

CIB Marine Bancshares, Inc. (OTCQB: CIBH). This report provides additional detailed financial information for the quarter ended March 31, 2017. Please see our Shareholder Letter dated May 4, 2017, located at www.cibmarine.com for a summary description of our financial results.

CIB MARINE BANCSHARES, INC.
Net Interest Income (unaudited)

	2017			2016		
	Average Balance	Interest Earned/Paid	Average Yield/Cost	Average Balance	Interest Earned/Paid	Average Yield/Cost
(Dollars in thousands)						
Quarter Ended March 31,						
Interest-earning assets						
Securities (1)	\$112,460	\$611	2.17%	\$94,345	\$517	2.19%
Loans held for sale (1)	4,293	46	4.34	9,457	83	3.53
Loans (1)(2)	486,563	4,826	4.02	459,356	4,572	4.00
Federal funds sold, reverse repos and interest-earning due from banks	23,296	79	1.38	3,123	4	0.52
Total interest-earning assets	626,612	5,562	3.60	566,280	5,176	3.67
Noninterest-earning assets	18,256			16,395		
Total assets	\$644,868			\$582,675		
Interest-bearing liabilities						
Interest-bearing deposits	\$409,225	\$749	0.74%	\$384,350	\$705	0.74%
Borrowed funds	88,609	143	0.66	54,438	30	0.22
Total interest-bearing liabilities	497,834	892	0.73	438,788	735	0.67
Noninterest-earning liabilities:						
Noninterest-bearing demand deposits	73,840			73,728		
Accrued interest and other liabilities	2,605			3,550		
Preferred equity	51,000			51,000		
Common equity	19,589			15,609		
Total stockholders' equity	70,589			66,609		
Total liabilities and stockholders' equity	\$644,868			\$582,675		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$128,778	\$4,670	2.87%	\$127,492	\$4,441	3.00%
Net interest margin (1)(4)			3.02%			3.15%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.26			1.29		

(1) Balance totals include respective nonaccrual assets.

(2) Interest earned on loans includes a nominal amount of amortized loan costs for all periods presented.

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

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

Net interest income increased \$0.2 million, due primarily to higher average earning asset balances in loans, securities and SBA reverse repos. At the same time, CIB Marine's net interest margin decreased 13 basis points from 3.15% for the first quarter of 2016 to 3.02% for the first quarter of 2017. This decline was related to an increase in the cost of funds by 6 basis points and the decrease in the average yield of earning assets by 7 basis points, caused primarily by an increase in the balances of the lower yielding SBA reverse repo.

CIB MARINE BANCSHARES, INC.
Loans and Allowance for Loan and Losses

Loan Portfolio Segments (unaudited)

	March 31, 2017		December 31, 2016		March 31, 2016	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
(Dollars in thousands)						
Commercial	\$62,572	13.0%	\$55,327	11.5%	\$65,830	14.0%
Commercial real estate	214,311	44.4	219,527	45.5	222,363	47.4
Construction and development	39,667	8.2	42,431	8.8	29,959	6.4
Residential real estate	126,499	26.2	124,356	25.8	108,613	23.1
Home equity	31,618	6.6	32,492	6.7	32,398	6.9
Purchased home equity pools	6,776	1.4	7,051	1.5	8,737	1.9
Other consumer	940	0.2	1,135	0.2	1,365	0.3
Gross loans	482,383	100.0%	482,319	100.0%	469,265	100.0%
Deferred loan costs	1,118		1,199		1,159	
Loans	483,501		483,518		470,424	
Allowance for loan losses	(7,567)		(7,592)		(8,235)	
Loans, net	\$475,934		\$475,926		\$462,189	

Nonperforming Assets and Selected Asset Quality Ratios (unaudited)

	March 31, 2017		December 31, 2016		March 31, 2016	
	(Dollars in thousands)					
Nonperforming assets						
Nonaccrual loans:						
Commercial	\$277		\$606		\$1,234	
Commercial real estate	2,573		2,111		1,276	
Construction and development	1,029		1,079		—	
Residential real estate	1,142		1,141		472	
Home equity	1,350		1,171		816	
Other consumer	—		—		—	
	6,371		6,108		3,798	
Loans held for sale	—		—		—	
Total nonaccrual loans	6,371		6,108		3,798	
Other real estate owned	3,153		3,159		3,859	
Total nonperforming assets	\$9,524		\$9,267		\$7,657	
Restructured loans accruing						
Commercial	\$14		\$18		\$27	
Commercial real estate	533		540		2,431	
Residential real estate	266		185		121	
Home equity	434		516		948	
Purchased home equity pools	375		377		386	
Other consumer	—		4		4	
	\$1,622		\$1,640		\$3,917	
90 days or more past due still accruing	\$—		\$—		\$—	

Ratios

Nonaccrual loans to total loans (1)	1.32%	1.26%	0.81%
Other real estate owned to total assets	0.50	0.48	0.65
Nonperforming assets to total assets (1)	1.51	1.42	1.28
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (1)	1.65	1.60	1.64
Nonperforming assets, restructured loans and 90 days or more past due and still accruing loans to total assets (1)	1.77	1.67	1.94

(1) Excludes loans held for sale from nonaccrual loans, nonperforming assets, restructured loans accruing and 90 days or more past due and still accruing loans.

Allowance for Loan Losses (unaudited)

	Commercial	Commercial Real Estate	Construction and Development	Residential Real Estate	Home Equity	Purchased Home Equity Pools	Other Consumer	Total
(Dollars in thousands)								
Quarter ended March 31, 2017								
Balance at beginning of period	\$1,304	\$3,958	\$686	\$757	\$590	\$277	\$20	\$7,592
Provision for (reversal of) loan losses	249	46	8	50	(10)	(112)	(3)	228
Charge-offs	(350)	—	—	—	—	—	—	(350)
Recoveries	6	—	—	—	25	66	—	97
Balance at end of period	\$1,209	\$4,004	\$694	\$807	\$605	\$231	\$17	\$7,567
Quarter ended March 31, 2016								
Balance at beginning of period	\$1,567	\$4,117	\$595	\$669	\$717	\$372	\$27	\$8,064
Provision for (reversal of) loan losses	110	(19)	45	30	(64)	(46)	5	61
Charge-offs	—	(1)	—	—	—	(19)	—	(20)
Recoveries	6	57	—	—	26	41	—	130
Balance at end of period	\$1,683	\$4,154	\$640	\$699	\$679	\$348	\$32	\$8,235

Nonaccrual loan volumes increased over the same period of the prior year by \$2.6 million due to net new non-accrual loan increases in all segments except the commercial segment.

Provision expense for the first quarter of 2017 was \$228,000 compared to a provision expense of \$61,000 for the same period of 2016. Charge-offs for the first quarter of 2017 were \$350,000 compared to \$20,000 during the same period of 2016. Total recoveries were \$97,000 for the first quarter of 2017 compared to \$130,000 for the same period in 2016.

CIB Marine may record recoveries in excess of charge-offs from time to time. Although it cannot be certain in advance due to a number of factors related to the determination of the provision for loan losses, a net recovery may result in a credit provision (i.e., a reversal of provisions for loan losses) in the period of the net recovery. A net recovery has the potential to increase CIB Marine's net income by an amount up to the net recovery. However, there can be no certainty as to whether CIB Marine will experience improved credit quality or recoveries during future quarters so as to permit it to record further credit provisions or reversals of provisions for loan losses for any of the portfolio segments or in total.

The allowance for loan losses declined from \$8.2 million at March 31, 2016, to \$7.6 million at March 31, 2017, primarily due to the charge-off of losses reserved for net of other changes over that time period. The ratio of the allowance for loan losses to total loans declined from 1.75% to 1.57% from March 31, 2016, to March 31, 2017, primarily as a result of charge-offs reserved for, the broad longer term trend of overall improved loan asset quality, and the growth in the residential segment of the loan portfolio which has a lower allowance for loan loss rate.

Past Due Accruing Loans (unaudited)

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
(Dollars in thousands)						
At March 31, 2017						
Commercial	\$129	\$2	\$—	\$131	\$62,164	\$62,295
Commercial real estate	491	—	—	491	211,247	211,738
Construction and development	295	—	—	295	38,343	38,638
Residential real estate	249	—	—	249	125,108	125,357
Home equity	341	—	—	341	29,927	30,268
Purchased home equity pools	102	—	—	102	6,674	6,776
Other consumer	—	—	—	—	940	940
Deferred loan costs	4	—	—	4	1,114	1,118
Total	\$1,611	\$2	\$—	\$1,613	\$475,517	\$477,130
At December 30, 2016						
Commercial	\$122	\$—	\$—	\$122	\$54,599	\$54,721
Commercial real estate	—	—	—	—	217,416	217,416
Construction and development	—	—	—	—	41,352	41,352
Residential real estate	451	—	—	451	122,764	123,215
Home equity	195	72	—	267	31,054	31,321

Past Due Accruing Loans (unaudited)

	30-59 Days Past Due	60-89 Days Past Due	Greater Than	Total Past Due	Loans Not Past Due	Total
			89 Days Past Due			
(Dollars in thousands)						
Purchased home equity pools	13	67	—	80	6,971	7,051
Other consumer	—	—	—	—	1,135	1,135
Deferred loan costs	2	—	—	2	1,197	1,199
Total	\$783	\$139	\$—	\$922	\$476,488	\$477,410
At March 31, 2016						
Commercial	\$—	\$10	\$—	\$10	\$64,586	\$64,596
Commercial real estate	—	—	—	—	221,087	221,087
Construction and development	—	—	—	—	29,959	29,959
Residential real estate	62	—	—	62	108,079	108,141
Home equity	212	—	—	212	31,370	31,582
Purchased home equity pools	229	5	—	234	8,503	8,737
Other consumer	108	—	—	108	1,257	1,365
Deferred loan costs	2	—	—	2	1,157	1,159
Total	\$613	\$15	\$—	\$628	\$465,998	\$466,626

**CIB MARINE BANCSHARES, INC.
Capital (unaudited)**

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in thousands)						
March 31, 2017 (1)						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$78,719	15.90%	\$39,610	8.00%		
CIBM Bank	71,427	14.47	39,500	8.00	\$49,376	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$72,513	14.65%	\$29,708	6.00%		
CIBM Bank	65,238	13.21	29,625	6.00	\$39,500	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	\$72,513	11.21%	\$25,878	4.00%		
CIBM Bank	65,238	10.10	25,828	4.00	\$32,285	5.00%
Common Equity Tier 1 (2)						
CIBM Bank	\$65,238	13.21%	\$22,219	4.50%	\$32,094	6.50%
December 31, 2016						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$77,942	15.40%	\$40,482	8.00%		
CIBM Bank	70,528	13.98	40,369	8.00	\$50,461	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$71,601	14.15%	\$30,362	6.00%		
CIBM Bank	64,205	12.72	30,277	6.00	\$40,369	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	\$71,601	11.14%	\$25,718	4.00%		
CIBM Bank	64,205	10.01	25,666	4.00	\$32,082	5.00%
Common Equity Tier 1 (2)						
CIBM Bank	\$64,205	12.72%	\$22,708	4.50%	\$32,800	6.50%

- Under the new capital regulation implemented January 1, 2015, referred to as Basel III, a capital conservation buffer of 2.5%, comprised of Common Equity Tier 1 ("CET1"), is established above the regulatory minimum capital requirements. The capital conservation buffer will be phased in between January 1, 2016, and year-end 2018, becoming fully effective on January 1, 2019. Non-compliance with the capital conservation buffer can result in limitations of certain types of compensation for executive and equivalent officers. In addition, CIBM Bank made the one-time accumulated other comprehensive income opt-out election on the first Call Report filed after January 1, 2015, which allows community banks under \$250 billion a one-time opt-out election to remove the impact of certain unrealized capital gains and losses (e.g., unrealized securities gains and losses) from the calculation of capital. The election cannot be changed in future periods.
- CIB Marine is a Small Bank Holding Company under Appendix C of Part 225 of the Federal Reserve regulation and, as a result the CET1 is not applicable to CIB Marine. CET1 is applicable to CIBM Bank.