



State of Marine Bancorp of Florida Shareholder Letter

June 22, 2020

Dear Marine Shareholders:

In my ten years as CEO of Marine Bank, one of my greatest pleasures has been standing before you - *our owners* - and informing you of the progress our Team of Marine Bankers has made in profitably growing the Bank and your investment. We have faced, and overcome, many obstacles including hyper-competition, the Great Recession, high interest rates, low interest rates and many hurricanes. But we have never faced a total game changer like the Covid-19 pandemic.

As a result of this ongoing threat including social distancing requirements, we will hold the business portion of our June 24th Annual Shareholder's Meeting virtually. In lieu of my normal presentation, this State of Marine letter will be posted on our website.

We previously reported on our full 2019 and first quarter 2020 financial results in earlier shareholder letters. But in our current pandemic world, that seems like an eternity ago so I will give you a brief recap.

2019 Financial Summary:

	2019	2018	% change
Net Income	\$1,614,000	\$798,000	102%
Total Assets	\$286 million	\$270 million	6%

2020 First Quarter Summary:

	March 2020	March 2019	% change
Net Income	\$600,000	\$353,000	70%
Total Assets	\$312 million	\$278 million	12%

2019 was an excellent year and 2020 was looking even better. *Then our world changed.*

Pandemic Update

In our first quarter 2020 shareholder letter of May 11, 2020, I reported on our response to the current pandemic. These comments will focus on updates since then.

- Our lobbies have remained open with normal hours for customer convenience during the pandemic
- Our primary concern has been the safety of our customers and employees
- Teller transactions are conducted in the drive-through

- Portable sinks are at the front door for sanitary hand washing; all who enter do so with clean hands
- We practice six feet social distancing; this is measured with a 6' red stick, our 6' pool noodles and 12 one-dollar bills laid end to end that equal six feet
- Employees wear masks in open areas
- Customers are offered masks
- Approximately 20% of our employees are working from home
- Sanitary cleaning after hours and throughout the day

We have received many positive customer comments on these safety protocols. Remaining open and physically available to our customers has been very beneficial in customer retention and gaining new customers.

I am very proud of how our Bankers have responded in providing our customers with world class service under very difficult conditions.

Paycheck Protection Program (PPP) Loan Update

In May I reported that Marine had completed 641 loans for \$57 million, providing paychecks for approximately 6,000 employees. As of June 15th, Marine has completed 750 loans exceeding \$60 million for approximately 7,000 jobs.

Our Bankers have worked long, hard hours to accomplish this significant achievement.

The national narrative on the PPP experience is that the big banks dropped the ball, and the nation's community banks rose to the occasion to get payroll dollars to Main Street businesses and their employees. **Marine was no exception.** We made hundreds of PPP loans to local businesses, professionals, and non-profits when their (previous) bank could not perform. This has led to numerous new banking relationships. For instance, in a normal month we open approximately 110 new deposit accounts. In April and May we opened a total of 529 new accounts! These new customers come to us with loyalty after being disappointed by their previous bank.

This also led to hundreds of customer thank you notes and testimonials. This is brand awareness and insistence you cannot buy. Please check our website (marinebank.bank) to view several of the heartfelt customer testimonial videos.

What is the financial impact to Marine?

Our strong balance sheet growth is tangible evidence of the many families and businesses we have helped during these uncertain times. We stand ready to assist customers with financial advice when called upon. The PPP loans the Bank funded directly supported economic activity in our community. Our deep customer relationships enabled a dramatic increase in our deposit balances. Our checking account products for large and small businesses have been particularly successful.

For example:

<i>In millions \$</i>	12/31/19	3/31/20	6/12/20
Total Loans	\$249	\$256	\$321
Checking Accounts	\$78	\$85	\$116
Total Assets	\$296	\$312	\$370

We are thrilled to have a high volume of new mortgage and business loan requests. This demonstrates customer trust in Marine Bank and supports our goal to be the lender of choice in our community. From a balance sheet perspective, the timing could not be better, as these loans will replace PPP loans forgiven by the SBA.

Credit Quality

Our community is in the re-opening phase of the pandemic. We know there will be economic distress locally and nationally as some businesses cannot survive. We do not know who will not survive and the stress this will put on our loan portfolio. We entered this pandemic with excellent loan quality. As a precaution we are conducting a thorough loan portfolio review for early problem identification. We are adding staff to our credit administration department to quickly identify and respond to problems. Additionally, we have added significant dollars to the loan loss reserve and will continue to do so as necessary.

Our discussions with various business owners and professionals indicate the economy is recovering with robust housing sales, business expansions increasing and hotels filling up. Also reflecting these observations, our loan pipelines are as full as they have ever been, indicating consumer confidence to buy a house and business confidence to expand.

We are optimistic about the opportunities to connect with customers on a deep level by providing valuable financial advice.

2020 Going Forward

Absent a huge spike in credit issues, we expect 2020 to be a good year despite all the challenges.

Investing in Our Community

Social justice has been in the news recently. We have always believed in investing in our entire community. Some examples include:

- Financial literacy training for students, homeless and veterans
- For ten years we have sponsored the Marine Bank Minority Scholarship for the Indian River County Chamber of Commerce Leadership Program
- SHIP Lending personnel and loans – Two of our Bankers participate in the local State Housing Initiative Program as Chair & Co-chair. Marine has provided more than 70 loans to these lower income borrowers thus enabling the first-time home ownership.
- Loans purchased from Habitat for Humanity; Marine currently has four home loans totaling \$215,000 purchased from Habitat for Humanity, again enabling first time, low income home buyers to break through to home ownership
- Over the years we have provided numerous contributions of time, talent and treasure to local organizations that provide social services to our residents. These include the United Way (broad based social services), Gifford Youth Achievement Center (character development for low income youth), the Indian River and Sebastian Chambers of Commerce (job creation), Youth Guidance (mentoring disadvantaged youth), Exchange Club (child abuse prevention), United Against Poverty (lifting residents out of poverty) and so many more.

We will continue to monitor current events and search out opportunities to make positive differences in the communities we serve. *We thrive when our entire community thrives.*

New Wealth Management Partner

I am pleased to announce that we have formed a partnership with Warren Capital Management to provide wealth management services to our customers. Sue Tompkins and her team at Warren Capital are well respected, local advisors and we expect a long and mutually beneficial relationship. Please let us know when you would like to schedule a portfolio review.

Marine on the OTC Market

We have previously announced that your Marine Bancorp of Florida stock is listed on the OTC market under the ticker symbol of MBOF. Mike Acampora of DA Davidson is our market maker. If you have an interest in buying or selling Marine stock, please contact Mike at 904-456-6153 or macampora@dadco.com.

Follow our Progress

Keep up on your investment through our Facebook and LinkedIn pages and our website. If you would like to receive our monthly newsletter emails, please contact April Williams at 772.231.6611 or awilliams@MarineBank.Bank.

Closing

Thank you again for your continued investment in Marine Bank. Rest assured your team of Marine Bankers is working hard every day to protect and grow your investment. I look forward to seeing you in person in April next year for the 2021 Annual Shareholder's Meeting!

In the following page please find questions previously submitted by shareholders and our response.

Sincerely yours,



William J. Penney
President, CEO &
Chairman of the Board

Shareholder Questions for 2020 Marine Bancorp Shareholder Meeting

Question:

When it comes to 'online banking', if a customer's account is 'hacked' and they lost a considerable amount of money, what is the time-period before the money is restored? Is there an investigation?

Answer:

Any electronic funds transfers made without the customer's permission would fall under Regulation E. If the customer notifies the Bank within 2 business days that their access code has been used without their permission by another party, the customer's liability would be no more than \$50. If the customer does not notify the Bank within 2 days of learning their access code has been compromised their liability can be as much as \$500.

If the customer is unaware that the Access code has been compromised but sees transactions they did not authorize, they must contact us immediately. If the customer does not notify us within 60 days after the statement was issued, the customer may not get their funds back if we can show that we could have stopped someone from taking funds if we were notified in the time period.

Once we are notified of an issue the customer is given provisional credit within 10 days and we do an investigation into the claim. We can take up to 45 days to investigate and the customer is notified of the findings. If an error was determined to have occurred the credit will remain with the customer, if no error was found, the credit will be reversed.

Question:

What happens if the customer's computer had been the source of the problem? How is the Bank protected, and if the source of the problem is the customer's computer or smartphone, is the money restored by the Bank?

Finally, is everyone who chooses to bank online, required to sign any document or paper disclosing any potential losses to their account by their own negligence, if any losses are not restored?

Answer:

Our terms and conditions address these two questions. The Bank has no liability for the user's failure to ensure the correct web site or app is used when accessing online banking. All users are required to review and agree to the terms and conditions before they can complete the enrollment process. This is an electronic acknowledgement that is tied to the user ID.

We urge our customers to monitor their accounts daily and the best way to do this is on our Marine Bank mobile app for your smartphone. Let us show you how can you bank safer and with greater peace of mind.