



May 10, 2018

Dear Shareholder,

CIB Marine Bancshares, Inc. (“CIB Marine” or the “Company”) is pleased to report its financial results for the quarter ended March 31, 2018.

Result of Operations – Summary

Net income for the three months ended March 31, 2018, was \$0.7 million or \$0.04 basic and \$0.02 diluted earnings per share, compared to \$0.9 million or \$0.05 basic and \$0.02 diluted earnings per share for the same period of 2017. Pre-tax net income increased to \$1.0 million for the three months ended March 31, 2018, compared to \$0.9 million for the same period of 2017.

Below are some highlights for the first quarter of 2018:

- CIB Marine’s revenues represented by net interest income and non-interest income were both higher during the first three months ended March 31, 2018, versus the same period of 2017. Although average interest earning assets were lower, the net interest margin for the first quarter of 2018 was 3.20%, up from 3.02% for the first quarter of 2017. In addition, mortgage production was higher during the first quarter of 2018 versus the same period of 2017.
- Pre-tax net income for subsidiary CIBM Bank was \$1.1 million for the first three months ended March 31, 2018, the same as reported in the same period of 2017. Although revenues were up, other expenses were also up as the bank has hired additional staff for future growth and certain expenses, including occupancy, equipment and other expenses, were up versus the same period in 2017.

Financial Condition - Summary

Reverse repurchase agreements were up during the first quarter, offsetting in part the decline in loans since year-end due partially to seasonal and other pay-downs in some short-term, high-quality local loans.

Below are some highlights of our financial condition as of March 31, 2018:

- CIB Marine’s stated book value per share of common stock, inclusive of the net deferred tax assets, was \$2.06 at March 31, 2018, compared to \$2.04 at December 31, 2017. The tangible book value per share, also inclusive of the net deferred tax assets, increased to \$2.54 from \$2.53 over the same time period. The increases reflect the earnings in the first quarter of 2018.
- Nonperforming assets to total assets declined further to 0.85% at March 31, 2018, from 1.13% at December 31, 2017. The decrease reflects reductions in non-accrual loans.

Attached please find unaudited financial results for the quarter ended March 31, 2018, including selected financial information, a balance sheet, and an income statement.

We would encourage you to 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.

2018 Annual Shareholder Meeting

The common shareholders approved all proposals submitted to them at the Annual Meeting of Shareholders on April 26, 2018, including proposals to: approve the slate of four directors for three-year terms; approve the second amendment to the Restated and Amended Articles of Incorporation to permit the Company to engage in a non-

“Community Banking – The Way It Used To Be”

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mandatory, non-pro rata, preferred stock repurchase plan upon the terms described in our proxy statement; and approve an increase in the authorized common stock of the company from 50 million shares to 75 million shares. Some of the changes provided for in the Second Amendment to the Articles of Incorporation are limited in duration and will “spring back” after June 30, 2020.

First Year Modified Dutch Auction

The Company has commenced the first of three anticipated annual modified Dutch auctions to repurchase preferred stock (both Series A and Series B) by distributing documents to preferred shareholders to allow them to offer preferred stock to the Company for purchase. Offers submitted under the first modified Dutch auction must be received by 5:00 pm (Eastern) on June 8, 2018, and be in compliance with the terms of the Reverse Tender Offer documents. The Company has no obligation to purchase any shares offered, and the preferred shareholders are under no obligation to offer any shares for sale. A copy of the Reverse Tender Offer document is on our website. For additional information on the preferred stock repurchase process, including the many factors the Board will need to evaluate in the process, we encourage shareholders to review the comments of Mr. Mark Elste from the Annual Meeting of common shareholders on April 26, 2018, and the Special Meeting of preferred shareholders on March 14, 2018, all of which can be found at www.cibmarine.com.

Concluding Comments

CIB Marine continues to manage for and focus on growth in all core banking areas. For the remainder of 2018 we are concentrating on adding staff to support revenue growth in our markets and business divisions; investing in technology designed to improve efficiency and customer experiences; and upgrading our branding and bank offices.

The current loan markets are fairly strong at this time but warrant some caution as we see heightened competitive pressures on pricing as well as terms. We believe we can achieve moderate loan growth in 2018, but we will not compromise our credit standards for the sake of loan growth. We remain committed to maintaining the strong credit culture that has led to our continued improvement in asset quality over the past several years.

Our non-interest income was comparable to the first quarter last year, but the mix was different. Compared to the first quarter of 2017, our first quarter mortgage loan production was up about \$10 million in loans and \$0.2 million in net mortgage banking revenue which offset lower SBA 7(a) production. Increased mortgage loan production reflects continued improvements in our sales force and operations. Both divisions remain focused on hiring and continued development of their pipelines and production for growing contribution to the Company’s earnings in the quarters and years ahead.

Asset quality ratios, like the non-performing asset and the non-accrual loan ratio, are very strong right now with both under 1.00% and near historic lows. Although this is a significant achievement, we recognize the need to remain cautious given the length of the economic expansion and credit cycle.

Finally, the support of all shareholders for the changes in the Articles of Incorporation are significant. We will be working diligently to employ these changes to achieve favorable outcomes for the Company and our shareholders in the coming months and years.

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, 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

	At or for the Three Months Ended March 31,	
	2018	2017
(Dollars in thousands, except share and per share data)		
Selected Statements of Operations Data		
Interest and dividend income	\$6,009	\$5,562
Interest expense	1,185	892
Net interest income	4,824	4,670
Provision for (reversal of) loan losses	(126)	228
Net interest income after provision for (reversal of) loan losses	4,950	4,442
Noninterest income (1)	1,871	1,847
Noninterest expense	5,824	5,401
Income before income taxes	997	888
Income tax expense	300	—
Net income	\$697	\$888
Common Share Data		
Basic net income	\$0.04	\$0.05
Diluted net income	0.02	0.02
Dividends	—	—
Tangible book value per share (2)	2.54	1.08
Book value per share (2)	2.06	0.60
Weighted average shares outstanding-basic	18,161,989	18,127,892
Weighted average shares outstanding-diluted	36,544,029	36,198,171
Financial Condition Data		
Total assets	\$663,580	\$631,160
Loans	472,746	483,501
Allowance for loan losses	(7,331)	(7,567)
Investment securities	115,596	111,745
Deposits	484,258	497,144
Borrowings	79,227	60,837
Stockholders' equity	97,407	70,819
Financial Ratios and Other Data		
Performance Ratios:		
Net interest margin (3)	3.20%	3.02%
Net interest spread (4)	2.99	2.87
Noninterest income to average assets (5)	1.15	1.16
Noninterest expense to average assets	3.63	3.40
Efficiency ratio (6)	87.28	82.88
Earnings on average assets (7)	0.43	0.56
Earnings on average equity (8)	2.89	5.10
Asset Quality Ratios:		
Nonaccrual loans to total loans (9)	0.19%	1.32%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (9)	0.53	1.65
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total asset (9)	0.85	1.77
Allowance for loan losses to total loans	1.55	1.57
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (9)	294.77	94.67
Net charge-offs to average loans	0.21	0.21
Capital Ratios:		
Total equity to total assets	14.68%	11.22%
Total risk-based capital ratio	16.91	15.90
Tier 1 risk-based capital ratio	15.66	14.65
Leverage capital ratio	12.16	11.21
Other Data:		
Number of employees (full-time equivalent)	184	181
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. 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.
Consolidated Balance Sheets (unaudited)

	March 31, 2018	December 31, 2017
	(Dollars in thousands, except share data)	
Assets		
Cash and due from banks	\$10,829	\$14,371
Reverse repurchase agreements	23,032	5,449
Securities available for sale	115,596	114,801
Loans held for sale	6,689	11,070
Loans	472,746	483,611
Allowance for loan losses	(7,331)	(7,701)
Net loans	465,415	475,910
Federal Home Loan Bank stock	2,857	3,083
Premises and equipment, net	4,314	4,334
Accrued interest receivable	1,583	1,558
Deferred tax assets, net	22,836	22,613
Other real estate owned, net	3,164	2,584
Bank owned life insurance	4,516	4,494
Goodwill and other intangible assets, net	193	198
Other assets	2,556	1,929
Total assets	<u>\$663,580</u>	<u>\$662,394</u>
Liabilities and Stockholders' Equity		
Deposits:		
Noninterest-bearing demand	\$74,397	\$70,024
Interest-bearing demand	34,657	32,979
Savings	182,795	182,581
Time	192,409	193,049
Total deposits	484,258	478,633
Short-term borrowings	79,227	84,217
Accrued interest payable	398	383
Other liabilities	2,290	2,095
Total liabilities	566,173	565,328
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; 18,383,891 issued shares; 18,172,844 outstanding shares	18,384	18,384
Capital surplus	158,749	158,672
Accumulated deficit	(127,866)	(128,563)
Accumulated other comprehensive loss, net	(2,326)	(1,893)
Treasury stock 221,902 shares at cost	(534)	(534)
Total stockholders' equity	97,407	97,066
Total liabilities and stockholders' equity	<u>\$663,580</u>	<u>\$662,394</u>

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

	Three Months Ended March 31,	
	2018	2017
	(Dollars in thousands, except per share data)	
Interest Income		
Loans	\$5,125	\$4,826
Loans held for sale	73	46
Securities	775	611
Other investments	36	79
Total interest income	<u>6,009</u>	<u>5,562</u>
Interest Expense		
Deposits	948	749
Short-term borrowings	237	143
Total interest expense	<u>1,185</u>	<u>892</u>
Net interest income	4,824	4,670
Provision for (reversal of) loan losses	(126)	228
Net interest income after provision for (reversal of) loan losses	<u>4,950</u>	<u>4,442</u>
Noninterest Income		
Deposit service charges	111	113
Other service fees	34	46
Mortgage banking revenue, net	1,374	1,142
Other income	132	97
Net gains on sale of securities	22	—
Net gains on sale of assets and (write downs)	198	449
Total noninterest income	<u>1,871</u>	<u>1,847</u>
Noninterest Expense		
Compensation and employee benefits	4,056	3,705
Equipment	311	290
Occupancy and premises	417	390
Data processing	154	140
Federal deposit insurance	49	87
Professional services	166	200
Telephone and data communication	78	81
Insurance	61	59
Other expense	532	449
Total noninterest expense	<u>5,824</u>	<u>5,401</u>
Income from operations before income taxes	997	888
Income tax expense	300	—
Net income	<u>697</u>	<u>888</u>
Preferred stock dividends	—	—
Net income allocated to common stockholders	<u><u>\$697</u></u>	<u><u>\$888</u></u>