

# CIB MARINE BANCSHARES, INC.

2017 Annual Report

Dear Shareholders:

2017 marked another year of improved performance from our core banking activities. In comparing our pre-tax earnings and other benchmarks to the outlook provided at the 2017 Annual Meeting, we are pleased to report we met or exceeded the ranges provided. We ended the year with a consolidated pre-tax net income of \$4.3 million compared to our outlook range of \$3.1 million to \$4.5 million. Total assets ended the year at \$662 million versus our outlook range of \$635 million to \$670 million. Pre-tax return on average assets for the year was 0.66% compared to our outlook range of 0.50% to 0.70%. Pre-tax basic earnings per share was \$0.24 versus a range of \$0.17 to \$0.25 and, on a fully diluted basis, actual results were \$0.12 versus a range of \$0.09 to \$0.13.



*Mark A. Elste, Chairman, and J. Brian Chaffin, President & CEO*

While our pre-tax net income in 2017 was only modestly higher than 2016, the composition of earnings from core banking activities in 2017 was significantly better than in 2016, which included certain noncore banking activity such as a litigation settlement recovery and gains on the sale of real estate owned by the bank. If we exclude these items from 2016, the results from core earnings improved by \$2.5 million in 2017.

The growing record of stronger earnings has contributed to our ability to restore a significant portion of our deferred tax assets. At year-end 2017, we recorded a \$23 million income tax benefit resulting in net income after tax of \$27 million. In recent years, our deferred tax asset was carried with a 100% valuation reserve – resulting in a \$0 net deferred tax asset for financial reporting purposes. Our recent earnings history and earnings outlook, in addition to other facts and circumstances, has allowed us to conclude it is more likely than not that we will recover through future earnings the level of net deferred tax assets we are now recording. Going forward, you will now see a significant difference between our pre-tax and after-tax net income because we will be recording a full tax expense against that net deferred asset. However, our actual tax payments will be negligible for some time.

Loan balances ended the year level compared to 2016, however our average loan balances for the year reflected an increase of 4.3% over 2016. Competitive underwriting and pricing pressures are significant in several loan categories, but we remain committed to maintaining our focus of adding quality assets. Our Retail Banking Division fully integrated a new customer relationship management system in 2017 and made improvements in our mobile banking application as well as other technologies. These will strengthen our marketing capabilities and enhance operating efficiencies. In addition, we introduced a new small business loan product designed to provide rapid response and competitive terms on smaller commercial loan requests. Our net interest margin improved from 3.01% in 2016 to 3.11% in 2017 as a result of pricing strategies and collection activities.

We are very pleased with the results from our Government Guaranteed Lending Division. This line of business was only first established at CIBM Bank in 2016, but was able to report a \$14 million increase in SBA 7(a) loan originations, a \$1.0 million increase in gains on sale of loans, and a \$0.7 million contribution to earnings prior to provisions for loan losses.

Our Mortgage Banking Division experienced an expected shift in product mix that affected results. Rising interest rates led to a reduction in refinance activity, which was offset by an increase in purchase activity. We continue to add new mortgage loan officers throughout our geographic footprint and enhance our product offering. We experienced a significant increase in closings in our Affordable Loan Product, which is designed to assist low- and moderate-income borrowers.

2018 will bring continued focus on safely growing revenue streams from our commercial lending, retail banking, SBA lending, mortgage banking, and trust business lines. Earnings growth will come from adding sales staff in several of our markets while managing expenses to realize improvement in our efficiency ratio.

We are continuing the efforts we started in 2017 to create liquidity opportunities for our preferred shareholders who seek them. We are pursuing the approval of the preferred and common shareholders to further amend our Amended and Restated Articles of Incorporation to give us the option to repurchase shares of preferred stock tendered in a voluntary process and upon terms determined by the Board of Directors to be in the best interests of the Company and its shareholders.

If the Article amendments are approved by the preferred shareholders, the common shareholders will have the opportunity to ratify them at our Annual Shareholder Meeting on April 26, 2018. The common shareholders voted overwhelmingly in favor of a preferred stock repurchase amendment to the Articles last year, but will need to vote again this year due to some modifications to the repurchase plan incorporated into the previously approved amendment. Any repurchase of preferred shares will be on a voluntary basis and at the sole discretion of the Company's Board of Directors after evaluation of the benefits of any such repurchase.

The Annual Report this year highlights several of our teams throughout the Company who have contributed to our success by improving operating efficiencies, managing risk, and providing exceptional customer service. We have also highlighted the role many of our colleagues play in the communities we serve through their volunteer activities. We support and encourage our team members to use their time and talents to serve our communities in many ways, including first-time homebuyer seminars, financial literacy education, and working with organizations focused on helping those most at need.

We are pleased with the continuing progress made in 2017 and we are very proud of the dedication of our colleagues throughout the Company to the communities we serve, to our clients, and to building shareholder value for all CIB Marine Bancshares, Inc. shareholders. We are very appreciative of the support and confidence of our shareholders and look forward to the challenges ahead as we continue to hold firmly to our mission statement and our core values of: Service, Solutions and Integrity.

Sincerely,



Mark A. Elste  
Chairman



J. Brian Chaffin  
President & CEO

## SELECTED UNAUDITED CONSOLIDATED FINANCIAL DATA

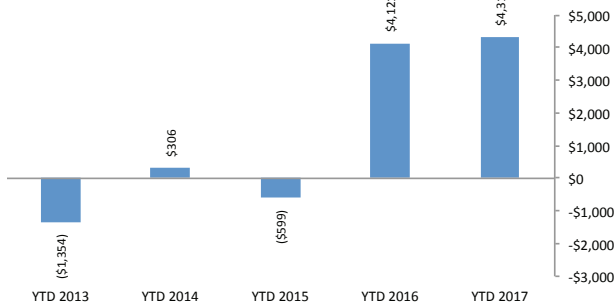
(Dollars in thousands, except share and per share data)	At or for the Years Ended December 31				
	2017	2016	2015	2014	2013
<b>SELECTED STATEMENTS OF OPERATIONS DATA</b>					
Interest and dividend income	\$23,527	\$20,949	\$18,530	\$18,162	\$17,710
Interest expense	4,126	2,997	2,377	2,137	2,470
Net interest income	19,401	17,952	16,153	16,025	15,240
Provision for (reversal of) loan losses	206	(548)	61	379	(22)
Net interest income after provision for (reversal of) loan losses	19,195	18,500	16,092	15,646	15,262
Noninterest income (1)	8,730	9,400	4,426	3,656	1,049
Noninterest expense	23,615	23,779	21,117	18,996	17,665
Income (loss) from continuing operations before income taxes	4,310	4,121	(599)	306	(1,354)
Income tax expense (benefit)	(22,644)	50	6	4	–
Net income (loss)	26,954	4,071	(605)	302	(1,354)
<b>COMMON SHARE DATA</b>					
Basic net income (loss)	1.49	0.22	(0.03)	0.02	(0.07)
Diluted net income (loss)	0.74	0.11	(0.03)	0.01	(0.07)
Dividends	–	–	–	–	–
Tangible book value per share (2)	2.53	1.01	0.79	0.90	0.82
Book value per share (2)	2.04	0.53	0.31	0.42	0.34
Weighted average shares outstanding-basic	18,149,660	18,127,892	18,127,892	18,127,892	18,127,892
Weighted average shares outstanding-diluted	36,434,384	35,791,952	18,127,892	35,631,892	18,127,892
<b>FINANCIAL CONDITION DATA</b>					
Total assets	\$662,394	\$653,559	\$571,233	\$501,918	\$460,153
Loans	483,611	483,518	445,050	387,293	341,332
Allowance for loan losses	(7,701)	(7,592)	(8,064)	(7,556)	(8,308)
Investment securities	114,801	112,072	94,702	88,877	90,731
Deposits	478,633	483,097	443,571	400,201	387,901
Borrowings	84,217	96,944	58,883	31,260	4,348
Stockholders' equity	97,066	69,523	65,586	67,533	66,195



(Dollars in thousands, except share and per share data)	At or for the Years Ended December 31				
	2017	2016	2015	2014	2013
<b>FINANCIAL RATIOS AND OTHER DATA</b>					
<b>Performance Ratios:</b>					
Net interest margin (3)	3.11%	3.01%	3.18%	3.44%	3.46%
Net interest spread (4)	2.93	2.86	3.03	3.28	3.29
Noninterest income to average assets (5)	1.36	1.53	0.84	0.74	0.23
Noninterest expense to average assets	3.67	3.88	4.02	3.93	3.84
Efficiency ratio (6)	83.95	86.94	102.68	96.96	108.46
Earnings (loss) on average assets (7)	4.19	0.66	(0.12)	0.06	(0.29)
Earnings (loss) on average equity (8)	36.85	5.88	(0.89)	0.45	(2.03)
<b>Asset Quality Ratios:</b>					
Nonaccrual loans to total loans (9)	0.69%	1.26%	0.70%	1.16%	1.06%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (9)	1.02	1.60	1.96	2.42	3.20
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total asset (9)	1.13	1.67	2.25	2.94	4.48
Allowance for loan losses to total loans	1.59	1.57	1.81	1.95	2.43
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (9)	156.68	97.99	92.25	80.64	76.02
Net charge-offs (recoveries) to average loans	0.02	(0.02)	(0.11)	0.31	0.95
<b>Capital Ratios:</b>					
Total equity to total assets	14.65%	10.64%	11.48%	13.45%	14.39%
Total risk-based capital ratio	16.63	15.40	15.45	17.21	18.05
Tier 1 risk-based capital ratio	15.36	14.15	14.20	15.95	16.79
Leverage capital ratio	12.39	11.14	12.27	13.50	14.89
<b>Other Data:</b>					
Number of employees (full-time equivalent)	183	171	173	154	154
Number of banking facilities	11	11	11	10	10

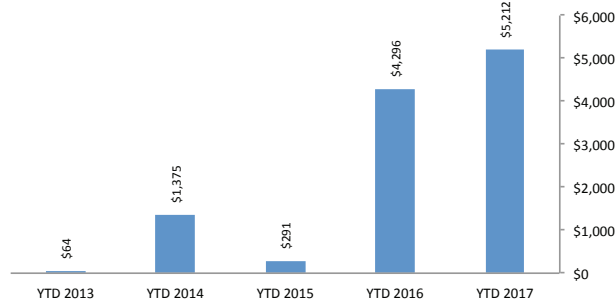
1. Noninterest income includes gains and losses on securities.
2. Tangible book value per share is the shareholder equity less the carry value of the preferred stock and less the goodwill and intangible assets, divided by the total shares of common outstanding. Book value per share is the shareholder 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.

**Net Income Pre-Tax (000s)**



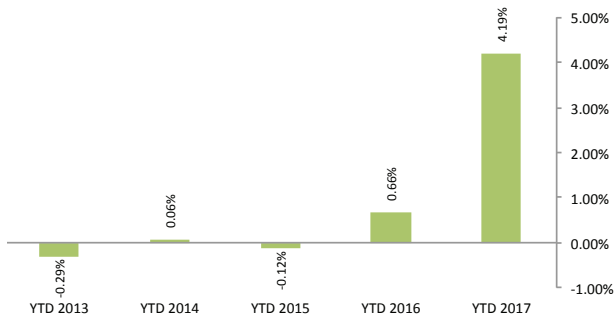
CIB Marine's pre-tax net income (loss) moved higher in 2016 and 2017 with improving core banking activities that are materially higher than prior periods.

**CIBM Bank Net Income Pre-Tax (000s)**



CIB Marine's primary subsidiary, CIBM Bank, has been profitable over the prior 5+ years. Improved core banking activities, implementation of strategies to grow non-interest income and cost management have improved the bank's earnings record.

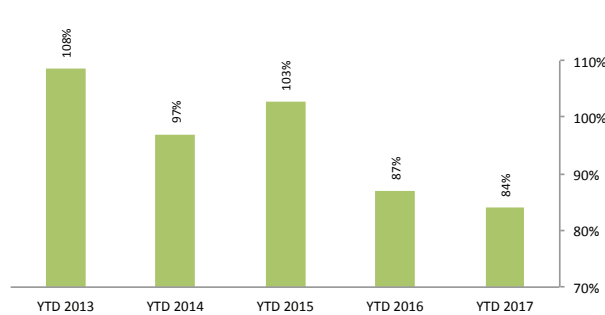
**Return on Average Assets**



CIB Marine's return on average assets reflects improved earnings. In 2017, the return on average assets increased dramatically due to the significant tax benefit resulting from an adjustment to the valuation allowance of deferred tax assets.

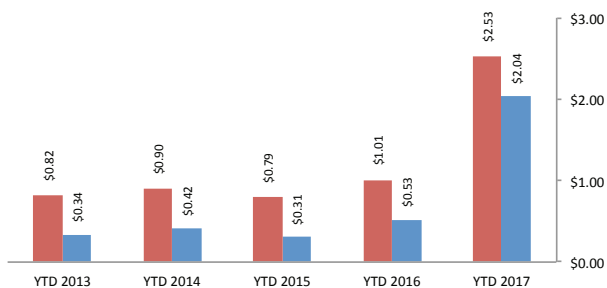
**Efficiency Ratio**

*(non-interest expense/(net interest income + non-interest income))*



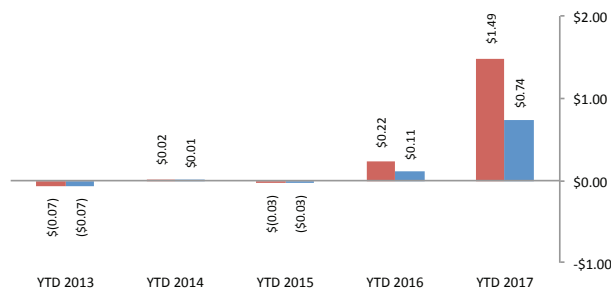
As revenue has grown and costs have been contained, the efficiency ratio has improved.

**Tangible and Stated Book Value per Share**



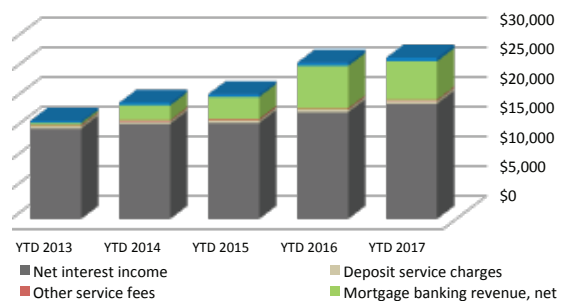
Book values per share have trended higher with a sizeable jump in 2017 related to the recording of a significant tax benefit resulting from an adjustment to the valuation allowance of deferred tax assets.

**Earning per Share (basic and diluted)**



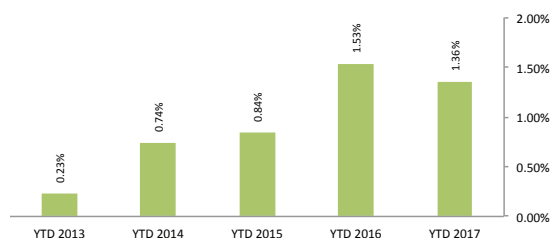
Earnings per share were up to \$0.22 per share in 2016 and similar in 2017 pre-tax. The after-tax measure in the graph above reflects a significant tax benefit resulting from an adjustment to the valuation allowance of deferred tax assets.

### Banking Revenues (000s)



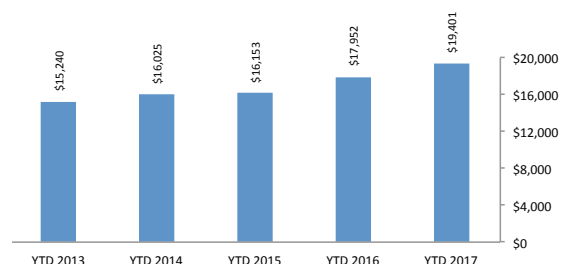
Banking revenues continue to increase with an improved mix of sources for those revenues. Strategies are focused on continued development of our core businesses, including our traditional retail and commercial loan and deposit banking lines, mortgage banking, and SBA lending.

### Non-Interest Income/Average Assets



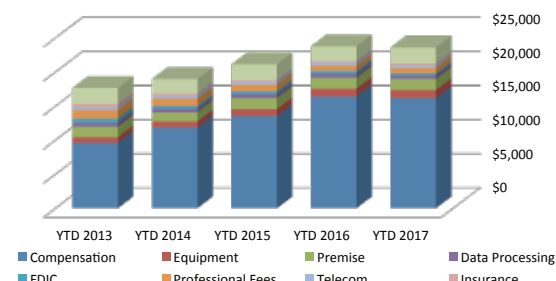
Non-interest income as a ratio is reflecting the achievement of a key long-term strategy for CIB Marine: a broader base of revenue represented by key strategic lines of business.

### Net Interest Income (000s)



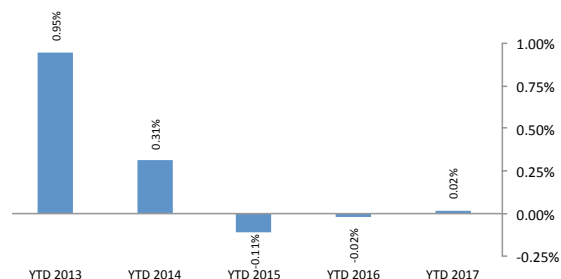
In each of the last five years, net interest income has grown, reflecting growth in average loan balances, and offset by contractions in rate spreads in some years.

### Expenses (000s)



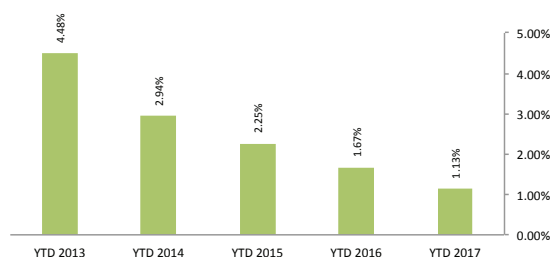
Expenses have been reasonably contained while revenues have grown. The most significant variance has been commissions for mortgage lenders, which generally rise and fall with net mortgage banking revenues.

### Net Charge Offs to Average Loans



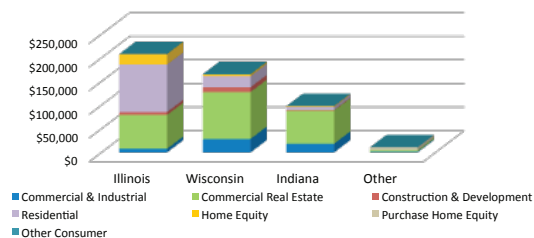
Net charge offs (recoveries) have been at historical lows for the past three years, reflecting the stronger economy and recoveries from years past.

### Non-Performing Assets/Total Assets



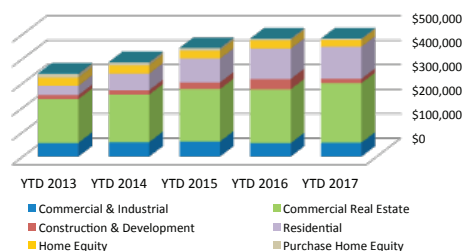
A key measure of asset quality, the non-performing asset to total asset ratio, has been on a downward trend for some time reflecting a stronger economy and jobs markets, as well as a more diverse loan portfolio with growth in residential mortgage loans.

### Loan Geographic Distribution (000s)



Commercial lending activity is relatively balanced through our markets. Residential and home equity lending is higher in the states where the bulk of our branches and mortgage lenders are located.

### Loan Portfolio Segment Growth (000s)



Residential and commercial real estate have been the engines of loan portfolio growth over the last 5 years. Residential loans are primarily purchase money and refinanced 1st lien residential loans.

## CIB MARINE BANCSHARES, INC. & CIBM BANK

### BOARD OF DIRECTORS

**Mark A. Elste**, Chairman

**Chairman of the Boards of CIB Marine Bancshares, Inc. & CIBM Bank**

**Director Since:** 2011

**Committees:** Executive Loan and Investment Advisory (Chair)

**Charles E. Baker**

**Retired Partner, Ernst & Young LLP**

**Director Since:** 2008

**Committees:** Audit, Compensation & Stock Option (Chair), and Nominating (Chair)

**Willard Bunn III**

**Managing Director, Colonnade Advisors, LLC**

**Director Since:** 2010

**Committees:** Audit, Compensation & Stock Option, and Executive Loan

**J. Brian Chaffin**

**President & CEO, CIB Marine Bancshares, Inc. & CIBM Bank**

**Director Since:** 2015

**Committees:** Executive Loan and Investment Advisory

**Mark D. Henderson**

**Chief Information Officer, University of Illinois at Champaign-Urbana**

**Director Since:** 2017

**Committees:** Audit (Vice Chairman) and Compensation & Stock Option

**John P. Hickey, Jr.**

**Retired President, CEO & Chairman of CIB Marine Bancshares, Inc. & CIBM Bank**

**Director Since:** 2007

**Committees:** Nominating

**Gary L. Longman**

**Retired Partner, KPMG LLP**

**Director Since:** 2004

**Committees:** Audit (Chair) and Compensation & Stock Option

**Charles D. Mires**

**Retired Director of Fixed Income & Alternative Strategies for private investment management firm**

**Director Since:** 2011

**Committees:** Audit, Compensation & Stock Option, and Investment Advisory

**Steven C. Palmitier**

**President & COO, North American Company for Life & Health Insurance and Midland National Life Insurance Company**

**Director Since:** 2017

**Committees:** Compensation & Stock Option and Nominating

**Ronald E. Rhoades**

**President & CEO, Plastic Container Corp.**

**Director Since:** 2010

**Committees:** Audit and Compensation & Stock Option



*Back row (left to right): S. Palmitier, M. Elste, M. Henderson, C. Mires, J. Hickey;  
Front row: G. Longman, B. Chaffin, R. Rhoades, C. Baker, W. Bunn*





**Executive Management**  
(left to right)

Back Row:  
J. Mullaney, P. Straka,  
D. Rasmussen,  
M. Wilmington, J. Arie

Front Row:  
P. Melnick, J. Blaesing,  
B. Chaffin, G. Maughan

**EXECUTIVE MANAGEMENT**

<p><b>J. Brian Chaffin</b> President &amp; Chief Executive Officer</p>	<p><b>Lee W. Abner</b> SVP &amp; Director of Technology Services</p>
<p><b>Joseph M. Arie</b> SVP &amp; Director of Government Guaranteed Lending</p>	<p><b>Joanne M.P. Blaesing</b> EVP &amp; Director of Community Development</p>
<p><b>Gary A. Maughan</b> EVP &amp; Mortgage Banking Director</p>	<p><b>Paul C. Melnick</b> EVP &amp; Chief Credit Officer</p>
<p><b>James P. Mullaney III</b> EVP &amp; Director of Corporate Banking</p>	<p><b>Daniel J. Rasmussen</b> EVP, Chief Administrative Officer, General Counsel &amp; Secretary</p>
<p><b>Patrick J. Straka</b> EVP &amp; Chief Financial Officer</p>	<p><b>Mark V. Wilmington</b> EVP &amp; Director of Retail Banking</p>

**BANK MANAGEMENT**

**CENTRAL ILLINOIS**

- David J. Bates**  
Senior Credit Officer
- R. Michael Beem**  
Corporate Banker
- Michael A. Dexter, Jr.**  
Corporate Banker
- Cara N. Engel-Dalton**  
Retail Market Manager
- Melissa J. Halcomb**  
Human Resources Manager
- Judith A. Moon**  
Workout Specialist
- Janet A. Nicholas**  
Director of IT Client Services
- Karoline E. Seitz-Goddard**  
Treasury Management Officer
- James C. Singleton**  
Facilities Manager & Security Officer
- Todd J. Somers**  
Treasury Operations Manager
- Linda L. Wolken**  
Operations Manager

**CHICAGOLAND**

- Barbara A. Carroll**  
Cashier
- Jeffrey G. Nickels**  
Client Services Representative & Project Manager
- Raymond E. Vanna**  
Network Engineer
- Scott D. Weller**  
Corporate Banker

**INDIANAPOLIS**

- William H. Cosgrove**  
Corporate Banker
- Mel A. Novilla**  
Corporate Banker
- Kimberly J. Van Arsdale**  
Treasury Management Officer
- Kenneth B. Yedlick**  
Corporate Banker

**MILWAUKEE**

- Julie A. Berg**  
Treasury Management Officer
- Michelle M. Bragstad**  
Chief Compliance Officer
- Bridget L. Condon**  
Corporate Banker
- Annette F. Esteves**  
Assistant Controller
- Gregory L. Huber**  
Corporate Banker
- William J. Kadrach**  
Corporate Banker
- Michael W. Klein**  
Retail Market Manager
- Brian R. McNerney**  
Corporate Banker
- Pamela J. Mitchell**  
Loan Documentation Manager
- Elizabeth B. Neighbors**  
Investor Relations Manager & Paralegal
- Jill E. Sikorski**  
Loan Services Manager
- Christopher J. Wood**  
Senior Credit Officer

**AVENUE MORTGAGE**

- David R. Pendley**  
Regional Sales Manager
- Lorraine Quintao**  
Mortgage Operations & Compliance Manager

**GOVERNMENT GUARANTEED LENDING**

- Desa P. Phetchareun**  
Gov't Guaranteed Lending Banker
- Tricicia F. Brown-Reed**  
Gov't Guaranteed Lending Banker
- Steve D. Diamond**  
Gov't Guaranteed Lending Banker
- Tasha L. Richer**  
Gov't Guaranteed Lending Banker



CIB Marine Bancshares, Inc. (the “Company”) (OTCQB: CIBH) is a Wisconsin corporation and registered bank holding company with its principal executive offices in Waukesha, Wisconsin, a suburb of Milwaukee.

The Company was originally incorporated in the State of Illinois in 1985 as Sidney Bancorporation, Inc. In September 1987, a group of investors acquired Sidney Bancorporation and subsequently changed its name to Central Illinois Bancorp, Inc. On August 27, 1999, Central Illinois Bancorp reincorporated as a Wisconsin corporation and changed its name to CIB Marine Bancshares, Inc.

CIB Marine Bancshares, Inc. owns and operates CIBM Bank, an Illinois chartered commercial bank, headquartered in Champaign, Illinois, which operates as “Marine Bank” in its Indiana and Wisconsin markets, “Central Illinois Bank” in its central Illinois market, and “Avenue Bank” in its Chicagoland market. The Avenue Mortgage Division of the bank, headquartered in Naperville, Illinois, serves all CIBM Bank markets. As of December 31, 2017, CIBM Bank had total assets of \$657 million, and operated eleven banking branches and six mortgage lending offices.

CIBM Bank offers a full array of traditional banking services, including a broad range of loan products, such as commercial loans, commercial real estate loans, commercial and residential construction loans, government guaranteed loans, one-to-four family residential real estate loans, home equity loans, consumer loans, and commercial and standby letters of credit; acceptance of demand, savings, and time deposits; and repurchase agreements; and other banking services.



## CORPORATE BANKING

### Innovative Products & Solutions, Community Banking Principals

Our mission in Corporate Banking is to provide our customers with the industry-leading products, innovative solutions, and individual service that empowers their companies to compete and grow. We take pride in serving as a local, trusted advisor to a wide variety of businesses and organizations through our community bank model. We believe our focus on growing successful banking relationships serves to help our clients' businesses grow and prosper, which promotes economic growth and stability for employees, shareholders, and the communities in which we all live and work.

In 2017, the Corporate Banking Division's contribution to the bank's overall financial performance was significant. New loan originations during 2017 exceeded \$57 million. Division loan balances at year-end 2017 totaled \$319 million and loan production was achieved rather evenly from all three primary Corporate Banking markets: Indiana, Illinois, and Wisconsin. Corporate Banking accomplished this volume while simultaneously maintaining or improving upon the commercial loan portfolio's multiple credit risk measurements. Increasing new corporate deposit originations remains a critical objective for Corporate Banking and its Treasury Management area. Loan fees showed improvement and materially exceeded budget.

In 2017, we continued to build our Corporate Banking team by adding lending staff in the metro Indianapolis and Chicagoland markets and we continue to recruit additional talented Corporate Bankers in all markets we serve.

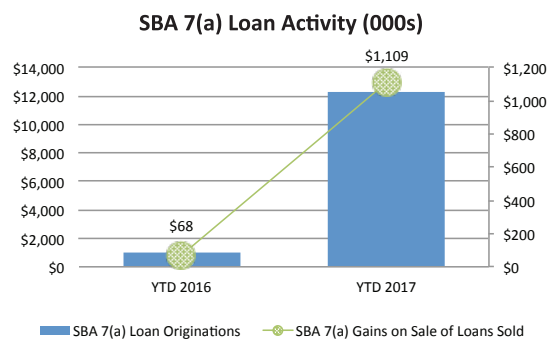
In 2018, Corporate Banking initiatives include consistent, stable growth of the commercial loan portfolio with high quality assets. A portion of that goal will include SBA 7(a) and 504 financing opportunities. We continue to target high quality Community Reinvestment lending opportunities within the bank's markets. Treasury Management fee income and corporate deposit origination objectives include business calling efforts and deposit origination activities, including further development of a commercial-specific deposit product promotion campaign. Another focus area of 2018 is to advance production in the Chicagoland market and spur growth in our Wheaton/ Naperville office with targeted additions of experienced corporate lenders.

## GOVERNMENT GUARANTEED LENDING

CIBM Bank's Government Guaranteed Lending Division had a successful and profitable 2017 and was an important contributor to the bank, adding fee income and interest earnings. The loan volume generated also created strong loan yields and servicing income that contributed to the bottom line.

In 2017, we expanded the Government Guaranteed Lending team with the addition of SBA lenders in Champaign, Illinois; Columbus, Ohio; and Orlando, Florida. In January 2018, we also added an experienced SBA lender in Memphis, Tennessee.

Our existing team of established lenders, along with the new lenders, bring a depth of knowledge and ability to help us grow our loan originations and loan portfolio while adding fee income and improving yields. The bank's strong credit culture and the team's lending experience should allow the Government Guaranteed Lending Division to grow the loan portfolio with quality performing loans in 2018 and beyond.





## CONSUMER BANKING

### Retail Banking & Mortgage Lending, Community Banking Values

We take pride in helping our customers achieve their financial goals by providing services and solutions that help them plan for their future and manage their day-to-day needs. We provide our customers with the latest tools and conveniences in electronic banking to streamline and simplify their daily money management tasks, while staying true to our community banking values by maintaining that local, personal relationship.

#### Retail

The Retail Division strives to grow the line of business through strategic initiatives based on deposit growth, increased lending initiatives, and electronic service enhancements.

- Division deposit balances were \$349 million at year-end 2017.
- The division engaged in funding campaigns throughout the year, including two significant campaigns. The first coincided with the 30th anniversary of the organization and we offered great specials and events centered around that celebration. The most recent campaign finished at year-end and raised nearly \$40 million in money market and certificate of deposit accounts.
- In 2017, we fully integrated our customer relationship management system, which allowed us to streamline a number of operational processes through the use of this single tool. We also enhanced the software with the addition of a marketing module which allows our retail banking officers to create customer lists for targeted selling initiatives, set up automated onboarding activities, and create in-office sales prompts.
- We expanded our product set through the creation of our new Fast Track Lending<sup>SM</sup> program, which targets lending to small businesses with loan amounts under \$100,000.
- We installed our first cash recycler in 2017, which allows for more automated cash counting and greater efficiencies behind the teller line.
- Electronic banking services continue to be a focal point. Enhancements have been made to our mobile platform and we have experienced growth in mobile and online banking, and eStatement usage.
- In 2018, the Retail Division will continue to focus on deposit growth through our Acceleration Banking<sup>SM</sup> program and new product offerings targeted to business accounts and personal checking accounts.
- In 2018, our banking software platform will undergo an upgrade, which will create a seamless system and improve ease of use for our frontline retail staff.
- Employee development continues to be a priority of the organization. We plan to focus on sales training for our personal bankers and managers in 2018.





## Avenue Mortgage

During 2017, the Avenue Mortgage Division of CIBM Bank ("Avenue") was able to add mortgage originators in our Central Illinois and Chicagoland markets. A strong labor market and historically low rates – despite recent, modest rate increases – spurred a vibrant purchase market in almost all of our markets, which offset the related decline in refinancing activities. The spring market saw strong competition among buyers for homes and the resulting lack of inventory had an impact on loan production levels. Our emphasis on community investment lending and the development of our Affordable Loan Program during 2017 yielded strong results, with a significant increase in loans funded in both areas.

In 2018, we will continue to focus on community reinvestment lending in key geographical locations as we look for opportunities to reach more potential low- to moderate-income homebuyers. This will be accomplished through two channels: (1) a direct mailing campaign in key census tracts to offer our services for both refinance and purchase opportunities, and (2) organic growth with existing and new mortgage lender hires in targeted areas. We have two new market leaders in Champaign, Illinois, and Milwaukee, Wisconsin, and are looking to strengthen our presence in those markets. Another area of focus will be the implementation of a mortgage-specific customer relationship management platform that will interface with our loan origination system, creating a value proposition for our lenders and clients alike.



### Mr. Eddie Williams, CRA Mortgage Sales Manager

We made great strides in our Community Reinvestment Act ("CRA") initiatives in 2017 with the hire of Mr. Eddie Williams III as CRA Mortgage Sales Manager. His primary focus is CRA loan production and CRA-related service activities. As a pastor and community advocate within the City of Chicago and surrounding areas, he has been given the task of increasing lending activities within low- to moderate-income communities. His years of experience in CRA lending and community outreach brings a wealth of knowledge and experience to Avenue, and we are thrilled to have him join our team.

Mr. Williams is passionate about financial literacy education, which gives consumers the tools to be successful as they seek to obtain a piece of the "American Dream" through homeownership. In his seminars and conferences, Mr. Williams educates attendees on a variety of topics, including the value of owning versus renting, grant programs for first-time homebuyers, credit knowledge, budgeting, investments, and estate planning. Along with these activities, Mr. Williams sits on the board of The Realist Women's Council of Illinois and is a member of the Dearborn Real Estate Board. Both real estate organizations support homeownership within diverse communities through service and education.

CIBM Bank and Mr. Williams look forward to 2018 and leading the charge for growth and development of CRA lending in all communities CIBM Bank serves.



## Finance Department

The Finance Department provides accounting and treasury services for the Company in support of our investors, Board, management, and employees.

The main role of the department's accounting area is the timely provision of accurate and reliable financial statements – a serious matter for our external and internal clients. This entails preparing financial reports for internal clients, our investors, counterparties, regulators and others. Part of preparing the financials includes making key accounting estimates for the allowance for loan and lease losses and net deferred tax assets. In addition, the team creates and maintains various reports to inform several committees and the Board of Directors; feedback and monitoring reports to our managers in managing their daily, weekly, and monthly activities; and forecasts and budgets for the Company. The accounting area also manages fixed asset and tax accounting, and performs key controlling activities that ensure the balance sheet and cash correspondent accounts are updated and reconciled in a timely manner.

The other main role performed by the Finance Department is the treasury function. Every day, this area engages in short-term funding and investing activities to ensure that our Federal Reserve Bank and correspondent bank account balances are sufficient and short-term cash is invested. To ensure sound liquidity, this area manages a number of different short-term and long-term funding sources that serve as liquidity contingency sources and play a role in longer term funding management. The treasury area manages the asset-liability management systems of the company, including measuring and managing liquidity and interest rate risk positions; providing pricing support services; managing a liquidity oriented investment portfolio; providing access to interest rate swaps to support long-term, fixed-rate borrowing customers; and managing short term investments – like our repo sweep account – for commercial clients.

The Finance Department also manages Accounts Payable and the insurance policies of the Company; liaises with and manages key outsourced professional services including internal audit, tax compliance, and loan review; and plays a role in the enterprise-wide risk management activities of the Company.

We have a small but dedicated team that is experienced and proficient. The Finance Department takes great pride in servicing the Company and our employees, and contributing to the Company's success.







## Information Services Department

The Information Services/Technology (“IT”) Department strives to build strong partnerships with CIBM Bank business units by focusing on their needs and providing solutions that support their current and future objectives.

The IT Department’s main functions are to manage the relationship with our software vendors and core banking system provider, and to provide subject matter experts on applications. Important aspects include the creation and ongoing maintenance of user accounts, annual update testing, and end-user support.

The IT Department provides the infrastructure needed for computing resources throughout the organization. This includes the network to support communication, servers and systems to provide back end functionality, and installation and maintenance of client computers and devices. The department also ensures that the systems have redundancy and a disaster recovery plan is in place to ensure business continuity.

The IT Department provides end-user support to all employees of CIBM Bank through assistance with anything from computer troubleshooting to identifying productivity tools and accessing available resources.

The IT Department is responsible for the overall security of the Company’s information systems through the creation of policies, procedures, and standards, as well as the monitoring of security systems. The department reports to various committees and the Board of Directors on the status of the security program, implementation projects, and cybersecurity risks.

Janet Nicholas, Ray Vanna, Lee Abner, Daniel Marcus, and Jeff Nickels, all have a long history with CIBM Bank and extensive experience, with an average of over 23 years in the information technology field each.



## Credit Administration Department

The Credit Administration Department provides credit analysis and operational support for the Company’s commercial, government guarantee, mortgage, and consumer lending groups. Our commercial credit analysis team and senior credit officers underwrite all commercial loan opportunities, prepare formal presentations for review and approval by the bank’s Executive Loan Committee, and provides support for our Government Guaranteed Lending Division, predominantly with the SBA 7(a) program.

Our mortgage and consumer underwriters support the Avenue Mortgage Division and the bank’s retail lending efforts by underwriting all loans held in the bank’s portfolio, including Affordable Loan Program credits. We have increased our delegated underwriting authority to underwrite for third-party investors and the Federal Housing Administration, and we are in the process of expanding our delegated government loan authority.

Our commercial loan representatives support the bank’s commercial lenders, act as a quality control point, and interface with our documentation group to facilitate document preparation and ensure a smooth closing process for our commercial clients.

The document preparation and imaging group supports both commercial and consumer loan document preparation, and provides critical post-closing quality control review, while our loan operations team serves as an important audit control point as they input closed loans to our core processor.

Finally, our group is also responsible for all loan workout and collections efforts.

## COMMUNITY SERVICE

CIBM Bank actively supported nonprofits and charities across our banking markets once again in 2017, with volunteer hours including financial education, budget coaching, tax preparation, home buying seminars, career mentoring, board service, and donations. Some of the organizations served include: The Salvation Army, Big Brothers Big Sisters, the Wisconsin Volunteer Income Tax Assistance Program, the Peoria (Illinois) County Court Appointed Special Advocates Program, Neighborhood House (Peoria, Illinois), United Way, and several additional local organizations and schools. Two of the highlights of CIBM Bank's community service initiative include opportunities with Ronald McDonald House Charities of Eastern Wisconsin and Lead4Life.



### Ronald McDonald House Charities

CIBM Bank presented Ronald McDonald House Charities of Eastern Wisconsin with a donation check of \$10,000 in September 2017. The bank had this opportunity to direct a donation to the charity of its choice as the winner of *Game Changers*, a program created by Finastra, an international technology company, to recognize customers that act as champions of technology. Bank staff selected Ronald McDonald House for the important work it does in keeping families together while children receive medical treatment at local hospitals, providing comfort to families during very difficult times. Subsequent to the check presentation, bank employees participated in making and serving dinner to all those residing in the Ronald McDonald House at Thanksgiving and then organized a successful holiday toy drive.

### Lead4Life

Lead4life is a youth empowerment organization based in Champaign-Urbana, Illinois, that stands on four pillars: Confidence, Faith, Education & Vision. Mr. Javae Wright, CEO and Lead Facilitator, is teaching vital leadership skills to more than 1,200 students at nine different elementary, middle and high schools. CIBM Bank has partnered with Mr. Wright and Lead4Life to add a financial literacy program to the curriculum. Through this partnership, we hope to impart a positive, lasting change that will ultimately help the students, their families, and our community achieve their financial goals.





**COMPLETE PRODUCTS AND SERVICES**

**PERSONAL DEPOSIT PRODUCTS**

- Interest-Bearing Checking and Savings (Acceleration Banking<sup>SM</sup>)
- Classic Checking
- Personal NOW
- Alternative Checking
- Bonus Savings
- Planned Savings
- Kids Klub Savings
- Money Market
- Certificates of Deposit
- Health Savings
- Coverdell Education Savings
- Traditional IRA
- Roth IRA
- Simplified Employee Pension
- Online Banking
- eStatements
- Mobile Banking
- Deposit Anywhere
- Debit Cards
- Credit Cards
- Safe Deposit Boxes

**BUSINESS DEPOSIT PRODUCTS**

- Basic Business Checking
- Advantage Business Checking
- Premier Business Checking
- Business Savings
- Money Market
- Certificates of Deposit

**BUSINESS BANKING**

- Small Business Loans
- Commercial Loans
- Remote Deposit Capture
- Remote/Mobile Deposit
- Lockbox
- Electronic Receivables
- ACH
- Controlled Disbursement
- Positive Pay
- Zero Balance Accounts
- Direct Deposits
- Wire Access
- ACH Filters & Blocks
- Cash Concentration
- EFTPs
- Online Bill Pay
- Credit Cards
- Debit Cards
- Sweeps
- Merchant Services
- Repurchase Agreements
- U.S. Treasury Bills and Government Agency Discount Notes

**RESIDENTIAL LENDING**

- Single Family Mortgages (1-4 units)
- Home Equity Lines of Credit and Fixed Term Loans
- Lot Loans
- Bridge Loans
- Construction Loans
- Construction-Permanent Loans

**CONSUMER LENDING**

- Auto Loans
- Personal Loans
- Specialty Loans
- Overdraft Lines of Credit

**COMMERCIAL LENDING**

- Equipment Financing
- Real Estate Financing
- Construction Loan Financing
- Working Capital Lines of Credit
- Small Business Loans
- Letters of Credit
- SBA/Government Guaranteed Loans

**CENTRAL ILLINOIS BANK | [www.centralillinoisbank.com](http://www.centralillinoisbank.com)**

**BLOOMINGTON**

1801 E. Empire Street  
Bloomington, IL 61704  
**Phone:** (309) 662-1839

**CHAMPAIGN\***

2913 W. Kirby Avenue  
Champaign, IL 61821  
**Phone:** (217) 355-0900

**CHAMPAIGN – MIDTOWN**

302 W. Springfield Avenue  
Champaign, IL 61820  
**Phone:** (217) 366-4535

**DANVILLE**

2490 N. Vermilion Street  
Danville, IL 61832  
**Phone:** (217) 443-6099

**MONTICELLO**

204 S. Market Street  
Monticello, IL 61856  
**Phone:** (217) 762-3700

**PEORIA**

4125 N. Sheridan Road  
Peoria, IL 61614  
**Phone:** (309) 690-7017

**URBANA**

1514 N. Cunningham Avenue  
Urbana, IL 61802  
**Phone:** (217) 328-7000

**MARINE BANK | [www.marinebank.com](http://www.marinebank.com)**

**ELM GROVE**

12700 W. Bluemound Road  
Elm Grove, WI 53122  
**Phone:** (414) 607-6000

**INDIANAPOLIS**

5120 E. 82nd Street  
Indianapolis, IN 46250  
**Phone:** (317) 542-5700

**WAUKESHA\***

1930 W. Bluemound Road  
Waukesha, WI 53186  
**Phone:** (262) 695-6000

**AVENUE BANK | [www.avebank.com](http://www.avebank.com)**

**WHEATON**

330 S. Naperville Road  
Wheaton, IL 60187  
**Phone:** (630) 634-5130

**AVENUE MORTGAGE | [www.avenuemortgage.com](http://www.avenuemortgage.com)**

**DECATUR**

1610 Pershing Road  
Decatur, IL 62526  
**Phone:** (217) 460-1588

**INDIANAPOLIS**

5645 Castle Creek  
Parkway N.  
Indianapolis, IN 46250  
**Phone:** (317) 830-6185

**LANSING**

1000 South Washington Avenue  
Lansing, MI 48910  
**Phone:** (517) 243-2947

**NAPERVILLE\***

1811 Centre Point Drive  
Suite 123  
Naperville, IL 60563  
**Phone:** (630) 369-7227

**ROLLING MEADOWS**

1895 Rohlwing Road  
Suite D  
Rolling Meadows, IL 60008  
**Phone:** (630) 878-7480

**SANDWICH**

503 E. Church Street  
Sandwich, IL 60548  
**Phone:** (630) 417-5748

\* Market/Division Headquarters

## CORPORATE HEADQUARTERS

### CIB Marine Bancshares, Inc.

1930 West Bluemound Road, Suite D  
Waukesha, WI 53186

**Phone:** (262) 695-6010

**Fax:** (262) 695-6014

**www.cibmarine.com**

### CIBM Bank

2913 W. Kirby Avenue  
Champaign, IL 61821

**Phone:** (217) 355-0900

**Fax:** (217) 355-0929

**www.cibmbank.com**

## INVESTOR RELATIONS

### Transfer Agent

#### Computershare Investor Services

#### Via US Mail

P.O. Box 505000  
Louisville, KY 40233-5000

#### Via Overnight Delivery

462 S. 4th Street, Suite 1600  
Louisville, KY 40202

**Phone:** (800) 962-4284

**www.computershare.com/investor**

### Corporate Investor Relations

Elizabeth Neighbors, Investor Relations Manager  
CIB Marine Bancshares, Inc.  
1930 West Bluemound Road, Suite D  
Waukesha, WI 53186

**Phone:** (262) 695-6010

**Fax:** (262) 695-8319

**elizabeth.neighbors@cibmarine.com**

## INDEPENDENT AUDITOR

### Crowe Horwath LLP

One Mid America Plaza, Suite 700  
Oakbrook Terrace, IL 60181-4707

**Phone:** (630) 574-7878

**Fax:** (630) 574-1608

### FORWARD-LOOKING STATEMENTS

CIB Marine has made statements in this Annual Report 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 Annual Report 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.

Service | Solutions | Integrity



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