



November 5, 2015

Dear Shareholder,

CIB Marine is pleased to report its financial results for the three and nine months ended September 30, 2015. The consolidated company, CIB Marine, reported significantly improved asset quality as well as earnings of \$0.3 million and \$0.2 million for the quarter and nine months ended September 30, 2015, respectively.

Result of Operations – Summary

The third quarter 2015 net income of \$0.3 million compares to net income of \$44,000 during the same period in 2014, and the net income of \$0.2 million for the nine months ended September 30, 2015, compares to net income of \$0.2 million for the same period in 2014. The results reflect higher net mortgage banking revenues and a reversal of loan losses offset in part by losses on write-downs on assets on OREO and higher expenses. Basic earnings per share of common stock was \$0.02 for the third quarter of 2015, compared to nominal basic earnings per share for the same period of 2014, and the basic earnings per share of common stock was \$0.01 for the nine months ending September 30, 2015, compared to a basic earnings per share of \$0.01 for the same period of 2014.

Below are some highlights for our third quarter and year-to-date 2015 operating results:

- CIBM Bank net income was \$0.6 million and \$0.9 million for the quarter and nine months ended September 30, 2015, respectively, compared to \$0.3 million and \$1.0 million for the same periods in 2014. The improved third quarter results versus the same period last year were primarily due to a reversal of loan losses.
- Compared to the same periods of 2014, net interest income was relatively flat for the quarter and lower for the nine months ended September 30, 2015. Although interest income was higher, reflecting higher average earning asset balances, interest expense was higher as well, reflecting higher average interest-bearing liability balances at about the same average cost as the same period last year for both the quarter and nine months ended September 30, 2015. Average interest-earning assets were up \$40 million between the two year-to-date periods but average yields on interest-earnings assets declined by 30 basis points while average costs of interest-bearing liabilities were down only 1 basis point. The decline in asset yields reflects competition in the market for loans, higher yielding loan and security pay downs and loan hedging activities to protect against potential future increases in short-term interest rates as described in our audited financial statements. The net interest margin declined from 3.47% and 3.49% for the quarter and nine months ended September 30, 2014, to 3.18% and 3.19% for the same periods in 2015.
- CIB Marine recorded a reversal for loan losses of \$0.3 million and \$0.2 million for the quarter and nine months ended September 30, 2015, compared to provisions for loan losses of \$0.2 million and \$0.4 million for the same periods in 2014. The reversal for loan losses was primarily related to several loan collections that resulted in loan recoveries exceeding loan charge-offs by \$0.6 million and \$0.5 million for the quarter and nine months ended September 30, 2015. Net recoveries were primarily from the commercial real estate segment and to a lesser extent from the purchased home equity pools.
- Noninterest income was nominally lower and increased by \$1.2 million for the quarter and nine months ended September 30, 2015, compared to the same periods of 2014. The increase was primarily the result of an increase in net mortgage banking revenues, offset by write downs of certain OREO assets.
- Noninterest expense was \$0.2 million and \$1.7 million higher for the quarter and nine months ended September 30, 2015, compared to the same periods of 2014, reflecting increases in compensation, in part due to commissions for higher mortgage loan volumes; an increase in equipment and occupancy reflecting the new Wheaton, Illinois bank branch and increased space for growth of our mortgage operations; and other expenses offset partially by lower professional fees and insurance expenses.

“Community Banking – The Way It Used To Be”

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Financial Condition - Summary

As of September 30, 2015, total assets are up \$30 million from December 31, 2014 and \$6 million from June 30, 2015. The increase has resulted primarily from loan growth. Below are some highlights of our financial condition as of September 30, 2015:

- Book value per share of common stock at September 30, 2015, was \$0.42 compared to \$0.38 for the same period in 2014 and \$0.41 at June 30, 2015. Tangible book value per share at September 30, 2015 was \$0.90 compared to \$0.86 for the same period in 2014 and \$0.89 at June 30, 2015.
- Loans grew by \$27.3 million from December 31, 2014 to September 30, 2015. The growth reflects CIBM Bank's initiatives to continue to grow our loan balances from within our banking markets. Commercial real estate loans have grown by \$6 million year to date, despite some larger payoffs, and residential real estate loans have grown by \$21 million. Although the vast majority of residential real estate loans originated by our mortgage operations were sold to investors, certain amounts of variable rate and 10- and 15-year fixed rate loan originations were retained.
- The nonperforming asset ratio, or the sum of nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total assets, improved significantly to 2.20% at September 30, 2015 from to 2.94% at December 31, 2014, and 3.27% at September 30, 2014. In addition, non-accrual loans to total loans were also reported significantly lower at 0.75% at September 30, 2015 compared to 1.16% at December 31, 2014, and 1.52% at September 30, 2014.
- The Tier 1 leverage ratio for CIB Marine was 13.01% at September 30, 2015, compared to 13.50% at December 31, 2014, and 13.91% at September 30, 2014, reflecting a solid capital footing for continued business growth.

Please visit our website, 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 copy of our quarterly results, please contact Shareholder Relations Manager, Elizabeth Neighbors, directly at (262) 695-6010 or Elizabeth.Neighbors@cibmarine.com and we will put you on our mailing list.

Management Changes

As discussed in our last shareholder letter, Mr. John Hickey retired from his positions as President, CEO and Chairman of the Boards of Directors of CIB Marine Bancshares, Inc. and CIBM Bank, effective October 31, 2015. Mr. Mark Elste has succeeded Mr. Hickey as a non-employee Chairman of both Boards of Directors; I have succeeded Mr. Hickey as President, CEO and a member of the Boards of Directors of both entities; and Mr. James Mullaney has succeeded me as Director of Corporate Banking of CIBM Bank. Mr. Hickey continues to be a member of the Boards of Directors of both the bank and holding company.

Concluding Comments

The quarter and nine months ended September 30, 2015, reflect the continued positive effects of improved asset quality on our earnings and financial condition. CIBM Bank continued to improve its performance in asset quality relative prior periods and industry levels. Although we did have some continued write-downs on assets for OREO properties, the net recoveries from loans prior partially charged-off were significant to our results. 2015 has also seen additional costs related to investments in some of our important longer term projects – the growth of our mortgage operations and the establishment of a new bank branch in Wheaton, Illinois – as we continue to build for the future

Although we have named a new Chairman and President & CEO, our objectives remain the same, and the retail, corporate, and mortgage banking divisions continue to focus on growing revenues from loan originations in our local banking markets, new checking deposits, and other fee based services included our corporate treasury management services.

We are also engaged in evaluating and updating our strategy to improve financial results for the years ahead. Building on prior achievements in asset quality and revenue growth, our ability to further our revenue growth strategy, as well as provide additional focus and management in operating efficiently, are critical components of our future success.

We have achieved some significant strategic milestones in the recent years and I would like to acknowledge and thank the dedicated employees of the bank who helped to do that. At the same time I am excited about our prospects for the future and look forward to working side by side with my colleagues at delivering the best service for our clients and the best value for our shareholders.

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in thousands, except share and per share data)			
Selected Statements of Operations Data				
Interest and dividend income	\$4,657	\$4,643	\$13,656	\$13,539
Interest expense	595	526	1,723	1,572
Net interest income	4,062	4,117	11,933	11,967
Provision (credit) for loan losses	(337)	211	(154)	372
Net interest income after provision for loan losses	4,399	3,906	12,087	11,595
Noninterest income (1)	1,022	1,042	3,834	2,625
Noninterest expense	5,114	4,896	15,731	14,009
Income before income taxes	307	52	190	211
Income tax benefit	—	8	—	8
Net income	\$307	\$44	190	\$203
Common Share Data				
Basic net income	\$0.02	\$0.00	\$0.01	\$0.01
Diluted net income	0.01	\$0.00	0.01	\$0.01
Dividends	—	—	—	—
Tangible book value per share (2)	0.90	\$0.86	0.90	\$0.86
Book value per share (2)	0.42	\$0.38	0.42	\$0.38
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	35,631,892	35,631,892	35,631,892
Financial Condition Data				
Total assets	\$531,744	\$501,497	\$531,744	\$501,497
Loans	414,643	385,869	414,643	385,869
Allowance for loan losses	(7,883)	(8,516)	(7,883)	(8,516)
Investment securities	92,674	92,233	92,674	92,233
Deposits	415,185	378,916	415,185	378,916
Borrowings	45,396	53,813	45,396	53,813
Stockholders' equity	67,616	66,915	67,616	66,915
Financial Ratios and Other Data				
Performance Ratios:				
Net interest margin (3)	3.18%	3.47%	3.19%	3.49%
Net interest spread (4)	3.03	3.32	3.04	3.33
Noninterest income to average assets (5)	0.77	0.79	0.99	0.71
Noninterest expense to average assets	3.87	3.98	4.07	3.93
Efficiency ratio (6)	100.59	96.11	99.85	96.54
Earnings (loss) on average assets (7)	0.23	0.04	0.05	0.06
Earnings (loss) on average equity (8)	1.79	0.26	0.37	0.40
Asset Quality Ratios:				
Nonaccrual loans to total loans (9)	0.75%	1.52%	0.75%	1.52%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (9)	1.68	2.77	1.68	2.77
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total asset (9)	2.20	3.27	2.20	3.27
Allowance for loan losses to total loans	1.90	2.21	1.90	2.21
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (9)	113.03	79.58	113.03	79.58
Net charge-offs (recoveries) to average loans	(0.54)	(0.20)	(0.16)	0.06
Capital Ratios:				
Total equity to total assets	12.72%	13.34%	12.72%	13.34%
Total risk-based capital ratio	16.57	16.99	16.57	16.99
Tier 1 risk-based capital ratio	15.31	15.73	15.31	15.73
Leverage capital ratio	13.01	13.91	13.01	13.91
Other Data:				
Number of employees (full-time equivalent)	159	149	159	149
Number of banking facilities	11	10	11	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.

CIB MARINE BANCSHARES, INC.
Consolidated Balance Sheets (unaudited)

	September 30, 2015	December 31, 2014
	(Dollars in thousands, except share data)	
Assets		
Cash and due from banks	\$8,037	\$8,314
Investment securities:		
Securities available for sale	92,674	88,877
Loans held for sale	5,157	5,386
Loans	414,643	387,293
Allowance for loan losses	(7,883)	(7,556)
Net loans	406,760	379,737
Federal Home Loan Bank stock	2,170	2,170
Premises and equipment, net	4,830	4,846
Accrued interest receivable	1,471	1,198
Other real estate owned, net	4,698	5,367
Bank owned life insurance	4,259	4,185
Goodwill and other intangible assets	248	265
Other assets	1,440	1,573
Total assets	\$531,744	\$501,918
Liabilities and Stockholders' Equity		
Deposits:		
Noninterest-bearing demand	\$70,644	\$73,228
Interest-bearing demand	30,320	31,145
Savings	153,134	154,310
Time	161,087	141,518
Total deposits	415,185	400,201
Short-term borrowings	45,396	31,260
Accrued interest payable	305	278
Other liabilities	3,242	2,646
Total liabilities	464,128	434,385
Stockholders' Equity		
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	(158,793)	(158,983)
Accumulated other comprehensive loss, net	(901)	(794)
Treasury stock 218,499 shares at cost	(529)	(529)
Total stockholders' equity	67,616	67,533
Total liabilities and stockholders' equity	\$531,744	\$501,918

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

	Quarters Ended		Nine Months Ended	
	September 30, 2015	2014	September 30, 2015	2014
	(Dollars in thousands)			
Interest and Dividend Income				
Loans	\$4,044	\$3,981	\$11,724	\$11,477
Loans held for sale	58	52	264	109
Securities	553	609	1,660	1,948
Other investments	2	1	8	5
Total interest income	4,657	4,643	13,656	13,539
Interest Expense				
Deposits	583	513	1,687	1,545
Short-term borrowings	12	13	36	27
Total interest expense	595	526	1,723	1,572
Net interest income	4,062	4,117	11,933	11,967
Provision (credit) for loan losses	(337)	211	(154)	372
Net interest income after provision for loan losses	4,399	3,906	12,087	11,595
Noninterest Income				
Deposit service charges	119	113	337	318
Other service fees	73	48	176	146
Mortgage banking revenue, net	805	687	3,179	1,747
Other income	102	68	340	295
Net gain on sale of securities	—	65	13	81
Net gain (loss) on assets	(77)	61	(211)	38
Total noninterest income	1,022	1,042	3,834	2,625
Noninterest Expense				
Compensation and employee benefits	3,195	2,993	10,096	8,695
Equipment	262	231	791	665
Occupancy and premises	404	340	1,180	1,013
Data processing	173	55	463	367
Federal deposit insurance	110	100	321	307
Professional services	277	278	714	810
Telephone and data communication	86	115	298	333
Insurance	55	58	168	232
Other expense	552	726	1,700	1,587
Total noninterest expense	5,114	4,896	15,731	14,009
Income from operations before income taxes	307	52	190	211
Income tax benefit	—	8	—	8
Net income	307	44	190	203
Preferred stock dividends	—	—	—	—
Net income allocated to common stockholders	\$307	\$44	\$190	\$203