



May 4, 2017

Dear Shareholder,

CIB Marine Bancshares, Inc. (“CIB Marine” or the “Company”) is pleased to report its financial results for the three months ended March 31, 2017.

Results of Operations – Summary

Net income for the first quarter of 2017 was \$0.9 million compared to \$1.0 million in the same period of 2016. Earnings per share were \$0.05 basic and \$0.02 diluted for the first quarter of 2017 compared to \$0.05 basic and \$0.03 diluted in the same period 2016. Earnings in the first quarter of 2017 were \$1.1 million compared to \$0.5 million for the same period of 2016, before the provision for loan losses and excluding net gains from the sale of OREO assets net of other write-downs, reflecting improved earnings quality.

Highlights for our first quarter ended March 31, 2017, operating results include:

- Net income for subsidiary CIBM Bank was \$1.1 million compared to \$0.7 million for the same period in 2016 – reflecting improvements in net interest income and noninterest income due to the growth in loans and the SBA lending program, offset in part by higher provisions to the allowance for loan losses.
- Net interest income of \$4.7 million for the first quarter of 2017 is an increase of \$0.2 million from the first quarter of 2016. The increase was primarily the result of higher loan balances. Lower net interest margins in 2017 reflect higher borrowing costs due to higher volumes and interest rate increases and an increase in lower risk, but also lower yielding, assets including our residential loan assets and our SBA reverse repo.
- Noninterest income declined \$0.2 million for the first quarter compared to the same period of 2016 due, in part, to lower net mortgage banking revenue. Within net gains (losses) on the sale of assets and write downs, net gains from the sale of OREO assets net of other write-downs was \$0.4 million in the first quarter of 2016, compared to nominal in 2017; and gains on the sale of SBA loans were \$0.4 million in the first quarter of 2017 compared to none in the same period of 2016.
- Noninterest expense declined \$0.1 million for the first quarter, compared to the same period of 2016, reflecting lower expenses in occupancy, professional fees, and a number of other expense categories, in part offset by higher compensation and equipment expenses.
- The efficiency ratio for the first quarter, was 82.88%, compared to 84.40% reported for the same period in 2016, reflecting lower costs per dollar of revenue earned, in part due to expense management activities.
- Return on average assets was 0.56%, compared to 0.66% in 2016, due to lower earnings and higher average assets in the first quarter of 2017 compared to the same period in 2016.

Financial Condition - Summary

As of March 31, 2017, total assets were \$631 million. The decline of \$22 million compared to December 31, 2016, reflects a decline in the outstanding balances of the reverse repurchase agreements and loans held for sale. Below are some highlights of our financial condition as of March 31, 2017:

- Book value per share of common stock at March 31, 2017, was \$0.60 compared to \$0.53 at December 31, 2016. For those same dates the tangible book value per share was \$1.08 and \$1.01, respectively.
- Loans and investments were steady for the quarter, while the outstanding balances of the reverse repurchase agreements and loans held for sale were lower by \$13 million and \$9 million, respectively, compared to December 31, 2016.
- The ratio of nonperforming assets to total assets declined from 1.94% to 1.77% from March 31, 2016, to March 31, 2017. The same ratio was up compared to 1.67% reported at December 31, 2016, due to higher nonaccrual loans and lower total assets.

“Community Banking – The Way It Used To Be”

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- Annualized net charge-offs were 0.21% for the quarter ending March 31, 2017, compared to a net recovery recorded in the same period of 2016.
- The leverage capital ratio for CIB Marine was 11.21% at March 31, 2017, which is up from 11.14% at December 31, 2016, due to the decline in total assets and earnings, but down from 11.72% at March 31, 2016. The total risk based capital ratio was improved compared to both periods due to earnings and the increase in higher quality assets like residential loans, investment securities and the reverse repurchase agreement in the balance sheet.

Please visit our website, www.cibmarine.com, for additional detailed financial results for both recent and prior periods, as well as a link to the quarterly reports we file with our regulators. As a reminder, we will continue to release our financial results on a quarterly basis via 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.

2016 Annual Shareholder Meeting

It gives us great pleasure to hold our Annual Meeting of Shareholders in Champaign, Illinois this year, which is scheduled for 1:00PM on May 25, 2017, at the Champaign Country Club, 1211 South Prospect Avenue, Champaign, Illinois 61820. You should have already received your proxy information and details about the meeting, including registration requirements for those who plan to attend the meeting in person.

In addition to the ratification of the appointment of Crowe Horwath LLP as the Company's independent registered public accounting firm for 2017, the Board of Directors has put forth three highly qualified director candidates, as well as an amendment to the Company's Articles of Incorporation that will remove impediments for the Company to negotiate the repurchase of preferred stock on a voluntary basis, and an NOL Rights Plan to protect the substantial deferred tax assets of the Company. The Board recommends shareholders vote FOR these proposals. If you have not yet done so, please review your proxy materials and promptly vote your shares.

We plan to address questions from shareholders during the presentation by management. Please submit your questions in advance by sending them to ShareholderRelations@cibmarine.com or by mail to CIB Marine Bancshares, Inc.; Attn: Shareholder Relations; 1930 W. Bluemound Road, Suite D; Waukesha, Wisconsin 53186. All questions must be received no later than the close of business May 23, 2017, to be addressed by management at the Annual Meeting.

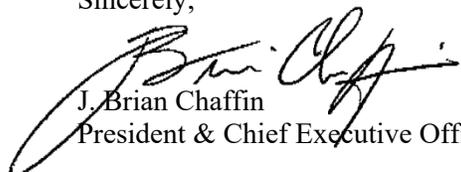
Concluding Comments

CIB Marine continues to make gains consistent with its business plan. Revenues have increased due to ongoing year-over-year growth in our loan portfolio and other earning assets, and we have started to see gains on the sale of SBA loans. Our Retail Banking Division generated more than \$20 million in gross new deposits, which assisted in the funding of asset growth and also allowed for a reduction in our FHLB borrowings. Although off to a seasonally slow start, our Avenue Mortgage division showed signs of strength in the month of March as the home purchase markets started to heat up and our new and growing lending team in central Illinois began to pick up steam.

CIBM Bank is eager to explore new and exciting projects to support the communities its customers and employees call home. In 2016, our Avenue Mortgage Division developed an Affordable Loan Program (ALP) in order to assist low and moderate income families in obtaining home mortgages. In addition, we are pleased to announce the appointment of Ms. Joanne Blaesing to the new position of Director of Community Development.

Finally, I look forward to meeting with many of you at our Annual Shareholder Meeting where we will share further details about our growth in 2016 and our vision for where we are headed in 2017 and beyond.

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, 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,	
	2017	2016
(Dollars in thousands, except share and per share data)		
Selected Statements of Operations Data		
Interest and dividend income	\$5,562	\$5,176
Interest expense	892	735
Net interest income	4,670	4,441
Provision for loan losses	228	61
Net interest income after provision for loan losses	4,442	4,380
Noninterest income (1)	1,847	2,053
Noninterest expense	5,401	5,481
Income before income taxes	888	952
Income tax expense	—	—
Net income	\$888	\$952
Common Share Data		
Basic net income	\$0.05	\$0.05
Diluted net income	0.02	0.03
Dividends	—	—
Tangible book value per share (2)	1.08	0.90
Book value per share (2)	0.60	0.41
Weighted average shares outstanding-basic	18,127,892	18,127,892
Weighted average shares outstanding-diluted	36,193,353	35,631,892
Financial Condition Data		
Total assets	\$631,160	\$597,089
Loans	483,501	470,424
Allowance for loan losses	(7,567)	(8,235)
Investment securities	111,745	97,474
Deposits	497,144	467,334
Borrowings	60,837	57,929
Stockholders' equity	70,819	67,475
Financial Ratios and Other Data		
Performance Ratios:		
Net interest margin (3)	3.02%	3.15%
Net interest spread (4)	2.87	3.00
Noninterest income to average assets (5)	1.16	1.42
Noninterest expense to average assets	3.40	3.78
Efficiency ratio (6)	82.88	84.40
Earnings on average assets (7)	0.56	0.66
Earnings on average equity (8)	5.10	5.75
Asset Quality Ratios:		
Nonaccrual loans to total loans (9)	1.32%	0.81%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (9)	1.65	1.64
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total asset (9)	1.77	1.94
Allowance for loan losses to total loans	1.57	1.75
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (9)	94.67	106.74
Net charge-offs to average loans	0.21	-0.10
Capital Ratios:		
Total equity to total assets	11.02%	11.30%
Total risk-based capital ratio	15.90	15.19
Tier 1 risk-based capital ratio	14.65	13.93
Leverage capital ratio	11.21	11.72
Other Data:		
Number of employees (full-time equivalent)	181	180
Number of banking facilities	11	11

(1) Noninterest income includes gains and losses on securities.

(2) 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.

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

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

(5) Noninterest income to average assets excludes gains and losses on securities.

(6) The efficiency ratio is noninterest expense divided by the sum of net interest income plus noninterest income, excluding gains and losses on securities.

(7) Earnings on average assets are net income divided by average total assets.

(8) Earnings on average equity are net income divided by average common equity.

(9) Excludes loans held for sale.

CIB MARINE BANCSHARES, INC.
Consolidated Balance Sheets (unaudited)

	March 31, 2017	December 31, 2016
	(Dollars in thousands, except share data)	
Assets		
Cash and due from banks	\$12,773	\$10,291
Reverse repurchase agreements	11,019	24,275
Securities available for sale	111,745	112,072
Loans held for sale	2,448	11,469
Loans	483,501	483,518
Allowance for loan losses	(7,567)	(7,592)
Net loans	475,934	475,926
Federal Home Loan Bank stock	2,070	3,803
Premises and equipment, net	4,369	4,427
Accrued interest receivable	1,377	1,382
Other real estate owned, net	3,153	3,159
Bank owned life insurance	4,414	4,389
Goodwill and other intangible assets, net	215	221
Other assets	1,643	2,145
Total assets	\$631,160	\$653,559
Liabilities and Stockholders' Equity		
Deposits:		
Noninterest-bearing demand	\$76,088	\$77,154
Interest-bearing demand	33,027	33,832
Savings	192,175	176,435
Time	195,854	195,676
Total deposits	497,144	483,097
Short-term borrowings	60,837	96,944
Accrued interest payable	327	349
Other liabilities	2,033	3,646
Total liabilities	560,341	584,036
Stockholders' Equity		
Preferred stock, \$1 par value; 5,000,000 authorized shares; 7% fixed rate noncumulative perpetual issued-55,624 shares of Series A and 4,376 shares of Series B convertible; aggregate liquidation preference-\$60,000	51,000	51,000
Common stock, \$1 par value; 50,000,000 authorized shares; 18,346,391 issued shares; 18,135,344 outstanding shares	18,346	18,346
Capital surplus	158,602	158,552
Accumulated deficit	(154,629)	(155,517)
Accumulated other comprehensive loss, net	(1,971)	(2,329)
Treasury stock 218,499 shares at cost	(529)	(529)
Total stockholders' equity	70,819	69,523
Total liabilities and stockholders' equity	\$631,160	\$653,559

CIB MARINE BANCSHARES, INC.
Consolidated Statements of Operations and Comprehensive Income (Loss)
(unaudited)

	Three Months Ended March 31,	
	2017	2016
	(Dollars in thousands)	
Interest Income		
Loans	\$4,826	\$4,572
Loans held for sale	46	83
Securities	611	517
Other investments	79	4
Total interest income	<u>5,562</u>	<u>5,176</u>
Interest Expense		
Deposits	749	705
Short-term borrowings	143	30
Total interest expense	<u>892</u>	<u>735</u>
Net interest income	4,670	4,441
Provision for loan losses	228	61
Net interest income after provision for loan losses	<u>4,442</u>	<u>4,380</u>
Noninterest Income		
Deposit service charges	113	103
Other service fees	46	67
Mortgage banking revenue, net	1,142	1,336
Other income	97	117
Net gains on sale of securities	—	—
Net gains (losses) on sale of assets and (write downs)	449	430
Total noninterest income	<u>1,847</u>	<u>2,053</u>
Noninterest Expense		
Compensation and employee benefits	3,705	3,624
Equipment	290	273
Occupancy and premises	390	435
Data processing	140	154
Federal deposit insurance	87	106
Professional services	200	249
Telephone and data communication	81	109
Insurance	59	54
Other expense	449	477
Total noninterest expense	<u>5,401</u>	<u>5,481</u>
Income from operations before income taxes	888	952
Income tax expense	—	—
Net income	<u>888</u>	<u>952</u>
Preferred stock dividends	—	—
Net income allocated to common stockholders	<u>\$888</u>	<u>\$952</u>