



November 9, 2016

Dear Shareholder,

CIB Marine Bancshares, Inc. (“CIB Marine” or the “Company”) is pleased to report its financial results for the three and nine months ended September 30, 2016.

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

Net income for the third quarter of 2016 was \$0.9 million compared to \$0.3 million in the same period of 2015. Net income for the nine months ended September 30, 2016, was \$3.0 million compared to \$0.2 million in the same period of 2015. Earnings per share were \$0.05 basic and \$0.02 diluted for the third quarter of 2016 compared to \$0.02 basic and \$0.01 diluted in the same period 2015. For the nine months ended September 30, 2016, earnings per share were \$0.17 basic and \$0.08 diluted compared to \$0.01 basic and \$0.01 diluted for the same period of 2015. The improved earnings performance was due principally to revenue growth as a result of loan growth, improvements in the mortgage division, and increased net gains on sale of assets net of write downs.

Below are some highlights for our third quarter and nine months ended September 30, 2016 operating results:

- Return on average assets for the third quarter and nine months ended September 30, 2016, is 0.55% and 0.67%, respectively, compared to 0.23% and 0.05%, respectively, in 2015.
- Net income for subsidiary CIBM Bank was \$1.0 million for the third quarter and \$3.1 million for the nine months ended September 30, 2016, compared to \$0.6 million and \$0.9 million, respectively for the same periods in 2015 – reflecting solid improvements in net interest income and noninterest income due to the growth in loans and a growing mortgage division.
- Net interest income of \$4.5 million for the third quarter of 2016 is an increase of \$0.5 million from the third quarter of 2015. Net interest income of \$13.5 million for the nine months ended September 30, 2016, is an increase of \$1.5 million from the same period of 2015. The increase is primarily the result of higher loan balances. Lower net interest margins in 2016 reflect lower overall yields on earning assets, higher deposit costs and an increase in lower risk but lower yielding assets.
- Noninterest income increased \$1.6 million for the third quarter and \$3.7 million for the nine months ending September 30, 2016, relative to the same periods of 2015. Year-to-date results compared to the same period of 2015 reflect a \$2.5 million improvement in net mortgage banking revenues and \$1.0 million in net gains/(losses) on sale of assets and write-downs, comprised primarily of gains on sale of other real estate owned.
- Noninterest expense increased \$1.1 million for the third quarter and \$1.9 million for the nine months ending September 30, 2016, relative to the same periods of 2015. The increases were significantly less than the improvements in revenue and primarily reflect increased compensation related to the production of mortgage loans. Previously announced expense management activities are more fully reflected in the third quarter results. These savings are overshadowed in the income statement by hires and new offices in the mortgage division, however both the operating expense reductions in other areas and the increased mortgage lending resources are showing favorable results.
- The efficiency ratio for the first nine months ending September 30, 2016, is 84.20%, compared to 99.85% reported for the same period in 2015, reflecting both improved revenues and cost controls.
- None of the approximately \$1.3 million (net of costs) structured settlement payment announced in the prior quarter has not yet been received or recorded.

### **Financial Condition - Summary**

As of September 30, 2016, total assets are up \$61 million from December 31, 2015, and \$101 million from September 30, 2015. The increase resulted primarily from loan growth and reverse repurchase agreements. Below

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

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are some highlights of our financial condition as of September 30, 2016:

- Book value per share of common stock at September 30, 2016, was \$0.56 compared to \$0.31 at December 31, 2015. For those same dates the tangible book value per share was \$1.04 and \$0.79, respectively.
- From December 31, 2015, and September 30, 2015, to September 30, 2016, loans grew by \$21 million and \$51 million, respectively. The growth reflects CIBM Bank's initiatives to continue to grow our loan balances primarily from within our banking markets and broadly across portfolio segments. Construction loans have grown by \$13 million and residential real estate loans by \$18 million since December 31, 2015.
- Nonperforming assets to total assets continued its decline to 1.32%, compared to 2.25% from year-end 2015 and 2.20% from the same quarter-end of 2015. In addition, related to an event that occurred subsequent to quarter-end, an additional \$3.1 million commercial relationship has been designated as non-performing. This is not recorded in the September 30, 2016, financial results. The non-performing asset to total asset ratio at September 30, 2016, would be 1.81% if it included this subsequent event.
- Annualized net recoveries of prior charged off loans to average loans was 0.07% for the nine months ended September 30, 2016, compared to 0.16% for the same period of 2015, reflecting collection activities and continued low charge-offs levels.
- The Tier 1 leverage ratio for CIB Marine was 11.20% at September 30, 2016, compared to 12.27% at December 31, 2015, and 13.01% at September 30, 2015, a solid capital footing for continued business growth.

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

#### **Director & Employee Stock Ownership**

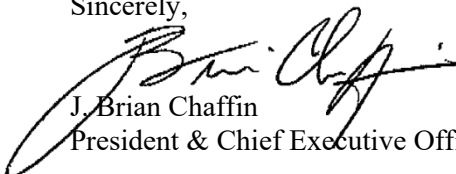
In addition to certain officers and directors purchasing CIB Marine common stock in the market recently, CIB Marine implemented a stock plan during the 3<sup>rd</sup> quarter of 2016 to provide for common stock based compensation. The stock plan provides a stronger incentive to achieve strategic objectives, improve financial performance and fulfill CIB Marine's mission, as well as provide a proprietary interest in the performance and growth of CIB Marine. The shares are restricted and vest over time, providing a retention incentive for senior officers and directors. Additional information on the stock plan will be included in the 2016 audited financial statements.

#### **Concluding Comments**

CIB Marine is pleased to be reporting year-on-year earnings improvements, continued growth in revenues and key accomplishments in executing some expense reductions. Our third quarter saw growth in all of our key production units with especially strong results coming out of our mortgage banking division. In addition, we have received our first full quarter's results from the SBA financing facility discussed in the prior quarter. This facility is reported under reverse repurchase agreements in the balance sheet and other investments in the income statement.

We continue to focus on fulfilling our mission and growing our client relationship-based banking business along our corporate, mortgage and retail lines. We have made several new hires in our retail banking division recently, and Joe Arie joined our management team in the third quarter to develop our SBA lending business. Joe has a long history in SBA lending management and participation in various roles with key SBA trade organizations. In addition, CIBM successfully implemented a new customer relationship management system this past quarter – this will assist in better meeting our customers' financial service needs and coordinate those efforts internally across our divisions and geographies.

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**

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
(Dollars in thousands, except share and per share data)				
<b>Selected Statements of Operations Data</b>				
Interest and dividend income	\$5,286	\$4,657	\$15,676	\$13,656
Interest expense	740	595	2,204	1,723
Net interest income	4,546	4,062	13,472	11,933
Provision for (reversal of) loan losses	69	(337)	248	(154)
Net interest income after provision for (reversal of) loan losses	4,477	4,399	13,224	12,087
Noninterest income (1)	2,651	1,022	7,492	3,834
Noninterest expense	6,220	5,114	17,652	15,731
Income before income taxes	908	307	3,064	190
Income tax expense	40	—	55	—
<b>Net income</b>	<b>\$868</b>	<b>\$307</b>	<b>\$3,009</b>	<b>\$190</b>
<b>Common Share Data</b>				
Basic net income	\$0.05	\$0.02	\$0.17	\$0.01
Diluted net income	0.02	0.01	0.08	0.01
Dividends	—	—	—	—
Tangible book value per share (2)	1.04	0.90	1.04	0.90
Book value per share (2)	0.56	0.42	0.56	0.42
Weighted average shares outstanding-basic	18,127,892	18,127,892	18,127,892	18,127,892
Weighted average shares outstanding-diluted	35,818,022	35,631,892	35,694,388	35,631,892
<b>Financial Condition Data</b>				
Total assets	\$632,628	\$531,744	\$632,628	\$531,744
Loans	466,057	414,643	466,057	414,643
Allowance for loan losses	(8,549)	(7,883)	(8,549)	(7,883)
Investment securities	103,853	92,674	103,853	92,674
Deposits	476,428	415,185	476,428	415,185
Borrowings	81,636	45,396	81,636	45,396
Stockholders' equity	70,094	67,616	70,094	67,616
<b>Financial Ratios and Other Data</b>				
Performance Ratios:				
Net interest margin (3)	2.95%	3.18%	3.07%	3.19%
Net interest spread (4)	2.80	3.03	2.92	3.04
Noninterest income to average assets (5)	1.68	0.77	1.66	0.99
Noninterest expense to average assets	3.93	3.87	3.91	4.07
Efficiency ratio (6)	86.42	100.59	84.20	99.85
Earnings on average assets (7)	0.55	0.23	0.67	0.05
Earnings on average equity (8)	4.89	1.79	5.86	0.37
Asset Quality Ratios:				
Nonaccrual loans to total loans (9)	1.16%	0.75%	1.16%	0.75%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (9)	1.58	1.68	1.58	1.68
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total asset (9)	1.32	2.20	1.32	2.20
Allowance for loan losses to total loans	1.83	1.90	1.83	1.90
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (9)	116.08	113.03	116.08	113.03
Net recoveries to average loans	(0.22)	(0.54)	(0.07)	(0.16)
Capital Ratios:				
Total equity to total assets	11.08%	12.72%	11.08%	12.72%
Total risk-based capital ratio	15.69	16.57	15.69	16.57
Tier 1 risk-based capital ratio	14.43	15.31	14.43	15.31
Leverage capital ratio	11.20	13.01	11.20	13.01
Other Data:				
Number of employees (full-time equivalent)	169	159	169	159
Number of banking facilities	11	11	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)**

	September 30, 2016	December 31, 2015
	(Dollars in thousands, except share data)	
<b>Assets</b>		
Cash and due from banks	\$11,427	\$9,170
Reverse repurchase agreements	27,560	0
Securities available for sale	103,853	94,702
Loans held for sale	15,875	12,275
Loans	466,057	445,050
Allowance for loan losses	(8,549)	(8,064)
Net loans	457,508	436,986
Federal Home Loan Bank stock	3,803	2,170
Premises and equipment, net	4,256	4,771
Accrued interest receivable	1,289	1,296
Other real estate owned, net	982	4,126
Bank owned life insurance	4,363	4,285
Goodwill and other intangible assets	226	243
Other assets	1,486	1,209
Total assets	\$632,628	\$571,233
<b>Liabilities and Stockholders' Equity</b>		
Deposits:		
Noninterest-bearing demand	\$87,216	\$77,580
Interest-bearing demand	29,821	33,192
Savings	169,390	162,663
Time	190,001	170,136
Total deposits	476,428	443,571
Short-term borrowings	81,636	58,883
Accrued interest payable	319	321
Other liabilities	4,151	2,872
Total liabilities	562,534	505,647
<b>Stockholders' Equity</b>		
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	158,510	158,493
Accumulated deficit	(156,579)	(159,588)
Accumulated other comprehensive loss, net	(654)	(2,136)
Treasury stock 218,499 shares at cost	(529)	(529)
Total stockholders' equity	70,094	65,586
Total liabilities and stockholders' equity	\$632,628	\$571,233

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

	Quarters Ended		Nine Months Ended	
	September 30, 2016	2015	2016	2015
	(Dollars in thousands)			
<b>Interest and Dividend Income</b>				
Loans	\$4,540	\$4,044	\$13,747	\$11,724
Loans held for sale	153	58	331	264
Securities	513	553	1,508	1,660
Other investments	80	2	90	8
Total interest income	5,286	4,657	15,676	13,656
<b>Interest Expense</b>				
Deposits	659	583	2,056	1,687
Short-term borrowings	81	12	148	36
Total interest expense	740	595	2,204	1,723
Net interest income	4,546	4,062	13,472	11,933
Provision for (reversal of) loan losses	69	(337)	248	(154)
Net interest income after provision for (reversal of) loan losses	4,477	4,399	13,224	12,087
<b>Noninterest Income</b>				
Deposit service charges	125	119	349	337
Other service fees	47	73	166	176
Mortgage banking revenue, net	2,285	805	5,723	3,179
Other income	206	102	419	340
Net gain on sale of securities	—	—	—	13
Net gains (losses) on sale of assets and (write downs)	(12)	(77)	835	(211)
Total noninterest income	2,651	1,022	7,492	3,834
<b>Noninterest Expense</b>				
Compensation and employee benefits	4,426	3,195	12,193	10,096
Equipment	277	262	843	791
Occupancy and premises	377	404	1,201	1,180
Data processing	185	173	490	463
Federal deposit insurance	105	110	317	321
Professional services	157	277	619	714
Telephone and data communication	92	86	300	298
Insurance	60	55	170	168
Other expense	541	552	1,519	1,700
Total noninterest expense	6,220	5,114	17,652	15,731
Income from operations before income taxes	908	307	3,064	190
Income tax expense	40	—	55	—
<b>Net income</b>	868	307	3,009	190
Preferred stock dividends	—	—	—	—
<b>Net income allocated to common stockholders</b>	<b>\$868</b>	<b>\$307</b>	<b>\$3,009</b>	<b>\$190</b>