the communities we live and work in runs deep. In line with this commitment, we have directed our technical expertise, financial resources, and individual hard work to segments of our communities that are most in need of assistance and support during the last year: 100+ Affordable Loan Program residential mortgage loans originated; 300+ PPP loans and 200+ small business loans originated; more than \$2 million in CRA investments made; and nearly \$50,000 in donations/grants and over 40 community development activities attended by our employees for local organizations in support of affordable housing and financial expertise for low and moderate income households. Being a responsible and supportive member of our local communities is an important part of our mission and culture and we are proud to see our employees go the extra mile for clients and fellow citizens alike.

Sincerely,



J. Brian Chaffin  
President & Chief Executive Officer

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#### **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,	
	2021	2020
(Dollars in thousands, except share and per share data)		
<b>Selected Statements of Operations Data</b>		
Interest and dividend income	\$6,265	\$6,636
Interest expense	536	1,689
Net interest income	5,729	4,947
Provision for loan losses	20	202
Net interest income after provision of loan losses	5,709	4,745
Noninterest income (1)	5,146	2,642
Noninterest expense	7,940	6,322
Income before income taxes	2,915	1,065
Income tax expense	798	281
<b>Net income</b>	<b>\$2,117</b>	<b>\$784</b>
<b>Common Share Data (2)</b>		
Basic net income	\$1.67	\$0.63
Diluted net income	0.97	0.36
Dividends	—	—
Tangible book value per share (3)	53.25	46.05
Book value per share (3)	48.21	40.95
Weighted average shares outstanding-basic	1,268,947	1,248,275
Weighted average shares outstanding-diluted	2,185,433	2,155,315
<b>Financial Condition Data</b>		
Total assets	\$752,715	\$705,473
Loans	540,206	513,992
Allowance for loan losses	(9,253)	(8,107)
Investment securities	112,400	120,105
Deposits	608,433	531,999
Borrowings	30,736	68,950
Stockholders' equity	105,593	95,841
<b>Financial Ratios and Other Data</b>		
Performance Ratios:		
Net interest margin (4)	3.23%	3.04%
Net interest spread (5)	3.13	2.78
Noninterest income to average assets (6)	2.79	1.51
Noninterest expense to average assets	4.27	3.67
Efficiency ratio (7)	72.72	83.74
Earnings on average assets (9)	1.14	0.45
Earnings on average equity (9)	8.10	3.32
Asset Quality Ratios:		
Nonaccrual loans to total loans (10)	0.23%	0.97%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (10)	0.37	1.25
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total assets (10)	0.52	1.24
Allowance for loan losses to total loans	1.71	1.58
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (10)	459.21	126.26
Net charge-offs (recoveries) to average loans	(0.08)	0.08
Capital Ratios:		
Total equity to total assets	14.03%	13.59%
Total risk-based capital ratio	18.15	15.36
Tier 1 risk-based capital ratio	16.89	14.11
Leverage capital ratio	11.88	11.08
Other Data:		
Number of employees (full-time equivalent)	179	177
Number of banking facilities	10	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) 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)**

	March 31, 2021	December 31, 2020
	(Dollars in thousands)	
<b>Assets</b>		
Cash and due from banks	\$51,691	\$29,927
Reverse repurchase agreements	—	—
Securities available for sale	112,400	108,492
Loans held for sale	18,136	42,977
Net loans	530,953	530,105
Other assets	39,535	39,481
Total assets	\$752,715	\$750,982
<b>Liabilities and Stockholders' Equity</b>		
Deposits	608,433	586,373
Short-term borrowings	30,736	51,310
Other liabilities	7,953	9,595
Total liabilities	647,122	647,278
<b>Stockholders' Equity</b>		
Total stockholders' equity	105,593	103,704
Total liabilities and stockholders' equity	\$752,715	\$750,982

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

	Quarter Ended March 31,	
	2021	2020
	(Dollars in thousands, except per share data)	
Total interest income	\$6,265	6,636
Total interest expense	536	1,689
<b>Net interest income</b>	5,729	4,947
Provision for loan losses	20	202
<b>Net interest income after provision for loan losses</b>	5,709	4,745
<b>Noninterest income</b>		
Compensation and employee benefits	5,146	2,642
Equipment, occupancy and premises	813	823
Other expense	1,171	1,078
<b>Total noninterest expense</b>	7,940	6,322
<b>Income from operations before income taxes</b>	2,915	1,065
Income tax expense	798	281
<b>Net income</b>	2,117	784
Preferred stock dividends	—	—
Discount from repurchase of preferred stock	—	—
<b>Net income allocated to common stockholders</b>	\$2,117	\$784