

CIB Marine Bancshares, Inc. (OTCQB: CIBH). This report provides additional detailed financial information for the quarter and six months ended June 30, 2016. Please see our Shareholder Letter dated August 4, 2016, located at www.cibmarine.com for a summary description of our financial results.

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

	2016			2015		
	Average Balance	Interest Earned/Paid	Average Yield/Cost	Average Balance	Interest Earned/Paid	Average Yield/Cost
(Dollars in thousands)						
Quarter Ended June 30,						
Interest-earning assets						
Securities (1)	\$97,453	\$478	1.96%	\$93,525	\$552	2.36%
Loans held for sale (1)	9,571	95	4.01	15,547	134	3.44
Loans (1)(2)	468,167	4,635	3.98	389,592	3,850	3.96
Federal funds sold, reverse repos and interest-earning due from banks	4,147	6	0.62	3,639	3	0.30
Total interest-earning assets	579,338	5,214	3.62	502,303	4,539	3.62
Noninterest-earning assets	15,588			17,435		
Total assets	\$594,926			\$519,738		
Interest-bearing liabilities						
Interest-bearing deposits	\$391,003	\$692	0.71%	\$328,006	\$542	0.66%
Borrowed funds	56,235	36	0.26	49,153	15	0.12
Total interest-bearing liabilities	447,238	729	0.66	377,159	557	0.59
Noninterest-earning liabilities:						
Noninterest-bearing demand deposits	75,653			71,161		
Accrued interest and other liabilities	3,570			2,781		
Preferred equity	51,000			51,000		
Common equity	17,465			17,637		
Total stockholders' equity	68,465			68,637		
Total liabilities and stockholders' equity	\$594,926			\$519,738		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$132,100	\$4,486	2.96%	\$125,144	\$3,982	3.03%
Net interest margin (1)(4)			3.11%			3.18%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.30			1.33		
(Dollars in thousands)						
Six Months Ended June 30,						
Interest-earning assets						
Securities (1)	\$95,908	\$995	2.07%	\$91,704	\$1,107	2.41%
Loans held for sale (1)	9,514	178	3.77	11,356	206	3.65
Loans (1)(2)	463,786	9,207	3.99	388,284	7,680	3.99
Federal funds sold, reverse repos and interest-earning due from banks	3,637	10	0.57	4,397	6	0.27
Total interest-earning assets	572,845	10,390	3.65	495,741	8,999	3.66
Noninterest-earning assets	15,989			17,406		
Total assets	\$588,834			\$513,147		
Interest-bearing liabilities						
Interest-bearing deposits	\$387,695	\$1,397	0.72%	\$329,432	\$1,104	0.68%
Borrowed funds	55,341	67	0.24	40,505	24	0.12
Total interest-bearing liabilities	443,036	1,464	0.66	369,937	1,128	0.61
Noninterest-earning liabilities:						
Noninterest-bearing demand deposits	74,696			71,965		
Accrued interest and other liabilities	3,560			2,800		
Preferred equity	51,000			51,000		
Common equity	16,542			17,445		
Total stockholders' equity	67,542			68,445		
Total liabilities and stockholders' equity	\$588,834			\$513,147		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$129,809	\$8,926	2.98%	\$125,804	\$7,871	3.05%
Net interest margin (1)(4)			3.13%			3.20%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.29			1.34		

(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.

Although net interest income increased significantly due primarily to higher average loan balances, CIB Marine's net interest margin decreased 7 basis points from 3.18% for the second quarter of 2015 to 3.11% for the second quarter of 2016. CIB Marine's net interest margin decreased 7 basis points from 3.20% for the six months ended June 30, 2015 to 3.13% for the same period in 2016. The net interest margin declined due primarily to an increase in the cost of interest-bearing liabilities. Securities yields declined due to the continued low interest rate environment and market forces. In addition, CIB Marine continues to hedge certain larger and longer term loans with interest rate swaps, reducing the risk to net interest income from potentially rising short term interest rates but also reducing the current earning asset yields as fixed rate loans are effectively converted to floating rate loans with the same credit spread, but a shorter term, hence a lower current rate. The result is a lower effective coupon so long as short-term rates stay low. If short-term rates increase the effective coupon on the hedged loans would increase.

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

	Loan Portfolio Segments (unaudited)					
	June 30, 2016		December 31, 2015		June 30, 2015	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)					
Commercial	\$60,845	13.2%	\$61,345	13.8%	\$52,966	15.0%
Commercial real estate	217,283	47.1	214,310	48.3	193,376	49.2
Construction and development	34,884	7.6	27,431	6.2	19,760	5.0
Residential real estate	107,054	23.2	97,500	22	81,684	20.8
Home equity	31,192	6.8	32,514	7.3	32,920	8.4
Purchased home equity pools	8,192	1.8	9,341	2.1	10,645	2.7
Other consumer	1,312	0.3	1,532	0.3	1,759	0.4
Gross loans	<u>460,762</u>	<u>100.0%</u>	<u>443,973</u>	<u>100.0%</u>	<u>393,110</u>	<u>100.0%</u>
Deferred loan costs	1,097		1,077		1,209	
Loans	<u>461,859</u>		<u>445,050</u>		<u>394,319</u>	
Allowance for loan losses	(8,219)		(8,064)		(7,670)	
Loans, net	<u>\$453,640</u>		<u>\$436,986</u>		<u>\$386,649</u>	

Nonperforming Assets and Selected Asset Quality Ratios (unaudited)

	June 30, 2016			December 31, 2015			June 30, 2015		
	(Dollars in thousands)								
Nonperforming assets									
Nonaccrual loans:									
Commercial		\$995			\$1,163			\$1,178	
Commercial real estate		229			663			2,361	
Construction and development		1,215			—			805	
Residential real estate		461			482			462	
Home equity		818			826			674	
Other consumer		—			—			—	
		<u>3,718</u>			<u>3,134</u>			<u>5,480</u>	
Loans held for sale		—			—			—	
Total nonaccrual loans		<u>3,718</u>			<u>3,134</u>			<u>5,480</u>	
Other real estate owned		2,283			4,126			5,229	
Total nonperforming assets		<u>\$6,001</u>			<u>\$7,260</u>			<u>\$10,709</u>	
Restructured loans accruing									
Commercial		\$23			\$29			\$36	
Commercial real estate		2,410			2,239			2,488	
Residential real estate		120			122			228	
Home equity		787			954			996	
Purchased home equity pools		383			389			395	
Other consumer		4			—			—	
		<u>\$3,727</u>			<u>\$3,733</u>			<u>\$4,143</u>	
90 days or more past due still accruing									
Commercial real estate		\$—			\$1,874			\$—	
Residential real estate		24			—			—	
Home Equity		62			—			—	
		<u>\$86</u>			<u>\$1,874</u>			<u>\$—</u>	
Ratios									
Nonaccrual loans to total loans (1)		0.81%			0.70%			1.39%	
Other real estate owned to total assets		0.37			0.72			1.00	
Nonperforming assets to total assets (1)		0.97			1.27			2.04	
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (1)		1.63			1.96			2.44	
Nonperforming assets, restructured loans and 90 days or more past due and still accruing loans to total assets (1)		1.59			2.25			2.83	

(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 June 30, 2016								
Balance at beginning of period	\$1,683	\$4,154	\$640	\$699	\$679	\$348	\$32	\$8,235
Provision for (reversal of) loan losses	146	(40)	48	(12)	26	(46)	(4)	118
Charge-offs	—	—	—	—	(73)	(201)	(4)	(278)
Recoveries	4	6	—	—	15	119	—	144
Balance at end of period	\$1,883	\$4,120	\$688	\$687	\$647	\$220	\$24	\$8,219
Quarter ended June 30, 2015								
Balance at beginning of period	\$1,356	\$3,650	\$416	\$628	\$867	\$634	\$35	\$7,586
Provision for (reversal of) loan losses	28	257	(12)	34	(112)	(105)	7	97
Charge-offs	—	—	—	—	(26)	(55)	(1)	(82)
Recoveries	5	5	—	—	18	40	1	69
Balance at end of period	\$1,389	\$3,912	\$404	\$662	\$747	\$514	\$42	\$7,670
Six month ended June 30, 2016								
Balance at beginning of period	\$1,567	\$4,117	\$595	\$669	\$717	\$372	\$27	\$8,064
Provision for (reversal of) loan losses	256	(59)	93	18	(38)	(92)	1	179
Charge-offs	—	(1)	—	—	(73)	(220)	(4)	(298)
Recoveries	10	63	—	—	41	160	—	274
Balance at end of period	\$1,883	\$4,120	\$688	\$687	\$647	\$220	\$24	\$8,219
Six months ended June 30, 2015								
Balance at beginning of period	\$1,023	\$3,724	\$429	\$581	\$913	\$845	\$41	\$7,556
Provision for (reversal of) loan losses	418	178	(25)	91	(184)	(298)	3	183
Charge-offs	(63)	(2)	—	(10)	(72)	(102)	(3)	(252)
Recoveries	11	12	—	—	90	69	1	183
Balance at end of period	\$1,389	\$3,912	\$404	\$662	\$747	\$514	\$42	\$7,670

Nonaccrual loan volumes increased \$0.6 million over the prior year-end and decreased \$1.8 million from June 30, 2015. OREO balances declined \$1.8 million over the prior year-end and declined by \$2.9 million from June 30, 2015, to June 30, 2016.

Provision expense for the second quarter of 2016 was \$118,000 compared to provision expense of \$97,000 for the same period of 2015. Charge-offs for the second quarter of 2016 were \$278,000 compared to \$82,000 during the same period of 2015. Total recoveries were \$144,000 for the second quarter of 2016 compared to \$69,000 for the same period in 2015. Provision expense for the six months ended June 30, 2016, was \$179,000 compared to provision expense of \$183,000 for the same period of 2015. Charge-offs for the six months ended June 30, 2016, was \$298,000 compared to \$252,000 during the same period of 2015. Total recoveries were \$274,000 for the six months ended June 30, 2016, compared to \$183,000 for the same period in 2015.

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, like loan growth and asset quality changes, a net recovery may result in a credit provision (i.e., a reversal of provisions for loan losses) in the period in which 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 increased from \$7.7 million at June 30, 2015, to \$8.2 million at June 30, 2016. The allowance for loan losses to total loans declined from 1.95% to 1.78% from June 30, 2015, to June 30, 2016. The reduction has primarily been the result of ongoing improved loan asset quality.

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)						
<u>At June 30, 2016</u>						
Commercial	\$60	\$—	\$—	\$60	\$59,790	\$59,850
Commercial real estate	2,401	—	—	2,401	214,653	217,054
Construction and development	96	—	—	96	33,573	33,669
Residential real estate	—	19	24	43	106,550	106,593
Home equity	87	—	62	149	30,225	30,374
Purchased home equity pools	92	—	—	92	8,100	8,192
Other consumer	—	—	—	—	1,312	1,312
Deferred loan costs	7	—	—	7	1,090	1,097
Total	\$2,743	\$19	\$86	\$2,848	\$455,293	\$458,141
<u>At December 30, 2015</u>						
Commercial	\$50	\$129	\$—	\$179	\$60,003	\$60,182
Commercial real estate	—	129	1,874	2,003	211,644	213,647
Construction and development	234	—	—	234	27,197	27,431
Residential real estate	577	—	—	577	96,441	97,018
Home equity	646	126	—	772	30,916	31,688
Purchased home equity pools	52	19	—	71	9,270	9,341
Other consumer	10	—	—	10	1,522	1,532
Deferred loan costs	4	1	5	10	1,067	1,077
Total	\$1,573	\$404	\$1,879	\$3,856	\$438,060	\$441,916
<u>At June 30, 2015</u>						
Commercial	\$—	\$—	\$—	\$—	\$51,788	\$51,788
Commercial real estate	2,917	167	—	3,084	187,931	191,015
Construction and development	274	294	—	568	18,387	18,955
Residential real estate	—	55	—	55	81,167	81,222
Home equity	—	—	—	—	32,246	32,246
Purchased home equity pools	206	43	—	249	10,396	10,645
Other consumer	—	—	—	—	1,759	1,759
Deferred loan costs	10	2	—	12	1,197	1,209
Total	\$3,407	\$561	\$—	\$3,968	\$384,871	\$388,839

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)						
June 30, 2016 (1)						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$75,776	15.60%	\$38,862	8.00%		
CIBM Bank	68,146	14.07	38,744	8.00	\$48,431	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$69,677	14.34%	\$29,146	6.00%		
CIBM Bank	62,066	12.82	29,058	6.00	\$38,744	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	\$69,677	11.69%	\$23,837	4.00%		
CIBM Bank	62,066	10.44	23,788	4.00	\$29,735	5.00%
Common Equity Tier 1 (2)						
CIBM Bank	\$62,066	12.82%	\$21,860	4.50%	\$31,480	6.50%
December 31, 2015						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$73,519	15.45%	\$38,067	8.00%		
CIBM Bank	65,981	13.91	37,957	8.00	\$47,446	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$67,545	14.20%	\$28,550	6.00%		
CIBM Bank	60,024	12.65	28,468	6.00	\$37,957	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	\$67,545	12.27%	\$22,022	4.00%		
CIBM Bank	60,024	10.93	21,965	4.00	\$27,457	5.00%
Common Equity Tier 1 (2)						
CIBM Bank	\$60,024	12.65%	\$21,351	4.50%	\$30,840	6.50%

- (1) 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.
- (2) 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.