



August 8, 2019

Dear Shareholder,

CIB Marine Bancshares, Inc.'s ("CIB Marine" or the "Company") results for the quarter and six months ended June 30, 2019, and a brief shareholder update are outlined below.

Result of Operations – Summary

Income before taxes for the second quarter of 2019 was \$1.0 million compared to \$1.1 million for the same period in 2018, and for the six months ending June 30, 2019, it was \$1.9 million compared to \$2.0 million for the same period in 2018.

Highlights of our earnings results include:

- Income before taxes for subsidiary CIBM Bank was \$2.0 million for the six months ending June 30, 2019, compared to \$2.5 million for the same period in 2018. Comparing the two six-month periods, there was a decline in net interest income of \$0.2 million due primarily to rising cost of funds, and a decline in non-interest income of \$0.9 million due to lower net mortgage banking revenues and SBA gains on sale as a result of lower origination volumes. This was offset, in part, by lower non-interest expenses of \$0.4 million and a \$0.2 million improvement in provisions to loan losses.
- Although our mortgage banking originations are down for the quarter and year to date periods ending June 30, 2019 compared to the same periods in 2018, the mortgage division's contribution to income before taxes, or its revenues less related division expenses, are better in 2019. In addition, results improved materially during the second quarter versus the first quarter of 2019 with \$47 million more mortgage closings reflecting success in purchase money lending activity, a number of new hires, and refinances related to lower interest rates.

Financial Condition – Summary

Total loans were up \$24 million from March 31, 2019, to June 30, 2019, reflecting strong loan origination growth during the quarter. SBA reverse repurchase agreements were down \$24 million while time deposits were down \$12 million and borrowings were up \$12 million over the same time period.

Highlights of our financial condition include:

- CIB Marine's tangible book value per share and stated book value per share at June 30, 2019, were \$2.97 and \$2.60 per share of common stock, respectively, compared to \$2.82 and \$2.45, respectively, at December 31, 2018. The increase reflects income for the quarter and a reduction in accumulated other comprehensive loss due to improved available for sale security values as a result of lower mid- and long-term interest rates.
- Nonperforming assets, troubled debt restructures, and loans 90 days past due and accruing loans to total assets were 1.40% at June 30, 2019, compared to 1.45% at December 31, 2018, and allowance for loan losses to total loans was 1.41% at June 30, 2019, compared to 1.62% at December 31, 2018. The reduction in the allowance for loan losses to total loans was primarily the result of the charge off of a loan previously reserved for.

Attached please find unaudited summary financial results for the quarter and six months ended June 30, 2019, including selected financial information, a summary balance sheet, and a summary income statement.

We encourage you to visit our website, www.cibmarine.com, for our earnings release, audited financial statements and additional detailed financial results as well as a link to the quarterly reports we file with our regulators; and www.otcmarkets.com (symbol: CIBH) for current and historical stock price information, as well as other disclosures. 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.

"Community Banking – The Way It Used To Be"

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Preferred Stock

CIB Marine's second of three modified Dutch auctions for preferred shareholders is concluded. Of the approximately 29,475 shares of preferred stock offered for sale, approximately 2,229 shares (2,067 Series A and 163 Series B) met the criteria for repurchase previously laid out by the Board of Directors of CIB Marine and have been accepted for repurchase for a total price of \$1.6 million. CIB Marine does not contemplate issuing any additional capital or debt to fund the purchases. It is anticipated that cash settlement upon receipt of all required documentation from the selling shareholders and a discount of \$0.3 million to the carrying value of the preferred stock will be transferred to paid-in capital during the third quarter of 2019.

As a reminder, a \$3.5 million liability currently exists for the purchase of 4,923 preferred shares, which will settle on or before December 1, 2019, as agreed to in 2018. In addition, we look forward to potential discussions with remaining preferred shareholders interested in selling their preferred stock over the coming quarters before the third and final modified Dutch auction is held in 2020.

Concluding Comments

Although our results year to date don't fully reflect our current earnings capability due to a slower start in SBA lending and some excess capacity due in part to having some relatively new hires, we did see solid results in commercial loan and mortgage originations. During the third quarter, we look forward to solid progress in improving our cost of funds as higher rate competition and interest rates have both eased, and improved results on our SBA loan originations and related gains on sale as a result of a growing pipeline.

We have largely completed our brand unification project and believe it is quickly making a positive impact on our marketing activities with a sharper focus and more efficient operations. If you have not done so yet, please visit our new website at www.cibmbank.com or a local branch. We are confident you will like the results of the hard work our employees have put into this important project.

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

	Quarters Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Dollars in thousands, except share and per share data)			
Selected Statements of Operations Data				
Interest and dividend income	\$7,078	\$6,387	\$14,093	\$12,396
Interest expense	2,256	1,406	4,434	2,591
Net interest income	4,822	4,981	9,659	9,805
Provision for (reversal of) loan losses	(67)	149	(225)	23
Net interest income after provision for (reversal of) loan losses	4,889	4,832	9,884	9,782
Noninterest income (1)	2,710	2,968	4,072	4,800
Noninterest expense	6,557	6,737	12,062	12,561
Income before income taxes	1,042	1,063	1,894	2,021
Income tax expense	281	241	510	530
Net income	\$761	\$822	1,384	1,491
Common Share Data				
Basic net income (2)	\$0.04	\$0.05	\$0.08	\$0.09
Diluted net income (2)	0.02	0.02	0.04	0.04
Dividends	—	—	—	—
Tangible book value per share (3)	2.97	2.58	2.97	2.58
Book value per share (3)	2.60	2.10	2.60	2.10
Weighted average shares outstanding-basic	18,290,674	18,209,032	18,261,584	18,185,641
Weighted average shares outstanding-diluted	33,009,983	36,783,724	32,950,273	36,664,538
Financial Condition Data				
Total assets	\$708,270	\$694,812	\$708,270	\$694,812
Loans	513,755	488,762	513,755	488,762
Allowance for loan losses	(7,251)	(8,055)	(7,251)	(8,055)
Investment securities	124,784	119,571	124,784	119,571
Deposits	535,367	517,452	535,367	517,452
Borrowings	69,174	76,427	69,174	76,427
Stockholders' equity	94,035	97,313	94,035	97,313
Financial Ratios and Other Data				
Performance Ratios:				
Net interest margin (4)	2.89%	3.15%	2.92%	3.18%
Net interest spread (5)	2.58	2.92	2.62	2.96
Noninterest income to average assets (6)	1.52	1.77	1.14	1.47
Noninterest expense to average assets	3.72	3.99	3.44	3.82
Efficiency ratio (7)	87.45	84.56	88.26	85.80
Earnings on average assets (8)	0.43	0.49	0.39	0.45
Earnings on average equity (9)	3.28	3.36	3.03	3.07
Asset Quality Ratios:				
Nonaccrual loans to total loans (10)	1.12%	0.53%	1.12%	0.53%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (10)	1.45	0.82	1.45	0.82
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total asset (10)	1.40	0.94	1.40	0.94
Allowance for loan losses to total loans	1.41	1.65	1.41	1.65
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (10)	97.34	200.97	97.34	200.97
Net charge-offs (recoveries) to average loans	0.44	(0.48)	0.19	(0.14)
Capital Ratios:				
Total equity to total assets	13.28%	14.01%	13.28%	14.01%
Total risk-based capital ratio	15.32	16.40	15.32	16.40
Tier 1 risk-based capital ratio	14.07	15.14	14.07	15.14
Leverage capital ratio	10.64	11.70	10.64	11.70
Other Data:				
Number of employees (full-time equivalent)	180	184	180	184
Number of banking facilities	11	11	11	11

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

(2) Net income available to common stockholders in the calculation of earnings per share for the second quarter 2018 and the six months ended June 30, 2018, includes the difference between the carrying amount less the consideration paid for redeemed preferred stock of \$0.1 million.

(3) Tangible book value per share is the stockholder 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 stockholder equity less the liquidation preference of the preferred stock, divided by the total shares of common outstanding. As presented here, and similar to how our basic earnings per share is calculated, the shares of common outstanding excludes unvested Restricted Stock Awards totaling 1,244,105 shares of common stock at June 30, 2019.

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

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

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

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

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

(9) Earnings on average equity are net income divided by average stockholders' equity.

(10) Excludes loans held for sale.

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

	June 30, 2019	December 31, 2018
	(Dollars in thousands)	
Assets		
Cash and due from banks	\$8,791	\$13,037
Reverse repurchase agreements	18,347	58,662
Securities available for sale	124,784	121,281
Loans held for sale	8,450	4,632
Net loans	506,504	483,390
Other assets	41,394	40,257
Total assets	<u>\$708,270</u>	<u>\$721,259</u>
Liabilities and Stockholders' Equity		
Deposits	535,367	536,931
Short-term borrowings	69,174	86,710
Other liabilities	9,694	6,583
Total liabilities	<u>614,235</u>	<u>630,224</u>
Stockholders' Equity		
Total stockholders' equity	<u>94,035</u>	<u>91,035</u>
Total liabilities and stockholders' equity	<u>\$708,270</u>	<u>\$721,259</u>

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

	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
	(Dollars in thousands)			
Interest income	7,078	6,387	14,093	12,396
Interest expense	2,256	1,406	4,434	2,591
Net interest income	<u>4,822</u>	<u>4,981</u>	<u>9,659</u>	<u>9,805</u>
Provision for (reversal of) loan losses	(67)	149	(225)	23
Net interest income after provision for (reversal of) loan losses	<u>4,889</u>	<u>4,832</u>	<u>9,884</u>	<u>9,782</u>
Noninterest income	<u>2,710</u>	<u>2,968</u>	<u>4,072</u>	<u>4,800</u>
Compensation and employee benefits	4,445	4,682	8,132	8,738
Occupancy and premises	790	759	1,581	1,487
Other expense	1,322	1,296	2,349	2,336
Total noninterest expense	<u>6,557</u>	<u>6,737</u>	<u>12,062</u>	<u>12,561</u>
Income from operations before income taxes	<u>1,042</u>	<u>1,063</u>	<u>1,894</u>	<u>2,021</u>
Income tax expense	281	241	510	530
Net income	<u>761</u>	<u>822</u>	<u>1,384</u>	<u>1,491</u>
Discount from repurchase of preferred shares	0	105	0	105
Net income allocated to common stockholders	<u>\$761</u>	<u>\$927</u>	<u>\$1,384</u>	<u>\$1,596</u>