



November 8, 2017

Dear Shareholder,

I am pleased to report the third quarter 2017 results for CIB Marine Bancshares, Inc. (“CIB Marine”) and to update you on some key initiatives that the Company has undertaken since our May 2017 Annual Meeting of Shareholders. Unaudited financial results for the quarter, including select financial information, a balance sheet and an income statement, are enclosed and I encourage all investors to review additional detailed financial information for the quarter and nine months ended September 30, 2017 at our website: www.cibmarine.com.

Third Quarter and 2017 Year-to-Date Results

CIB Marine reported continued healthy results for the third quarter and the first nine months of 2017. The Company reported net income of \$1.1 million for the quarter and \$3.0 million for the year-to-date. The improvement reflects higher levels of earning assets, net-interest income, and core earnings from our business activities.

I would like to call your attention to a few critical results from the quarter that directly relate to the Company’s initiatives:

- The Company’s bank subsidiary, CIBM Bank, had net income of \$1.3 million for the third quarter and \$3.6 million for the first nine months of 2017, compared to \$1 million and \$3.1 million, respectively, for the same periods in 2016. Improved earnings reflect a combination of improved revenues, cost containment, and building lines of business that contribute to sustainable core earnings.
- Book and tangible book value continue to improve. At September 30, 2017, book value per share was \$0.75 (compared to \$0.56 on September 30, 2016) and tangible book value was \$1.23 (compared to \$1.04 on September 30, 2016).
- Capital levels are at safe and robust levels with a leverage capital ratio of 11.41% as of September 30, 2017. This provides us with a strong base to continue to respond to banking and financial market changes by developing new product lines and hiring qualified high-producing employees that will improve future performance.
- A stronger base of earnings across business lines has minimized the impact of cyclical earnings swings. As an example, we experienced a decline in residential mortgage lending this year due to higher interest rates and a decreased refinance market, but other core business lines more than made up for that decrease with strong production in 2017, including commercial lending and our new government guaranteed lending division.

We recognize and congratulate our employees, directors and customers for their contributions to our performance. While the results are encouraging, we continue to diligently pursue the goals the Board has set to build shareholder value.

Preferred Stock Repurchase Plan and Amendment to Articles of Incorporation

As we announced at the Annual Shareholder Meeting in May, CIB Marine is moving forward with a plan to amend its Restated Articles of Incorporation to permit repurchases of Series A and Series B preferred stock upon terms determined to be acceptable by the Board of Directors of CIB Marine and in the best interests of the Company and its shareholders.

Approximately 75% of the preferred shares are held in investment trusts created to hold collateralized debt obligations (“CDOs”). While the CDO trusts have Trustees, they are not actively managed trusts, which creates certain difficulties in structuring an Article Amendment that they can approve and a repurchase

“Community Banking – The Way It Used To Be”

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structure they can participate in.

Since the Annual Meeting, we have received input from preferred shareholders who have contacted us and we have worked diligently to address their concerns in order to create a structure that can achieve the Company's goals and serve the needs of our common and preferred shareholders. In the next few weeks, we will pursue preferred shareholder approval of an Article Amendment in furtherance of the repurchase program we outlined at the Annual Meeting. Due to some modifications to the terms of the Article Amendment from what was approved at the Annual Meeting, if it is approved by the preferred shareholders, we will resubmit the Amendment to the common shareholders for ratification. At the time that we solicit the vote of the preferred shareholders, we will send a letter to all common shareholders outlining the steps the Company is taking, providing a copy of the Article Amendment, and including a detailed description of any modifications made from the prior Article Amendment approved by the common shareholders last May.

Although the Article Amendment will not be identical to the Amendment previously approved, that original Amendment remains the basis for the revised Amendment and the overwhelming support and resolve of our common shareholders in voting for that Amendment made a compelling statement to preferred shareholders about the future course of the Company. We believe that the changes made to the Amendment will provide opportunities for the Company to be able to build common shareholder value, while satisfying the needs of preferred shareholders seeking liquidity. We thank you for your support and vision for the Company through this lengthy process.

If all goes according to plan, in the first quarter of 2018 (provided the preferred shareholder vote is successful), we will put the Article Amendment to the vote of the common shareholders at a special meeting of the common shareholders called for such purpose.

Deferred Tax Asset Protection Plan

The second proposal approved by the common shareholders at the 2017 Annual Meeting was an advisory, non-binding proposal for the adoption of a Net Operating Loss Rights Plan, intended to protect the Company's substantial net operating loss carryforwards ("NOLs") against changes in share ownership that could limit the Company's ability to use the NOLs in the future. A Net Operating Loss Rights Plan has not yet been adopted due to complexities involving the proposed Amendment to the Amended and Restated Articles of Incorporation as described above, which we are working to resolve. We strongly encourage any shareholder who may engage in a transaction that could potentially jeopardize the Company's deferred tax assets to discuss the proposed transaction with the Company, prior to execution. Section 382 of the Internal Revenue Code is very complex and, at the risk of oversimplification, the general rule is: if the percentage by value of stock of the Corporation owned by one or more 5% shareholders increases by more than 50% during a 3-year testing period, then Section 382 limitations may be imposed on the Company and its ability to utilize its NOLs to offset taxable income. The deferred tax asset of the Company, before valuation allowance, was reported at over \$40 million as of December 31, 2016.

Community Involvement

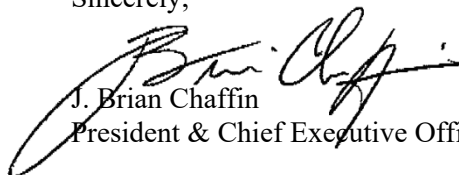
Another of CIB Marine's initiatives in 2017 has been increased involvement in our communities. Last quarter, we highlighted some of our strong results on the lending front within our communities. With our relatively large geographic footprint, lending to low and moderate income groups in all of the communities we serve requires specific focus and commitment. To that end, we have deployed substantial resources to support local business and residential housing credit needs through the addition of new programs, products and key staff. Some of the actions we have taken include:

- Growing and adding to our Affordable Loan Product offering designed to assist and support low and moderate income families.
- Hiring a highly respected mortgage banker in our Chicago market to assist in developing and improving our CRA lending.
- Launching our new "Fast Track Business Loan" product, which is designed to assist micro-businesses in obtaining credit.

Concluding Comments

The road map we have laid out, with the support and direction of our Board, has the Company on the path to continued success as CIBM Bank has achieved profitability in fourteen of the last fifteen quarters, and CIB Marine has reached seven consecutive profitable quarters. The coming months will present exciting opportunities and some challenges for the Company. We look forward to continuing to pursue the goals and objectives we have discussed with you, our shareholders.

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,	
	2017	2016	2017	2016
	(Dollars in thousands, except share and per share data)			
Selected Statements of Operations Data				
Interest and dividend income	\$6,056	\$5,286	\$17,350	\$15,676
Interest expense	1,140	740	3,005	2,204
Net interest income	4,916	4,546	14,345	13,472
Provision for loan losses	149	69	424	248
Net interest income after provision for loan losses	4,767	4,477	13,921	13,224
Noninterest income (1)	2,257	2,651	6,715	7,492
Noninterest expense	5,865	6,220	17,545	17,652
Income before income taxes	1,159	908	3,091	3,064
Income tax expense	25	40	45	55
Net income	\$1,134	\$868	3,046	\$3,009
Common Share Data				
Basic net income	\$0.06	\$0.05	\$0.17	\$0.17
Diluted net income	0.03	0.02	0.08	0.08
Dividends	—	—	—	—
Tangible book value per share (2)	1.23	1.04	1.23	1.04
Book value per share (2)	0.75	0.56	0.75	0.56
Weighted average shares outstanding-basic	18,161,989	18,127,892	18,145,505	18,127,892
Weighted average shares outstanding-diluted	36,512,804	35,818,022	36,407,957	35,694,388
Financial Condition Data				
Total assets	\$640,340	\$632,628	\$640,340	\$632,628
Loans	490,089	466,057	490,089	466,057
Allowance for loan losses	(7,905)	(8,549)	(7,905)	(8,549)
Investment securities	112,670	103,853	112,670	103,853
Deposits	479,285	476,428	479,285	476,428
Borrowings	84,903	81,636	84,903	81,636
Stockholders' equity	73,556	70,094	73,556	70,094
Financial Ratios and Other Data				
Performance Ratios:				
Net interest margin (3)	3.07%	2.95%	3.06%	3.07%
Net interest spread (4)	2.88	2.80	2.89	2.92
Noninterest income to average assets (5)	1.37	1.68	1.39	1.66
Noninterest expense to average assets	3.55	3.93	3.64	3.91
Efficiency ratio (6)	81.76	86.42	83.31	84.20
Earnings on average assets (7)	0.69	0.55	0.63	0.67
Earnings on average equity (8)	6.11	4.89	5.65	5.86
Asset Quality Ratios:				
Nonaccrual loans to total loans (9)	0.99%	1.16%	0.99%	1.16%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (9)	1.30	1.58	1.30	1.58
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total asset (9)	1.49	1.32	1.49	1.32
Allowance for loan losses to total loans	1.61	1.83	1.61	1.83
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (9)	124.21	116.08	124.21	116.08
Net charge-offs (recoveries) to average loans	(0.08)	(0.22)	0.03	(0.07)
Capital Ratios:				
Total equity to total assets	11.49%	11.08%	11.49%	11.08%
Total risk-based capital ratio	16.05	15.69	16.05	15.69
Tier 1 risk-based capital ratio	14.80	14.43	14.80	14.43
Leverage capital ratio	11.41	11.20	11.41	11.20
Other Data:				
Number of employees (full-time equivalent)	179	169	179	169
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, 2017	December 31, 2016
	(Dollars in thousands, except share data)	
Assets		
Cash and due from banks	\$9,569	\$10,291
Reverse repurchase agreements	10,289	24,275
Securities available for sale	112,670	112,072
Loans held for sale	7,164	11,469
Loans	490,089	483,518
Allowance for loan losses	(7,905)	(7,592)
Net loans	482,184	475,926
Federal Home Loan Bank stock	3,128	3,803
Premises and equipment, net	4,371	4,427
Accrued interest receivable	1,507	1,382
Other real estate owned, net	3,153	3,159
Bank owned life insurance	4,468	4,389
Goodwill and other intangible assets, net	204	221
Other assets	1,633	2,145
Total assets	\$640,340	\$653,559
Liabilities and Stockholders' Equity		
Deposits:		
Noninterest-bearing demand	\$72,875	\$77,154
Interest-bearing demand	31,756	33,832
Savings	174,174	176,435
Time	200,480	195,676
Total deposits	479,285	483,097
Short-term borrowings	84,903	96,944
Accrued interest payable	404	349
Other liabilities	2,192	3,646
Total liabilities	566,784	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; 18,383,891 issued shares; 18,172,844 outstanding shares	18,384	18,346
Capital surplus	158,713	158,552
Accumulated deficit	(152,471)	(155,517)
Accumulated other comprehensive loss, net	(1,537)	(2,329)
Treasury stock 221,902 shares at cost	(533)	(529)
Total stockholders' equity	73,556	69,523
Total liabilities and stockholders' equity	\$640,340	\$653,559

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

	Quarters Ended		Six Months Ended	
	September 30,	2016	2017	September 30,
	2017			2016
	(Dollars in thousands)			
Interest and Dividend Income				
Loans	\$5,188	\$4,540	\$15,011	\$13,747
Loans held for sale	104	153	229	331
Securities	640	513	1,849	1,508
Other investments	124	80	261	90
Total interest income	<u>6,056</u>	<u>5,286</u>	<u>17,350</u>	<u>15,676</u>
Interest Expense				
Deposits	871	659	2,437	2,056
Short-term borrowings	269	81	568	148
Total interest expense	<u>1,140</u>	<u>740</u>	<u>3,005</u>	<u>2,204</u>
Net interest income	4,916	4,546	14,345	13,472
Provision for loan losses	149	69	424	248
Net interest income after provision for loan losses	<u>4,767</u>	<u>4,477</u>	<u>13,921</u>	<u>13,224</u>
Noninterest Income				
Deposit service charges	132	125	374	349
Other service fees	45	47	145	166
Mortgage banking revenue, net	1,821	2,285	4,990	5,723
Other income	127	206	351	419
Net gain on sale of securities	—	—	—	—
Net gains on sale of assets	132	(12)	855	835
Total noninterest income	<u>2,257</u>	<u>2,651</u>	<u>6,715</u>	<u>7,492</u>
Noninterest Expense				
Compensation and employee benefits	4,099	4,426	12,137	12,193
Equipment	320	277	929	843
Occupancy and premises	386	377	1,157	1,201
Data processing	168	185	444	490
Federal deposit insurance	55	105	223	317
Professional services	158	157	488	619
Telephone and data communication	87	92	256	300
Insurance	60	60	215	170
Other expense	532	541	1,696	1,519
Total noninterest expense	<u>5,865</u>	<u>6,220</u>	<u>17,545</u>	<u>17,652</u>
Income from operations before income taxes	1,159	908	3,091	3,064
Income tax expense	25	40	45	55
Net income	<u>1,134</u>	<u>868</u>	<u>3,046</u>	<u>3,009</u>
Preferred stock dividends	—	—	—	—
Net income allocated to common stockholders	<u>\$1,134</u>	<u>\$868</u>	<u>\$3,046</u>	<u>\$3,009</u>