



August 9, 2018

Dear Shareholder,

CIB Marine Bancshares, Inc. (“CIB Marine” or the “Company”) is pleased to report its financial results for the quarter and six months ended June 30, 2018.

Result of Operations – Summary

Pre-tax net income for the three months ended June 30, 2018, was \$1.1 million compared to \$1.0 million for the same period of 2017, and \$2.1 million for the six months ended June 30, 2018, compared to \$1.9 million for the same period of 2017.

Highlights for the first six months of 2018 include:

- CIB Marine’s revenues represented by net interest income and non-interest income were both higher during the six months ended June 30, 2018, versus the same period of 2017. Although average interest-earning assets were nearly unchanged, the net interest margin increased to 3.18% from 3.06%. In addition, SBA loan production and mortgage production were higher during the first six months of 2018 versus the same period of 2017.
- Pre-tax net income for subsidiary CIBM Bank was \$2.6 million for the six months ended June 30, 2018, compared \$2.3 to the same period of 2017. Higher revenues and lower provisions for loan losses offset higher expenses.

Financial Condition - Summary

Total assets were up \$32 million from December 31, 2017, to June 30, 2018, reflecting higher earning assets in most all categories. Deposits were \$39 million higher over the same period in part to fund the asset growth and to reduce short-term borrowings.

Highlights of our financial condition as of June 30, 2018, include:

- CIB Marine’s stated book value per share of common stock, inclusive of the net deferred tax assets, was \$2.10 at June 30, 2018, compared to \$2.04 at December 31, 2017. The tangible book value per share, inclusive of the net deferred tax assets, increased to \$2.58 from \$2.53 over the same time period.
- Nonperforming assets to total assets were 0.94% at June 30, 2018, compared to 1.13% at December 31, 2017, and 1.51% at June 30, 2017; the result of decreased non-accrual loans and other real estate owned.

Attached please find unaudited financial results for the quarter ended June 30, 2018, including selected financial information, a summary balance sheet, and a summary income statement.

We encourage you to visit our website, www.cibmarine.com, for additional detailed financial results and a link to the quarterly reports we file with our regulators. We will continue to release our financial results on a quarterly basis on 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.

First Modified Dutch Auction

CIB Marine concluded the first of three anticipated modified Dutch auctions to repurchase preferred stock (both Series A and Series B) in late June. While 43,003 preferred shares were offered, at a weighted average price of \$806.27 per share, the Company accepted offers representing fewer than 5% of the shares offered in the solicitation. The Company was disciplined in its approach to preferred share repurchases and only accepted offers that were both accretive and did not trigger any loss of deferred tax assets – employing the criteria we announced in advance of the modified Dutch auction. For additional discussion on the results of the solicitation, including details related

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to the rejected offers, please see our shareholder letter dated June 29, 2018, which is available on our website.

The Second Amendment to the Amended and Restated Articles of Incorporation approved by the common and preferred shareholders allows the Company flexibility to pursue preferred stock repurchase opportunities outside the modified Dutch auction process. Employing the same disciplined approach, the Company is exploring accretive preferred stock repurchase opportunities with interested shareholders.

Concluding Comments

CIB Marine has shown results year-to-date in our main focus areas: improving net interest income, and growing non-interest income through net mortgage banking revenue, gains on sales of SBA loans, and other traditional fee-based banking activities. These gains are partially offset by higher expenses related to recent hires and activities to support current and future growth plans. We also experienced higher professional fee expenses related to the recent amendment to the Articles of Incorporation and activities associated with the modified Dutch auctions.

We continue to pay close attention to our asset quality ratios, like the non-performing asset and the non-accrual loan ratios, which remain relatively strong and near historic lows for CIB Marine. While our allowance for loan loss balances and ratio are higher versus year-end due to a few larger commercial credits, we compare well to national and local peer bank allowance for loan loss ratios. We continue to be vigilant given the length of the economic expansion and credit cycle.

We will continue to work diligently as a dedicated team to achieve favorable outcomes for the Company and our shareholders in the months and years ahead.

Sincerely,



J. Brian Chaffin
President & Chief Executive Officer

***** Please note that, effective July 24, 2018, the corporate headquarters of CIB Marine Bancshares, Inc. is now located at 19601 West Bluemound Road, Brookfield, Wisconsin 53045 *****

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, execution, credit, market, security (including cyber), 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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
(Dollars in thousands, except share and per share data)				
Selected Statements of Operations Data				
Interest and dividend income	\$6,387	\$5,732	\$12,396	\$11,294
Interest expense	1,406	973	2,591	1,865
Net interest income	4,981	4,759	9,805	9,429
Provision for loan losses	149	47	23	275
Net interest income after provision for loan losses	4,832	4,712	9,782	9,154
Noninterest income (1)	2,986	2,611	4,857	4,458
Noninterest expense	6,737	6,279	12,561	11,680
Income before income taxes	1,081	1,044	2,078	1,932
Income tax expense	246	20	546	20
Net income	\$835	\$1,024	1,532	1,912
Common Share Data				
Basic net income	\$0.05	\$0.06	\$0.08	\$0.11
Diluted net income	0.02	0.03	0.04	0.05
Dividends	—	—	—	—
Tangible book value per share (2)	2.58	1.16	2.58	1.16
Book value per share (2)	2.10	0.68	2.10	0.68
Financial Condition Data				
Total assets	\$694,812	\$650,051	\$694,812	\$650,051
Loans	488,762	488,289	488,762	488,289
Allowance for loan losses	(8,055)	(7,653)	(8,055)	(7,653)
Investment securities	119,571	111,160	119,571	111,160
Deposits	517,452	493,364	517,452	493,364
Borrowings	76,427	82,025	76,427	82,025
Stockholders' equity	97,313	72,279	97,313	72,279
Financial Ratios and Other Data				
Performance Ratios:				
Net interest margin (3)	3.15%	3.09%	3.18%	3.06%
Net interest spread (4)	2.92	2.92	2.96	2.89
Noninterest income to average assets (5)	1.77	1.65	1.47	1.40
Noninterest expense to average assets	3.99	3.96	3.82	3.68
Efficiency ratio (6)	84.56	85.20	85.80	84.11
Earnings on average assets (7)	0.49	0.65	0.47	0.60
Earnings on average equity (8)	3.41	5.71	3.15	5.41
Asset Quality Ratios:				
Nonaccrual loans to total loans (9)	0.53%	0.99%	0.53%	0.99%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (9)	0.82	1.36	0.82	1.36
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total asset (9)	0.94	1.51	0.94	1.51
Allowance for loan losses to total loans	1.65	1.57	1.65	1.57
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (9)	200.97	115.15	200.97	115.15
Net charge-offs (recoveries) to average loans	(0.48)	(0.03)	(0.14)	0.09
Capital Ratios:				
Total equity to total assets	14.01%	11.12%	14.01%	11.12%
Total risk-based capital ratio	16.42	15.93	16.42	15.93
Tier 1 risk-based capital ratio	15.16	14.68	15.16	14.68
Leverage capital ratio	11.72	11.56	11.72	11.56
Other Data:				
Number of employees (full-time equivalent)	184	181	184	181
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. Both book value measures are reported inclusive of the net deferred tax assets.

(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.
Summary Consolidated Balance Sheets (unaudited)

	June 30, 2018	December 31, 2017
	(Dollars in thousands)	
Assets		
Cash and due from banks	\$9,752	\$14,371
Reverse repurchase agreements	28,403	5,449
Securities available for sale	119,571	114,801
Loans held for sale	15,407	11,070
Net Loans	480,707	475,910
Other assets	40,972	40,793
Total assets	\$694,812	\$662,394
Liabilities and Stockholders' Equity		
Deposits	517,452	478,633
Short-term borrowings	76,427	84,217
All other liabilities	3,620	2,478
Total liabilities	597,499	565,328
Stockholders' Equity		
Total stockholders' equity	97,313	97,066
Total liabilities and stockholders' equity	\$694,812	\$662,394

CIB MARINE BANCSHARES, INC.
Summary Consolidated Statements of Operations (unaudited)

	Quarters Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Dollars in thousands)			
Interest income	6,387	5,732	12,396	11,294
Interest expense	1,406	973	2,591	1,865
Net interest income	4,981	4,759	9,805	9,429
Provision for loan losses	149	47	23	275
Net interest income after provision for loan losses	4,832	4,712	9,782	9,154
Noninterest income				
Compensation and employee benefits	4,682	4,333	8,738	8,038
Occupancy and premises	759	700	1,487	1,380
Other expense	1,296	1,246	2,336	2,262
Total noninterest expense	6,737	6,279	12,561	11,680
Income from operations before income taxes	1,081	1,044	2,078	1,932
Income tax expense	246	20	546	20
Net income	835	1,024	1,532	1,912
Preferred stock dividends	0	0	0	0
Net income allocated to common stockholders	\$835	\$1,024	\$1,532	\$1,912