CIB Marine Bancshares, Inc. (OTCQB: CIBH). This report provides additional detailed financial information for the quarter and six months ended June 30, 2017. Please see our Shareholder Letter dated August 3, 2017, located at www.cibmarine.com for a summary description of our financial results.

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

	2017			2016		
	Average Balance	Interest Earned/Paid	Average Yield/Cost	Average Balance	Interest Earned/Paid	Average Yield/Cost
	(Dollars in thousands)					
Quarter Ended June 30,						
Interest-earning assets						
Securities (1)	$110,172	$598	2.17%	$97,453	$478	1.96%
Loans held for sale (1)	6,813	79	4.66	9,571	95	4.01
Loans (1)(2)	486,720	4,997	4.12	468,167	4,635	3.98
Federal funds sold, reverse repos and interest-earning due from banks	14,344	58	1.61	4,147	6	0.62
Total interest-earning assets	618,049	5,732	3.72	579,338	5,214	3.62
Noninterest-earning assets	17,379			15,588		
Total assets	$635,428			$594,926		
Interest-bearing liabilities						
Interest-bearing deposits	$416,559	$817	0.79%	$391,003	$692	0.71%
Borrowed funds	68,864	156	0.91	56,235	37	0.26
Total interest-bearing liabilities	485,423	973	0.80	447,238	729	0.66
Noninterest-earning liabilities:						
Noninterest-bearing demand deposits	75,940			75,653		
Accrued interest and other liabilities	2,150			3,570		
Preferred equity	51,000			51,000		
Common equity	20,915			17,465		
Total stockholders' equity	71,915			68,465		
Total liabilities and stockholders' equity	$635,428			$594,926		
Net interest-earning assets, interest income and net interest spread (1)(3)	$132,626	$4,759	2.92%	$132,100	$4,485	2.96%
Net interest margin (1)(4)			3.09%			3.11%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.27			1.30		

	2017			2016		
	Average Balance	Interest Earned/Paid	Average Yield/Cost	Average Balance	Interest Earned/Paid	Average Yield/Cost
	(Dollars in thousands)					
Six Months Ended June 30,						
Interest-earning assets						
Securities (1)	$111,310	$1,209	2.17%	$95,908	$995	2.07%
Loans held for sale (1)	5,560	125	4.54	9,514	178	3.77
Loans (1)(2)	486,642	9,823	4.07	463,786	9,207	3.99
Federal funds sold, reverse repos and interest-earning due from banks	18,795	137	1.47	3,637	10	0.57
Total interest-earning assets	622,307	11,294	3.66	572,845	10,390	3.64
Noninterest-earning assets	17,815			15,989		
Total assets	$640,122			$588,834		
Interest-bearing liabilities						
Interest-bearing deposits	$412,912	$1,566	0.76%	$387,695	$1,397	0.72%
Borrowed funds	78,682	299	0.77	55,341	67	0.24
Total interest-bearing liabilities	491,594	1,865	0.77	443,036	1,464	0.66
Noninterest-earning liabilities:						
Noninterest-bearing demand deposits	74,896			74,696		
Accrued interest and other liabilities	2,376			3,560		
Preferred equity	51,000			51,000		
Common equity	20,256			16,542		
Total stockholders' equity	71,256			67,542		
Total liabilities and stockholders' equity	$640,122			$588,834		
Net interest-earning assets, interest income and net interest spread (1)(3)	$130,713	$9,429	2.89%	$129,809	$8,926	2.98%
Net interest margin (1)(4)			3.05%			3.13%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.27			1.29		

(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 $0.3 million and $0.5 million for the quarter and six months ended June 30, 2017, respectively, due primarily to higher average earning assets balances in loans, securities and SBA reverse repos. At the same time, CIB Marine's net interest margin decreased 0.02 basis points from 3.11% for the second quarter of 2016 to 3.09% for the second quarter of 2017 and decreased 0.08 basis points, from 3.13% to 3.05%, for the six months ended June 30, 2016, and June 30, 2017, respectively. This recent quarterly decline was related to an increase in the cost of funds by 14 basis points with borrowed funds increasing 65 basis points, which outpaced the increase in the average yield of earning assets by 10 basis points. The recent year-to-date decline in net interest margin was related to an increase in the cost of funds by 11 basis points with the borrowed funds increasing 53 basis points and the average yield of earning assets increasing by 2 basis points.

CIB MARINE BANCSHARES, INC.

Loans and Allowance for Loan and Losses

Loan Portfolio Segments (unaudited)

	June 30, 2017		December 31, 2016		June 30, 2016	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)					
Commercial	$54,609	11.2%	$55,327	11.5%	$60,845	13.2%
Commercial real estate	245,726	50.4	219,527	45.5	217,283	47.1
Construction and development	15,518	3.2	42,431	8.8	34,884	7.6
Residential real estate	133,757	27.5	124,356	25.8	107,054	23.2
Home equity	30,550	6.3	32,492	6.7	31,192	6.8
Purchased home equity pools	6,144	1.2	7,051	1.5	8,192	1.8
Other consumer	954	0.2	1,135	0.2	1,312	0.3
Gross loans	487,258	100.0%	482,319	100.0%	460,762	100.0%
Deferred loan costs	1,031		1,199		1,097	
Loans	488,289		483,518		461,859	
Allowance for loan losses	(7,653)		(7,592)		(8,219)	
Loans, net	$480,636		$475,926		$453,640	

Nonperforming Assets and Selected Asset Quality Ratios (unaudited)

	June 30, 2017	December 31, 2016	June 30, 2016
Nonperforming assets	(Dollars in thousands)		
Nonaccrual loans:			
Commercial	$59	$606	$995
Commercial real estate	2,527	2,111	229
Construction and development	—	1,079	1,215
Residential real estate	808	1,141	461
Home equity	1,334	1,171	818
Other consumer	104	—	—
	4,832	6,108	3,718
Loans held for sale	—	—	—
Total nonaccrual loans	4,832	6,108	3,718
Other real estate owned	3,153	3,159	2,283
Total nonperforming assets	$7,985	$9,267	$6,001
Restructured loans accruing			
Commercial	$2	$18	$23
Commercial real estate	526	540	2,410
Residential real estate	573	185	120
Home equity	341	516	787
Purchased home equity pools	372	377	383
Other consumer	—	4	4
	$1,814	$1,640	$3,727
90 days or more past due still accruing			
Residential real estate	$—	$—	24
Home Equity	—	—	62
	$—	$—	$86
Ratios			
Nonaccrual loans to total loans (1)	0.99%	1.26%	0.81%
Other real estate owned to total assets	0.49	0.48	0.37
Nonperforming assets to total assets (1)	1.23	1.42	0.97
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (1)	1.36	1.60	1.63
Nonperforming assets, restructured loans and 90 days or more past due and still accruing loans to total assets (1)	1.51	1.67	1.59

(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 June 30, 2017								
Balance at beginning of period	$1,209	$4,004	$694	$807	$605	$231	$17	$7,567
Provision for (reversal of) loan losses	113	534	(492)	27	137	(271)	(1)	47
Charge-offs	(209)	—	—	—	—	(49)	—	(258)
Recoveries	5	1	—	—	12	279	—	297
Balance at end of period	$1,118	$4,439	$202	$834	$754	$190	$16	$7,653
Quarter ended June 30, 2016								
Balance at beginning of period	$1,683	$4,154	$640	$699	$679	$348	$32	$8,235
Provision for (reversal of) loan losses	146	(40)	48	(12)	26	(46)	(4)	118
Charge-offs	—	—	—	—	(73)	(201)	(4)	(278)
Recoveries	4	6	—	—	15	119	—	144
Balance at end of period	$1,833	$4,120	$688	$687	$647	$220	$24	$8,219
Six month ended June 30, 2017								
Balance at beginning of period	$1,304	$3,958	$686	$757	$590	$277	$20	$7,592
Provision for (reversal of) loan losses	362	580	(484)	77	127	(383)	(4)	275
Charge-offs	(559)	—	—	—	—	(49)	—	(608)
Recoveries	11	1	—	—	37	345	—	394
Balance at end of period	$1,118	$4,539	$202	$834	$754	$190	$16	$7,653
Six months ended June 30, 2016								
Balance at beginning of period	$1,567	$4,117	$595	$669	$717	$372	$27	$8,064
Provision for (reversal of) loan losses	256	(59)	93	18	(38)	(92)	1	179
Charge-offs	—	(1)	—	—	(73)	(220)	(4)	(298)
Recoveries	10	63	—	—	41	160	—	274
Balance at end of period	$1,833	$4,120	$688	$687	$647	$220	$24	$8,219

Nonaccrual loan volumes increased over the same period of the prior year by $1.1 million due to net new nonaccrual loan increases in all segments except the commercial segment.

Provision expense for the second quarter of 2017 was $47,000 compared to $118,000 for the same period of 2016 and $275,000 for the six months ended June 30, 2017 compared to $179,000 for the same period in 2016. Charge-offs for the quarter were $258,000 compared to $278,000 during the same period of 2016. Total recoveries were $297,000 for the quarter compared to $144,000 for the same period in 2016. Charge-offs for the year to date ending June 30, 2017, were $608,000 compared to $298,000 during the same period of 2016, with the increase due primarily to one commercial relationship. Recoveries for the year to date ending June 30, 2017, were $394,000 compared to $274,000 during the same period of 2016, with the increase due primarily to purchased home equity pool recoveries.

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 $8.2 million at June 30, 2016, to $7.7 million at June 30, 2017, primarily due to the charge-off of losses reserved for net of other changes over that time period. The allowance for loan losses to total loans declined from 1.78% to 1.57% from June 30, 2016, to June 30, 2017, primarily the result of charge-offs against loss reserves previously reserved for, the broad longer term trend of overall improved loan asset quality, and 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)					
At June 30, 2017						
Commercial	$—	$—	$—	$—	$54,550	$54,550
Commercial real estate	—	12	—	12	243,187	243,199
Construction and development	127	—	—	127	15,391	15,518
Residential real estate	53	86	—	139	132,810	132,949
Home equity	441	27	—	468	28,748	29,216
Purchased home equity pools	67	50	—	117	6,027	6,144
Other consumer	—	—	—	—	850	850
Deferred loan costs	1	—	—	1	1,030	1,031
Total	$689	$175	$—	$864	$482,593	$483,457
At December 30, 2016						
Commercial	$122	$—	$—	$122	$54,599	$54,721
Commercial real estate	—	—	—	—	217,416	217,416
Construction and development	—	—	—	—	41,352	41,352
Residential real estate	451	—	—	451	122,764	123,215
Home equity	195	72	—	267	31,054	31,321
Purchased home equity pools	13	67	—	80	6,971	7,051
Other consumer	—	—	—	—	1,135	1,135
Deferred loan costs	2	—	—	2	1,197	1,199
Total	$783	$139	$—	$922	$476,488	$477,410
At June 30, 2016						
Commercial	$60	$—	$—	$60	$59,790	$59,850
Commercial real estate	2,401	—	—	2,401	214,653	217,054
Construction and development	96	—	—	96	33,573	33,669
Residential real estate	—	19	24	43	106,550	106,593
Home equity	87	—	62	149	30,225	30,374
Purchased home equity pools	92	—	—	92	8,100	8,192
Other consumer	—	—	—	—	1,312	1,312
Deferred loan costs	7	—	—	7	1,090	1,097
Total	$2,743	$19	$86	$2,848	$455,293	$458,141

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)			
June 30, 2017 (1)						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	$79,918	15.93%	$40,126	8.00%		
CIBM Bank	72,773	14.55	40,011	8.00	$50,013	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	$73,631	14.68%	$30,095	6.00%		
CIBM Bank	66,504	13.30	30,008	6.00	$40,011	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	$73,631	11.56%	$25,481	4.00%		
CIBM Bank	66,504	10.46	25,432	4.00	$31,790	5.00%
Common Equity Tier 1 (2)						
CIBM Bank	$66,504	13.30%	$22,506	4.50%	$32,509	6.50%
December 31, 2016						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	$77,942	15.40%	$40,482	8.00%		
CIBM Bank	70,528	13.98	40,369	8.00	$50,461	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	$71,601	14.15%	$30,362	6.00%		
CIBM Bank	64,205	12.72	30,277	6.00	$40,369	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	$71,601	11.14%	$25,718	4.00%		
CIBM Bank	64,205	10.01	25,666	4.00	$32,082	5.00%
Common Equity Tier 1 (2)						
CIBM Bank	$64,205	12.72%	$22,708	4.50%	$32,800	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 is being 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. There are additional limitations beyond those noted here. 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.