

CIB Marine Bancshares, Inc. (OTCQB: CIBH). This report provides additional detailed financial information for the quarter and nine months ended September 30, 2016. Please see our Shareholder Letter dated November 9, 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 September 30,						
Interest-earning assets						
Securities (1)	\$105,245	\$513	1.95%	\$89,636	\$553	2.47%
Loans held for sale (1)	15,687	153	3.88	7,799	58	2.98
Loans (1)(2)	463,857	4,540	3.89	406,331	4,044	3.95
Federal funds sold, reverse repos and interest-earning due from banks	28,644	80	1.10	3,486	2	0.23
Total interest-earning assets	613,433	5,286	3.43	507,252	4,657	3.65
Noninterest-earning assets	16,045			17,552		
Total assets	\$629,478			\$524,804		
Interest-bearing liabilities						
Interest-bearing deposits	\$380,283	\$659	0.69%	\$340,315	\$583	0.68%
Borrowed funds	90,095	81	0.36	44,070	12	0.11
Total interest-bearing liabilities	470,378	740	0.63	384,385	595	0.62
Noninterest-earning liabilities:						
Noninterest-bearing demand deposits	84,446			70,071		
Accrued interest and other liabilities	4,013			2,391		
Preferred equity	51,000			51,000		
Common equity	19,641			16,957		
Total stockholders' equity	70,641			67,957		
Total liabilities and stockholders' equity	\$629,478			\$524,804		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$143,055	\$4,546	2.80%	\$122,867	\$4,062	3.03%
Net interest margin (1)(4)			2.95%			3.18%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.30			1.32		
(Dollars in thousands)						
Nine Months Ended September 30,						
Interest-earning assets						
Securities (1)	\$99,054	\$1,508	2.03%	\$91,007	\$1,660	2.43%
Loans held for sale (1)	11,595	331	3.82	10,157	264	3.48
Loans (1)(2)	463,810	13,747	3.96	394,366	11,724	3.97
Federal funds sold, reverse repos and interest-earning due from banks	12,064	90	0.99	4,090	8	0.26
Total interest-earning assets	586,523	15,676	3.57	499,620	13,656	3.65
Noninterest-earning assets	16,008			17,455		
Total assets	\$602,531			\$517,075		
Interest-bearing liabilities						
Interest-bearing deposits	\$385,197	\$2,056	0.71%	\$333,100	\$1,687	0.68%
Borrowed funds	67,053	148	0.30	41,706	36	0.12
Total interest-bearing liabilities	452,250	2,204	0.65	374,806	1,723	0.61
Noninterest-earning liabilities:						
Noninterest-bearing demand deposits	77,982			71,327		
Accrued interest and other liabilities	3,713			2,662		
Preferred equity	51,000			51,000		
Common equity	17,586			17,280		
Total stockholders' equity	68,586			68,280		
Total liabilities and stockholders' equity	\$602,531			\$517,075		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$134,273	\$13,472	2.92%	\$124,814	\$11,933	3.04%
Net interest margin (1)(4)			3.07%			3.19%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.30			1.33		

(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 \$0.5 million, due primarily to higher average loan balances, CIB Marine's net interest margin decreased 23 basis points from 3.18% for the third quarter of 2015 to 2.95% for the third quarter of 2016. This decline was related to a reduction in loan yields in part due to a loan added to non-accruals, and a reduction in securities yields. The average cost of interest-bearing liabilities was roughly the same over this period. CIB Marine's net interest income increased by \$1.5 million but net interest margin decreased 12 basis points from 3.19% for the nine months ended September 30, 2015, to 3.07% for the same period in 2016. The net interest margin declined over this period primarily due to an increase in our average cost of interest-bearing liabilities and the reduction in the average yield of securities.

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

	Loan Portfolio Segments (unaudited)					
	September 30, 2016		December 31, 2015		September 30, 2015	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)					
Commercial	\$54,133	11.6%	\$61,345	13.8%	\$58,874	14.2%
Commercial real estate	215,789	46.4	214,310	48.3	199,717	48.3
Construction and development	40,395	8.7	27,431	6.2	20,337	5.0
Residential real estate	115,187	24.8	97,500	22	88,970	21.5
Home equity	30,482	6.6	32,514	7.3	34,124	8.2
Purchased home equity pools	7,653	1.6	9,341	2.1	9,924	2.4
Other consumer	1,225	0.3	1,532	0.3	1,660	0.4
Gross loans	<u>464,864</u>	<u>100.0%</u>	<u>443,973</u>	<u>100.0%</u>	<u>413,606</u>	<u>100.0%</u>
Deferred loan costs	1,193		1,077		1,037	
Loans	<u>466,057</u>		<u>445,050</u>		<u>414,643</u>	
Allowance for loan losses	(8,549)		(8,064)		(7,883)	
Loans, net	<u>\$457,508</u>		<u>\$436,986</u>		<u>\$406,760</u>	

Nonperforming Assets and Selected Asset Quality Ratios (unaudited)

	September 30, 2016	December 31, 2015	September 30, 2015
	(Dollars in thousands)		
Nonperforming assets			
Nonaccrual loans:			
Commercial	\$874	\$1,163	\$1,168
Commercial real estate	2,043	663	692
Construction and development	1,216	—	—
Residential real estate	448	482	591
Home equity	826	826	665
Other consumer	—	—	—
	<u>5,407</u>	<u>3,134</u>	<u>3,116</u>
Loans held for sale	—	—	—
Total nonaccrual loans	<u>5,407</u>	<u>3,134</u>	<u>3,116</u>
Other real estate owned	982	4,126	4,698
Total nonperforming assets	<u>\$6,389</u>	<u>\$7,260</u>	<u>\$7,814</u>
Restructured loans accruing			
Commercial	\$22	\$29	\$33
Commercial real estate	559	2,239	2,267
Residential real estate	211	122	122
Home equity	758	954	1,044
Purchased home equity pools	380	389	392
Other consumer	4	—	—
	<u>\$1,934</u>	<u>\$3,733</u>	<u>\$3,858</u>
90 days or more past due still accruing			
Commercial real estate	\$—	\$1,874	\$—
Residential real estate	24	—	—
	<u>\$24</u>	<u>\$1,874</u>	<u>\$—</u>
Ratios			
Nonaccrual loans to total loans (1)	1.16%	0.70%	0.75%
Other real estate owned to total assets	0.16	0.72	0.88
Nonperforming assets to total assets (1)	1.01	1.27	1.47
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (1)	1.58	1.96	1.68
Nonperforming assets, restructured loans and 90 days or more past due and still accruing loans to total assets (1)	1.32	2.25	2.20

(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.

In addition, related to an event that occurred subsequent to quarter-end, an additional \$3.1 million commercial relationship has been designated as non-performing. This is not recorded in the September 30, 2016, financial results. The non-performing asset to total asset ratio at September 30, 2016, would be 1.81% if it included this subsequent event.

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 September 30, 2016								
Balance at beginning of period	\$1,833	\$4,120	\$688	\$687	\$647	\$220	\$24	\$8,219
Provision for (reversal of) loan losses	56	(62)	153	28	(18)	(85)	(3)	69
Charge-offs	—	—	—	—	—	(14)	—	(14)
Recoveries	7	103	—	—	37	128	—	275
Balance at end of period	\$1,896	\$4,161	\$841	\$715	\$666	\$249	\$21	\$8,549
Quarter ended September 30, 2015								
Balance at beginning of period	\$1,389	\$3,912	\$404	\$662	\$747	\$514	\$42	\$7,670
Provision for (reversal of) loan losses	187	(399)	72	(15)	(30)	(149)	(3)	(337)
Charge-offs	—	(29)	—	—	(2)	—	(1)	(32)
Recoveries	6	417	—	37	24	98	—	582
Balance at end of period	\$1,582	\$3,901	\$476	\$684	\$739	\$463	\$38	\$7,883
Nine month ended September 30, 2016								
Balance at beginning of period	\$1,567	\$4,117	\$595	\$669	\$717	\$372	\$27	\$8,064
Provision for (reversal of) loan losses	312	(121)	246	46	(56)	(177)	(2)	248
Charge-offs	—	(1)	—	—	(73)	(234)	(4)	(312)
Recoveries	17	166	—	—	78	288	—	549
Balance at end of period	\$1,896	\$4,161	\$841	\$715	\$666	\$249	\$21	\$8,549
Nine months ended September 30, 2015								
Balance at beginning of period	\$1,023	\$3,724	\$429	\$581	\$913	\$845	\$41	\$7,556
Provision for (reversal of) loan losses	605	(221)	47	76	(214)	(447)	—	(154)
Charge-offs	(63)	(31)	—	(10)	(74)	(102)	(4)	(284)
Recoveries	17	429	—	37	114	167	1	765
Balance at end of period	\$1,582	\$3,901	\$476	\$684	\$739	\$463	\$38	\$7,883

Nonaccrual loan volumes increased over the prior year-end primarily due to the addition of one commercial real estate loan and one construction and development loan to nonaccrual status. OREO balances declined over the prior year-end due to final resolutions to previously foreclosed properties.

Provision expense for the third quarter of 2016 was \$69,000 compared to credit provision of \$337,000 for the same period of 2015. Charge-offs for the third quarter of 2016 were \$14,000 compared to \$32,000 during the same period of 2015. Total recoveries were \$275,000 for the third quarter of 2016 compared to \$582,000 for the same period in 2015. Provision expense for the nine months ended September 30, 2016, was \$248,000 compared to a credit provision of \$154,000 for the same period of 2015. Charge-offs for the nine months ended September 30, 2016, were \$312,000 compared to \$284,000 during the same period of 2015. Total recoveries were \$549,000 for the nine months ended September 30, 2016, compared to \$765,000 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, 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 increased from \$7.9 million at September 30, 2015, to \$8.5 million at September 30, 2016, primarily due to the growth in loan balances. The allowance for loan losses to total loans declined from 1.90% to 1.83% from September 30, 2015, to September 30, 2016. The reduction has primarily been the result of ongoing overall improved loan asset quality and the growth in the residential segment of the loan portfolio.

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 September 30, 2016</u>						
Commercial	\$55	\$275	\$—	\$330	\$52,929	\$53,259
Commercial real estate	513	—	—	513	213,233	213,746
Construction and development	—	100	—	100	39,079	39,179
Residential real estate	249	—	24	273	114,466	114,739
Home equity	190	71	—	261	29,395	29,656
Purchased home equity pools	194	28	—	222	7,431	7,653
Other consumer	—	—	—	—	1,225	1,225
Deferred loan costs	3	1	—	4	1,189	1,193
Total	\$1,204	\$475	\$24	\$1,703	\$458,947	\$460,650
<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 September 30, 2015</u>						
Commercial	\$—	\$—	\$—	\$—	\$57,706	\$57,706
Commercial real estate	86	1,896	—	1,982	197,043	199,025
Construction and development	395	—	—	395	19,942	20,337
Residential real estate	258	89	—	347	88,032	88,379
Home equity	361	44	—	405	33,054	33,459
Purchased home equity pools	82	61	—	143	9,781	9,924
Other consumer	24	—	—	24	1,636	1,660
Deferred loan costs	3	5	—	8	1,029	1,037
Total	\$1,209	\$2,095	\$—	\$3,304	\$408,223	\$411,527

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)						
September 30, 2016 (1)						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$76,701	15.69%	\$39,110	8.00%		
CIBM Bank	69,203	14.20	38,993	8.00	\$48,741	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$70,560	14.43%	\$29,333	6.00%		
CIBM Bank	63,080	12.94	29,245	6.00	\$38,993	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	\$70,560	11.20%	\$25,195	4.00%		
CIBM Bank	63,080	10.04	25,142	4.00	\$31,428	5.00%
Common Equity Tier 1 (2)						
CIBM Bank	\$63,080	12.94%	\$21,934	4.50%	\$31,682	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.