



August 4, 2016

Dear Shareholder,

CIB Marine Bancshares, Inc. (“CIB Marine” or the “Company”) is pleased to report its financial results for the three and six months ended June 30, 2016.

**Result of Operations – Summary**

Net income for the second quarter of 2016 was \$1.2 million compared to a \$0.1 million loss in the same period of 2015. Net income for the six months ended June 30, 2016, was \$2.1 million compared to a \$0.1 million loss in the same period of 2015. Earnings per share were \$0.07 basic and \$0.03 diluted for the second quarter of 2016 compared to a loss per share of \$0.01 basic and \$0.01 diluted in the same period 2015. For the six months ended June 30, 2016, earnings per share were \$0.12 basic and \$0.06 diluted compared to a loss per share of \$0.01 basic and \$0.01 diluted for the same period of 2015. The improved earnings performance was due principally to revenue growth as a result of loan growth, improvements in the mortgage division, and increased net gains on sale of assets net of write downs.

Below are some highlights for our second quarter and six months ended June 30, 2016, operating results:

- Return on average assets for the second quarter and six months ended June 30, 2016, is 0.80% and 0.73%, respectively, compared to a loss on average assets for the same periods in 2015 of 0.11% and 0.05, respectively.
- Net income for subsidiary CIBM Bank was \$1.4 million for the second quarter and \$2.1 million for the six months ended June 30, 2016 compared to \$0.1 million and \$0.3 million, respectively for the same periods in 2015 – reflecting solid improvements in net interest income and noninterest income due to the growth in loans, a growing mortgage division, and net gains on sale of assets net of write downs of \$0.4 million and \$0.3 million for the second quarter and six months ended June 30, 2016, respectively.
- Net gains on the sale of assets net of write downs at both the CIBM Bank and at other affiliates, as reported in the consolidated results, were primarily from the conclusions of several OREO work out properties.
- Net interest income of \$4.5 million for the second quarter of 2016 is an increase of \$0.5 million from the second quarter of 2015. Net interest income of \$8.9 million for the six months ended June 30, 2016, is an increase of \$1.1 million from the same period of 2015. The increase is primarily the result of higher loan balances.
- Noninterest income increased \$1.4 million for the second quarter and \$2.0 million for the six months ending June 30, 2016, relative to the same periods of 2015. Year-to-date results compared to the same period of 2015 reflect a \$1.1 million improvement in net mortgage banking revenues and \$1.0 million in net gains/(losses) on sale of assets and write-downs, comprised primarily of gains on sale of other real estate owned.
- Noninterest expense increased \$0.5 million for the second quarter and \$0.8 million for the six months ending June 30, 2016, relative to the same periods of 2015. The increases were significantly less than the improvements in revenue and primarily reflect increased compensation related to the production of mortgage loans. Several expense areas declined including other, telephone, and insurance expenses.
- The efficiency ratio improved from 99.5% during the first six months ending June 30, 2015, to 83.4% for the same period of 2016, reflecting both cost controls and improved revenues.
- By the end of the second quarter of 2016, our actions for expense reductions announced in February 2016 were substantially complete. The second half of 2016 will more directly reflect the full amount of the \$1.1 million per annum expense reductions. During the first six months of 2016, CIB Marine reduced its number

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of full time equivalent (“FTE”) employees in certain departments by 12 and closed 2 non-branch bank offices. This has allowed us to control costs as we have hired in other areas, including in sales and business development positions, and we have established 2 mortgage loan production offices related to the hiring of mortgage lending staff at the end of last year. On net our number of employees on an FTE basis has declined from 173 to 167 from December 31, 2015, to June 30, 2016.

### **Financial Condition - Summary**

As of June 30, 2016, total assets are up \$44 million from December 31, 2015, and \$90 million from June 30, 2016. The increase resulted primarily from loan growth. Below are some highlights of our financial condition as of June 30, 2016:

- Book value per share of common stock at June 30, 2016, was \$0.51 compared to \$0.31 at December 31, 2015. Tangible book value per share at June 30, 2016, was \$0.99 compared to \$0.79 at December 31, 2015.
- From December 31, 2015, and June 30, 2015, to June 30, 2016, loans grew by \$16.8 million and \$67.5 million, respectively. The growth reflects CIBM Bank’s initiatives to continue to grow our loan balances from within our banking markets and broadly across portfolio segments. Commercial real estate loans have grown by \$3.0 million, commercial construction loans by \$7.5 million and residential real estate loans by \$9.6 million since December 31, 2015.
- Nonperforming assets to total assets continued its decline to 1.59%, compared to 2.25% from year-end 2015 and 2.83% from the same quarter-end of 2015.
- Annualized net charge-offs to average loans was 0.01% for the six months ended June 30, 2016, compared to 0.04% for the same period of 2015, reflecting very low net charge-offs relative to longer term historical levels.
- The Tier 1 leverage ratio for CIB Marine was 11.69% at June 30, 2016, compared to 12.27% at December 31, 2015, and 13.09% at June 30, 2015, reflecting a solid capital footing for continued business growth.

Please visit our website, [www.cibmarine.com](http://www.cibmarine.com), for additional detailed financial results for both recent and prior periods, as well as a link to the quarterly reports we file with our regulators. As a reminder, we will continue to release our financial results on a quarterly basis via our website. Should you want a paper or e-mailed copy of our quarterly results, please contact Shareholder Relations Manager, Elizabeth Neighbors, directly at (262) 695-6010 or [Elizabeth.Neighbors@cibmarine.com](mailto:Elizabeth.Neighbors@cibmarine.com) to be added to our mailing list.

### **Anticipated Claim Resolution**

The Company also announced that it recently agreed to settle claims related to asset purchase transactions in 2006 and 2007. CIB Marine will receive approximately \$1.3 million net of costs in a structured settlement, the majority of which is expected to be received in the second half of 2016. As of the date of this letter, none of the structured settlement has been received or recorded. As the payments are received, CIB Marine will record them as a loan loss recovery, which may result in a credit provision (i.e., a reversal of provisions to loan losses) in those future reporting periods thereby potentially increasing CIB Marine’s net income by an amount up to the recovery.

### **Avenue Mortgage Division Leadership**

I am pleased to announce that Gary Maughan has been promoted to the role of mortgage banking director to lead our Avenue Mortgage division into its next phase of growth. Gary will succeed David Pendley who previously held this position and founded Avenue Mortgage more than 25 years ago. David has indicated a desire to return to his roots as a producer and we’re excited that he has agreed to remain with the organization as a mortgage loan officer and to assist in the training and development of other mortgage loan officers. Gary has a long history in sales and management in the mortgage industry and has worked with David and the Avenue team for many years. David has built the division into an integral part of our organization and we look forward to the future under Gary’s leadership.

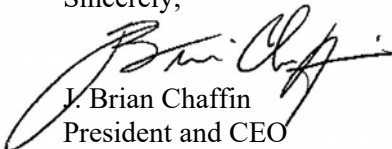
### **Concluding Comments**

CIB Marine is reporting an even stronger second quarter than the first with substantial revenue improvements and a controlled increase in expenses. Results reflect continued improvement in the critical areas we identified in our

strategic goals. Whereas the first quarter was dominated by stronger loan growth, the second quarter has started to reflect improved results from our mortgage banking division and our initiative to originate and sell the government guaranteed portion of SBA loans. In addition, CIB Marine began funding a SBA asset financing facility and increased its investment security holdings.

As we move through 2016, we look forward to continuing to grow our client relationship-based banking businesses along our commercial, mortgage and retail lines; at the same time further developing our SBA lending business and other related complementary banking and trust services as we leverage our geographic footprint and options. We are pleased with the results of the first half of 2016 and believe they are an indicator of the type of core banking results we plan on delivering in the future.

Sincerely,



J. Brian Chaffin  
President and CEO

#### **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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(Dollars in thousands, except share and per share data)			
<b>Selected Statements of Operations Data</b>				
Interest and dividend income	\$5,214	\$4,539	\$10,390	\$8,999
Interest expense	729	557	1,464	1,128
Net interest income	4,485	3,982	8,926	7,871
Provision for loan losses	118	97	179	183
Net interest income after provision for loan losses	4,367	3,885	8,747	7,688
Noninterest income (1)	2,788	1,436	4,841	2,812
Noninterest expense	5,951	5,464	11,432	10,617
Income (loss) before income taxes	1,204	(143)	2,156	(117)
Income tax loss (benefit)	15	—	15	—
<b>Net income (loss)</b>	<b>\$1,189</b>	<b>\$(143)</b>	<b>2,141</b>	<b>(117)</b>
<b>Common Share Data</b>				
Basic net income (loss)	\$0.07	\$(0.01)	\$0.12	\$(0.01)
Diluted net income (loss)	0.03	(0.01)	0.06	(0.01)
Dividends	—	—	—	—
Tangible book value per share (2)	0.99	0.89	0.99	0.89
Book value per share (2)	0.51	0.41	0.51	0.41
Weighted average shares outstanding-basic	18,127,892	18,127,892	18,127,892	18,127,892
Weighted average shares outstanding-diluted	35,631,892	18,127,892	35,631,892	18,127,892
<b>Financial Condition Data</b>				
Total assets	\$615,708	\$525,513	\$615,708	\$525,513
Loans	461,859	394,319	461,859	394,319
Allowance for loan losses	(8,219)	(7,670)	(8,219)	(7,670)
Investment securities	103,542	90,912	103,542	90,912
Deposits	468,377	402,858	468,377	402,858
Borrowings	72,833	52,288	72,833	52,288
Stockholders' equity	69,266	67,466	69,266	67,466
<b>Financial Ratios and Other Data</b>				
Performance Ratios:				
Net interest margin (3)	3.11%	3.18%	3.13%	3.20%
Net interest spread (4)	2.96	3.03	2.98	3.05
Noninterest income to average assets (5)	1.88	1.11	1.65	1.10
Noninterest expense to average assets	4.02	4.22	3.90	4.17
Efficiency ratio (6)	81.82	100.85	83.04	99.50
Earnings (loss) on average assets (7)	0.80	(0.11)	0.73)	(0.05)
Earnings (loss) on average equity (8)	6.98	(0.84)	6.37	(0.34)
Asset Quality Ratios:				
Nonaccrual loans to total loans (9)	0.81%	1.39%	0.81%	1.39%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (9)	1.63	2.44	1.63	2.44
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total asset (9)	1.59	2.83	1.59	2.83
Allowance for loan losses to total loans	1.78	1.95	1.78	1.95
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (9)	109.14	79.71	109.14	79.71
Net charge-offs to average loans	0.12	0.01	0.01	0.04
Capital Ratios:				
Total equity to total assets	11.25%	12.84%	11.25%	12.84%
Total risk-based capital ratio	15.59	16.86	15.59	16.86
Tier 1 risk-based capital ratio	14.34	15.60	14.34	15.60
Leverage capital ratio	11.69	13.09	11.69	13.09
Other Data:				
Number of employees (full-time equivalent)	167	158	167	158
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)**

	June 30, 2016	December 31, 2015
	(Dollars in thousands, except share data)	
<b>Assets</b>		
Cash and due from banks	\$9,808	\$9,170
Reverse repurchase agreements	\$20,213	\$0
Securities available for sale	103,542	94,702
Loans held for sale	11,602	12,275
Loans	461,859	445,050
Allowance for loan losses	(8,219)	(8,064)
Net loans	453,640	436,986
Federal Home Loan Bank stock	2,170	2,170
Premises and equipment, net	4,358	4,771
Accrued interest receivable	1,290	1,296
Other real estate owned, net	2,283	4,126
Bank owned life insurance	4,336	4,285
Goodwill and other intangible assets	232	243
Other assets	2,134	1,209
Total assets	\$615,708	\$571,233
<b>Liabilities and Stockholders' Equity</b>		
Deposits:		
Noninterest-bearing demand	\$82,460	\$77,580
Interest-bearing demand	31,508	33,192
Savings	175,955	162,663
Time	178,454	170,136
Total deposits	468,377	443,571
Short-term borrowings	72,833	58,883
Accrued interest payable	335	321
Other liabilities	4,897	2,872
Total liabilities	546,442	505,647
<b>Stockholders' Equity</b>		
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; 18,346,391 issued shares; 18,135,344 outstanding shares	18,346	18,346
Capital surplus	158,493	158,493
Accumulated deficit	(157,446)	(159,588)
Accumulated other comprehensive loss, net	(598)	(2,136)
Treasury stock 218,499 shares at cost	(529)	(529)
Total stockholders' equity	69,266	65,586
Total liabilities and stockholders' equity	\$615,708	\$571,233

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

	Quarters Ended		Six Months Ended	
	June 30,	2015	June 30,	2015
	2016		2016	
	(Dollars in thousands)			
<b>Interest and Dividend Income</b>				
Loans	\$4,635	\$3,850	\$9,207	\$7,680
Loans held for sale	95	134	178	206
Securities	478	552	995	1,107
Other investments	6	3	10	6
Total interest income	5,214	4,539	10,390	8,999
<b>Interest Expense</b>				
Deposits	692	542	1,397	1,104
Short-term borrowings	37	15	67	24
Total interest expense	729	557	1,464	1,128
Net interest income	4,485	3,982	8,926	7,871
Provision for loan losses	118	97	179	183
Net interest income after provision for loan losses	4,367	3,885	8,747	7,688
<b>Noninterest Income</b>				
Deposit service charges	121	110	224	218
Other service fees	52	54	119	103
Mortgage banking revenue, net	2,102	1,253	3,438	2,374
Other income	96	50	213	238
Net gain on sale of securities	—	—	—	13
Net gains (losses) on sale of assets and (write downs)	417	(31)	847	(134)
Total noninterest income	2,788	1,436	4,841	2,812
<b>Noninterest Expense</b>				
Compensation and employee benefits	4,143	3,443	7,767	6,901
Equipment	293	261	566	529
Occupancy and premises	389	376	824	776
Data processing	151	144	305	290
Federal deposit insurance	106	106	212	211
Professional services	213	284	462	437
Telephone and data communication	99	103	208	212
Insurance	56	56	110	113
Other expense	501	691	978	1,148
Total noninterest expense	5,951	5,464	11,432	10,617
Income (loss) from operations before income taxes	1,204	(143)	2,156	(117)
Income tax benefit	15	—	15	—
<b>Net income (loss)</b>	1,189	(143)	2,141	(117)
Preferred stock dividends	—	—	—	—
<b>Net income (loss) allocated to common stockholders</b>	<b>\$1,189</b>	<b>\$(143)</b>	<b>\$2,141</b>	<b>\$(117)</b>