



May 12, 2016

Dear Shareholder,

CIB Marine Bancshares, Inc. (“CIB Marine” or the “Company”) is pleased to report its financial results for the three months ended March 31, 2016.

Result of Operations – Summary

Net income for the first quarter 2016 was \$952,000 or \$0.05 per share compared to net income of \$26,000 or \$0.00 per share for the first quarter 2015. The increase in net income was due to improvements in net interest income from loan growth, non-interest income from our mortgage division, and net gains from the sale of OREO.

Below are some highlights for our first quarter 2016 operating results:

- Return on average assets for the first quarter of 2016 is 0.66%, compared to 0.02% for the first quarter of 2015.
- Net income for subsidiary CIBM Bank was \$0.7 million, compared to \$0.2 million in the first quarter of 2015 – reflecting solid improvements in net interest income and non-interest income due to the growth in loans and a growing mortgage division. Net loss from sale of OREO assets and other write-downs at CIBM Bank was \$0.1 million for the quarter.
- Net interest income of \$4.4 million for the quarter is an increase of \$0.2 million from the fourth quarter of 2015 and an increase of \$0.6 million from the first quarter of 2015. The increase is primarily the result of higher loan balances.
- Non-interest income of \$2.1 million for the quarter is an increase of \$1.5 million from the fourth quarter of 2015 and \$0.7 million from the first quarter of 2015. The increase reflects higher net mortgage banking revenue due to an increase in the mortgage lender force offset, to some extent, by a slower seasonal period; and \$430,000 for the quarter in net gains from sale of OREO assets net of other write-downs.
- Non-interest expense of \$5.5 million for the quarter is an increase of \$0.1 million from the fourth quarter of 2015 and \$0.3 million from the first quarter of 2015. The increase is primarily the result of higher compensation expense related to increased mortgage lending production.
- The expense reduction plan that we announced in January of this year had a very small impact on the first quarter results as we anticipate the more significant impact will occur in the second half of 2016.
- First quarter results also did not include any new revenue generation from SBA related activities that we are pursuing. These too will have more of an impact on the second half of 2016.

Financial Condition - Summary

As of March 31, 2016, total assets are up \$26 million from December 31, 2015, and \$75 million from March 31, 2015. The increase resulted primarily from loan growth. Below are some highlights of our financial condition as of March 31, 2016:

- Book value per share of common stock at March 31, 2016, was \$0.41 compared to \$0.31 at December 31, 2015. Tangible book value per share at March 31, 2016, was \$0.90 compared to \$0.79 at December 31, 2015.
- Loans grew by \$25.4 million or 5.7% and \$83.8 million or 21.7% from December 31, 2015 and March 31, 2015, respectively, to March 31, 2016. The growth reflects CIBM Bank’s initiatives to continue to grow our loan balances from within our banking markets and broadly across the portfolio segments. Commercial loans have grown by 7.3%, commercial real estate loans by 3.8%, commercial construction loans by 9.2% and residential real estate loans by 11.4% since December 31, 2015. Although the vast majority of

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Phone: (262) 695-6010 • Fax: (262) 695-6014

1930 West Bluemound Road • Suite D • Waukesha, WI 53186

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 to 1.96% at March 31, 2016, from to 2.25% at December 31, 2015, and 2.95% at March 31, 2015.
- The Tier 1 leverage ratio for CIB Marine was 11.72% at March 31, 2016, compared to 12.27% at December 31, 2015, and 13.45% at March 31, 2015, 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 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 and we will put you on our mailing list.

2016 Annual Meeting

We have scheduled our Annual Meeting of Shareholders for 1:00PM on May 26, 2016, at the Sheraton Milwaukee Brookfield hotel in Brookfield Wisconsin. You should have already received your proxy information and details about the meeting, including registration requirements for those who plan to attend the meeting in person. While a third-party had announced it would nominate an alternate candidate, the Company did not receive any compliant nominations from shareholders of record and the deadline for submission of such a matter has expired. Accordingly, the only candidates for election to the Board at the 2016 Annual Meeting of Shareholders are those individuals nominated by the Company's Board of Directors: Charles E. Baker, J. Brian Chaffin, and John P. Hickey, Jr. Each nominee is a well-qualified business professional based in a market served by CIBM Bank and brings a variety of finance, banking and leadership experience to the Board. If you have not yet done so, please review your proxy materials and promptly vote your shares.


Concluding Comments

Net income, net of gains of sales of assets and write-downs, was \$0.5 million for the quarter, reflecting a higher amount and better quality of earnings consistent with the Company's strategy for growth as we continue to focus on revenue and profit goals.

Our commercial lending activity remains healthy, with production spread across a variety of markets and industries; mortgage lending production has increased significantly as a result of almost doubling the division's lending force at the end of 2015; and retail operations have provided substantial new deposits to fund the new asset growth. At the same time, the operational areas of the bank have been extremely active in developing our SBA related business activities and implementing the cost reduction strategy announced earlier this year, which is expected to provide a cost savings of \$1.1 million per annum when fully implemented later in the year.

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. We are pleased with the results of the first quarter 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

	At or for the Three Months Ended March 31,	
	2016	2015
(Dollars in thousands, except share and per share data)		
Selected Statements of Operations Data		
Interest and dividend income	\$5,176	\$4,460
Interest expense	735	571
Net interest income	4,441	3,889
Provision for loan losses	61	86
Net interest income after provision for loan losses	4,380	3,803
Noninterest income (1)	2,053	1,376
Noninterest expense	5,481	5,153
Income before income taxes	952	26
Income tax expense	—	—
Net income	\$952	\$26
Common Share Data		
Basic net income	\$0.05	\$0.00
Diluted net income	0.03	0.00
Dividends	—	—
Tangible book value per share (2)	0.90	0.93
Book value per share (2)	0.41	0.45
Weighted average shares outstanding-basic	18,127,892	18,127,892
Weighted average shares outstanding-diluted	35,631,892	35,631,892
Financial Condition Data		
Total assets	\$597,089	\$522,346
Loans	470,424	386,588
Allowance for loan losses	(8,235)	(7,586)
Investment securities	97,474	96,696
Deposits	467,334	407,247
Borrowings	57,929	43,753
Stockholders' equity	67,475	68,068
Financial Ratios and Other Data		
Performance Ratios:		
Net interest margin (3)	3.15%	3.22%
Net interest spread (4)	3.00	3.05
Noninterest income to average assets (5)	1.42	1.09
Noninterest expense to average assets	3.78	4.13
Efficiency ratio (6)	84.40	98.12
Earnings on average assets (7)	0.66	0.02
Earnings on average equity (8)	5.75	0.15
Asset Quality Ratios:		
Nonaccrual loans to total loans (9)	0.81%	1.55%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (9)	1.64	2.63
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total asset (9)	1.94	2.95
Allowance for loan losses to total loans	1.75	1.96
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (9)	106.74	74.66
Net charge-offs to average loans	-0.10	0.06
Capital Ratios:		
Total equity to total assets	11.30%	13.03%
Total risk-based capital ratio	15.19	16.94
Tier 1 risk-based capital ratio	13.93	15.68
Leverage capital ratio	11.72	13.45
Other Data:		
Number of employees (full-time equivalent)	180	153
Number of banking facilities	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)

	March 31, 2016	December 31, 2015
	(Dollars in thousands, except share data)	
Assets		
Cash and due from banks	\$9,136	\$9,170
Securities available for sale	97,474	94,702
Loans held for sale	10,176	12,275
Loans	470,424	445,050
Allowance for loan losses	(8,235)	(8,064)
Net loans	462,189	436,986
Federal Home Loan Bank stock	2,170	2,170
Premises and equipment, net	4,716	4,771
Accrued interest receivable	1,468	1,296
Other real estate owned, net	3,859	4,126
Bank owned life insurance	4,310	4,285
Goodwill and other intangible assets	237	243
Other assets	1,354	1,209
Total assets	\$597,089	\$571,233
Liabilities and Stockholders' Equity		
Deposits:		
Noninterest-bearing demand	\$74,564	\$77,580
Interest-bearing demand	32,096	33,192
Savings	175,576	162,663
Time	185,098	170,136
Total deposits	467,334	443,571
Short-term borrowings	57,929	58,883
Accrued interest payable	339	321
Other liabilities	4,012	2,872
Total liabilities	529,614	505,647
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	(158,636)	(159,588)
Accumulated other comprehensive loss, net	(1,199)	(2,136)
Treasury stock 218,499 shares at cost	(529)	(529)
Total stockholders' equity	67,475	65,586
Total liabilities and stockholders' equity	\$597,089	\$571,233

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

	Three Months Ended March 31,	
	2016	2015
	(Dollars in thousands)	
Interest Income		
Loans	\$4,572	\$3,830
Loans held for sale	83	72
Securities	517	555
Other investments	4	3
Total interest income	<u>5,176</u>	<u>4,460</u>
Interest Expense		
Deposits	705	562
Short-term borrowings	30	9
Total interest expense	<u>735</u>	<u>571</u>
Net interest income	4,441	3,889
Provision for loan losses	61	86
Net interest income after provision for loan losses	<u>4,380</u>	<u>3,803</u>
Noninterest Income		
Deposit service charges	103	108
Other service fees	67	49
Mortgage banking revenue, net	1,336	1,121
Other income	117	188
Net gains on sale of securities	—	13
Net gains (losses) on sale of assets and (write downs)	430	(103)
Total noninterest income	<u>2,053</u>	<u>1,376</u>
Noninterest Expense		
Compensation and employee benefits	3,624	3,458
Equipment	273	268
Occupancy and premises	435	400
Data processing	154	146
Federal deposit insurance	106	105
Professional services	249	153
Telephone and data communication	109	109
Insurance	54	57
Other expense	477	457
Total noninterest expense	<u>5,481</u>	<u>5,153</u>
Income from operations before income taxes	952	26
Income tax expense	—	—
Net income	<u>952</u>	<u>26</u>
Preferred stock dividends	—	—
Net income allocated to common stockholders	<u>\$952</u>	<u>\$26</u>