

CIB Marine Bancshares, Inc. (OTCQB: CIBH). This report provides additional detailed financial information for the quarter ended March 31, 2018. Please see our Shareholder Letter dated May 10, 2018, located at www.cibmarine.com, for a summary description of our financial results.

CIB MARINE BANCSHARES, INC.
Net Interest Income (unaudited)

	2018			2017		
	Average Balance	Interest Earned/Paid	Average Yield/Cost	Average Balance	Interest Earned/Paid	Average Yield/Cost
(Dollars in thousands)						
Quarter Ended March 31,						
Interest-earning assets						
Securities (1)	\$116,220	\$775	2.67%	\$112,460	\$611	2.17%
Loans held for sale (1)	6,608	73	4.48	4,293	46	4.34
Loans (1)(2)	479,698	5,125	4.33	486,563	4,826	4.02
Federal funds sold, reverse repos and interest-earning due from banks	7,227	36	1.98	23,296	79	1.38
Total interest-earning assets	609,753	6,009	3.99	626,612	5,562	3.60
Noninterest-earning assets	40,661			18,256		
Total assets	\$650,414			\$644,868		
Interest-bearing liabilities						
Interest-bearing deposits	\$410,466	\$948	0.94%	\$409,225	\$749	0.74%
Borrowed funds	71,732	237	1.34	88,609	143	0.66
Total interest-bearing liabilities	482,199	1,185	1.00	497,834	892	0.73
Noninterest-earning liabilities:						
Noninterest-bearing demand deposits	68,353			73,840		
Accrued interest and other liabilities	2,142			2,605		
Preferred equity	51,000			51,000		
Common equity	46,720			19,589		
Total stockholders' equity	97,720			70,589		
Total liabilities and stockholders' equity	\$650,414			\$644,868		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$127,554	\$4,824	2.99%	\$128,778	\$4,670	2.87%
Net interest margin (1)(4)			3.20%			3.02%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.26			1.26		

(1) Balance totals include respective nonaccrual assets.

(2) Interest earned on loans includes a nominal amount of amortized loan costs for all periods presented.

(3) Net interest spread is the yield on average interest-earning assets less the rate on interest-bearing liabilities.

(4) Net interest margin is the ratio of net interest income to average interest-earning assets.

Net interest income increased \$0.2 million in the first quarter of 2018 versus the same period of 2017, despite lower average interest earning assets primarily in the reverse repo. The rise in net interest income was due primarily to the increase in yields on assets versus cost of liabilities, resulting in a net interest margin of 3.20% versus 3.02% for the same time period last year.

CIB MARINE BANCSHARES, INC.
Loans and Allowance for Loan and Losses

	Loan Portfolio Segments (unaudited)					
	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)					
Commercial	\$52,368	11.1%	\$57,134	11.8%	\$62,572	13.0%
Commercial real estate	246,350	52.2	243,070	50.4	214,311	44.4
Construction and development	12,427	2.6	17,978	3.7	39,667	8.2
Residential real estate	131,176	27.8	131,313	27.2	126,499	26.2
Home equity	23,933	5.1	27,263	5.6	31,618	6.6
Purchased home equity pools	4,935	1.0	5,173	1.1	6,776	1.4
Other consumer	675	0.2	705	0.2	940	0.2
Gross loans	471,864	100.0%	482,636	100.0%	482,383	100.0%
Deferred loan costs	882		975		1,118	
Loans	472,746		483,611		483,501	
Allowance for loan losses	(7,331)		(7,701)		(7,567)	
Loans, net	\$465,415		\$475,910		\$475,934	

Nonperforming Assets and Selected Asset Quality Ratios (unaudited)

	March 31, 2018	December 31, 2017	March 31, 2017
	(Dollars in thousands)		
Nonperforming assets			
Nonaccrual loans:			
Commercial	\$42	\$43	\$277
Commercial real estate	—	1,390	2,573
Construction and development	—	—	1,029
Residential real estate	251	984	1,142
Home equity	621	934	1,350
Other consumer	—	—	—
	914	3,351	6,371
Loans held for sale	—	—	—
Total nonaccrual loans	914	3,351	6,371
Other real estate owned	3,164	2,584	3,153
Total nonperforming assets	\$4,078	\$5,935	\$9,524
Restructured loans accruing			
Commercial	\$—	\$—	\$14
Commercial real estate	533	569	533
Residential real estate	675	628	266
Home equity	—	—	434
Purchased home equity pools	365	367	375
Other consumer	—	—	—
Total restructured loans accruing	\$1,573	\$1,564	\$1,622
90 days or more past due still accruing	\$—	\$—	\$—

Ratios

Nonaccrual loans to total loans (1)	0.19%	0.69%	1.32%
Other real estate owned to total assets	0.48	0.39	0.50
Nonperforming assets to total assets (1)	0.61	0.90	1.51
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (1)	0.53	1.02	1.65
Nonperforming assets, restructured loans and 90 days or more past due and still accruing loans to total assets (1)	0.85	1.13	1.77

(1) Excludes loans held for sale from nonaccrual loans, nonperforming assets, restructured loans accruing and 90 days or more past due and still accruing loans.

Allowance for Loan Losses (unaudited)

	Commercial	Commercial Real Estate	Construction and Development	Residential Real Estate	Home Equity	Purchased Home Equity Pools	Other Consumer	Total
(Dollars in thousands)								
Quarter ended March 31, 2018								
Balance at beginning of period	\$1,144	\$4,522	\$230	\$769	\$870	\$151	\$15	\$7,701
Provision for (reversal of) loan losses	(28)	200	(38)	(54)	(85)	(120)	(1)	(126)
Charge-offs	—	—	—	(144)	(253)	(16)	—	(413)
Recoveries	6	4	—	—	5	154	—	169
Balance at end of period	\$1,122	\$4,726	\$192	\$571	\$537	\$169	\$14	\$7,331
Quarter ended March 31, 2017								
Balance at beginning of period	\$1,304	\$3,958	\$686	\$757	\$590	\$277	\$20	\$7,592
Provision for (reversal of) loan losses	249	46	8	50	(10)	(112)	(3)	228
Charge-offs	(350)	—	—	—	—	—	—	(350)
Recoveries	6	—	—	—	25	66	—	97
Balance at end of period	\$1,209	\$4,004	\$694	\$807	\$605	\$231	\$17	\$7,567

Nonaccrual loan volumes decreased with the resolution and improvements in some commercial credits. As a result, nonaccrual loans to total loans fell from 0.69% at December 31, 2017, to 0.19% at March 31, 2018.

Provision reversal for the first quarter of 2018 was \$126,000 compared to a provision expense of \$228,000 for the same period of 2017. Although charge-offs increased, recoveries were higher, loan balances were lower overall, and there was certain resolution to nonaccrual and other problem loans during the first quarter of 2018.

CIB Marine may record recoveries in excess of charge-offs from time to time. Although it cannot be certain in advance due to a number of factors related to the determination of the provision for loan losses, a net recovery may result in a credit provision (i.e., a reversal of provisions for loan losses) in the period of the net recovery. A net recovery has the potential to increase CIB Marine's net income by an amount up to the net recovery. However, there can be no certainty as to whether CIB Marine will experience improved credit quality or recoveries during future quarters so as to permit it to record further credit provisions or reversals of provisions for loan losses for any of the portfolio segments or in total.

The allowance for loan losses declined from \$7.6 million at March 31, 2017, to \$7.3 million at March 31, 2018, primarily due to lower loan balances as well as the broad longer term trend of overall improved loan asset quality, and the growth in the residential segment of the loan portfolio which has a lower allowance for loan loss rate.

Past Due Accruing Loans (unaudited)

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
(Dollars in thousands)						
<u>At March 31, 2018</u>						
Commercial	\$224	\$—	\$—	\$224	\$52,102	\$52,326
Commercial real estate	—	—	—	—	245,329	246,350
Construction and development	1,021	—	—	1,021	12,427	12,427
Residential real estate	241	—	—	241	130,684	130,925
Home equity	305	—	—	305	23,007	23,312
Purchased home equity pools	23	—	—	23	4,912	4,935
Other consumer	26	—	—	26	649	675
Deferred loan costs	3	—	—	3	879	882
Total	\$1,843	\$—	\$—	\$1,843	\$469,989	\$471,832
<u>At December 30, 2017</u>						
Commercial	\$—	\$—	\$—	\$—	\$57,091	\$57,091
Commercial real estate	142	—	—	142	241,538	241,680
Construction and development	100	100	—	200	17,778	17,978
Residential real estate	794	79	—	873	129,456	130,329
Home equity	546	79	—	625	25,704	26,329
Purchased home equity pools	16	—	—	16	5,157	5,173
Other consumer	—	—	—	—	705	705
Deferred loan costs	3	1	—	4	971	975
Total	\$1,601	\$259	\$—	\$1,860	\$478,400	\$480,260
<u>At March 31, 2017</u>						
Commercial	\$129	\$2	\$—	\$131	\$62,164	\$62,295
Commercial real estate	491	—	—	491	211,247	211,738
Construction and development	295	—	—	295	38,343	38,638
Residential real estate	249	—	—	249	125,108	125,357
Home equity	341	—	—	341	29,927	30,268
Purchased home equity pools	102	—	—	102	6,674	6,776
Other consumer	—	—	—	—	940	940
Deferred loan costs	4	—	—	4	1,114	1,118
Total	\$1,611	\$2	\$—	\$1,613	\$475,517	\$477,130

CIB MARINE BANCSHARES, INC.
Capital (unaudited)

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in thousands)						
March 31, 2018 (1)						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$82,699	16.91%	\$39,108	8.00%		
CIBM Bank	73,488	15.06	39,007	8.00	\$48,758	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$76,573	15.66%	\$29,331	6.00%		
CIBM Bank	67,338	13.81	29,255	6.00	\$39,007	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	\$76,573	12.16%	\$25,183	4.00%		
CIBM Bank	67,338	10.72	25,137	4.00	\$31,422	5.00%
Common Equity Tier 1 (2)						
CIBM Bank	\$67,338	13.81%	\$21,941	4.50%	\$31,693	6.50%
December 31, 2017						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$82,290	16.62%	\$39,617	8.00%		
CIBM Bank	73,053	14.76	39,586	8.00	\$49,482	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$76,081	15.36%	\$29,713	6.00%		
CIBM Bank	66,804	13.50	29,689	6.00	\$39,586	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	\$76,081	12.39%	\$24,567	4.00%		
CIBM Bank	66,804	10.83	24,682	4.00	\$30,853	5.00%
Common Equity Tier 1 (2)						
CIBM Bank	\$66,804	12.92%	\$23,266	4.50%	\$33,607	6.50%

- (1) Under the new capital regulation implemented January 1, 2015, referred to as Basel III, a capital conservation buffer of 2.5%, comprised of Common Equity Tier 1 ("CET1"), is established above the regulatory minimum capital requirements. The capital conservation buffer will be phased in between January 1, 2016, and year-end 2018, becoming fully effective on January 1, 2019. Non-compliance with the capital conservation buffer can result in limitations of certain types of compensation for executive and equivalent officers. In addition, CIBM Bank made the one-time accumulated other comprehensive income opt-out election on the first Call Report filed after January 1, 2015, which allows community banks under \$250 billion a one-time opt-out election to remove the impact of certain unrealized capital gains and losses (e.g., unrealized securities gains and losses) from the calculation of capital. The election cannot be changed in future periods.
- (2) CIB Marine is a Small Bank Holding Company under Appendix C of Part 225 of the Federal Reserve regulation and, as a result the CET1 is not applicable to CIB Marine. CET1 is applicable to CIBM Bank.