

CIB Marine Bancshares, Inc. (OTCQB: CIBH). This report provides additional detailed financial information for the quarter ended March 31, 2016. Please see our Shareholder Letter dated May 12, 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 March 31,						
Interest-earning assets						
Securities (1)	\$94,345	\$517	2.19%	\$89,864	\$555	2.47%
Loans held for sale (1)	9,457	83	3.53	7,119	72	4.12
Loans (1)(2)	459,356	4,572	4.00	386,961	3,830	4.01
Federal funds sold, reverse repos and interest-earning due from banks	3,123	4	0.52	5,163	3	0.24
Total interest-earning assets	566,280	5,176	3.67	489,107	4,460	3.69
Noninterest-earning assets	16,395			17,376		
Total assets	\$582,675			\$506,483		
Interest-bearing liabilities						
Interest-bearing deposits	\$384,350	\$705	0.74%	\$330,874	\$562	0.69%
Borrowed funds	54,438	30	0.22	31,762	9	0.11
Total interest-bearing liabilities	438,788	735	0.67	362,636	571	0.64
Noninterest-earning liabilities:						
Noninterest-bearing demand deposits	73,728			72,778		
Accrued interest and other liabilities	3,550			2,818		
Preferred equity	51,000			51,000		
Common equity	15,609			17,251		
Total stockholders' equity	66,609			68,251		
Total liabilities and stockholders' equity	\$582,675			\$506,483		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$127,492	\$4,441	3.00%	\$126,471	\$3,889	3.05%
Net interest margin (1)(4)			3.15%			3.22%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.29			1.35		

(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.

CIB Marine's net interest margin decreased 7 basis points from 3.22% for the first quarter of 2015 to 3.15% for the first quarter of 2016. The net interest margin declined due to a 2 basis point decline in yields on interest-earning assets compared to 3 basis points increase in the average cost of interest-bearing liabilities. Loan and 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 future interest rate risk 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 lower rate index. The result is a lower effective coupon so long as short-term rates stay low. When short-term rates increase the effective coupon on the hedged loans will increase.

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

	Loan Portfolio Segments (unaudited)					
	March 31, 2016		December 31, 2015		March 31, 2015	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
(Dollars in thousands)						
Commercial	\$65,830	14.0%	\$61,345	13.8%	\$57,574	15.0%
Commercial real estate	222,363	47.4	214,310	48.3	190,013	49.3
Construction and development	29,959	6.4	27,431	6.2	18,590	4.8
Residential real estate	108,613	23.1	97,500	22	72,974	18.9
Home equity	32,398	6.9	32,514	7.3	33,280	8.6
Purchased home equity pools	8,737	1.9	9,341	2.1	11,200	2.9
Other consumer	1,365	0.3	1,532	0.3	1,794	0.5
Gross loans	469,265	100.0%	443,973	100.0%	385,425	100.0%
Deferred loan costs	1,159		1,077		1,163	
Loans	470,424		445,050		386,588	
Allowance for loan losses	(8,235)		(8,064)		(7,586)	
Loans, net	\$462,189		\$436,986		\$379,002	

Nonperforming Assets and Selected Asset Quality Ratios (unaudited)

	March 31, 2015	December 31, 2015	March 31, 2015
(Dollars in thousands)			
Nonperforming assets			
Nonaccrual loans:			
Commercial	\$1,234	\$1,163	\$1,658
Commercial real estate	1,276	663	2,360
Construction and development	—	—	805
Residential real estate	472	482	470
Home equity	816	826	687
Other consumer	—	—	—
	3,798	3,134	5,980
Loans held for sale	—	—	—
Total nonaccrual loans	3,798	3,134	5,980
Other real estate owned	3,859	4,126	5,259
Total nonperforming assets	\$7,657	\$7,260	\$11,239
Restructured loans accruing			
Commercial	\$27	\$29	\$—
Commercial real estate	2,431	2,239	\$2,501
Residential real estate	121	122	229
Home equity	948	954	1,003
Purchased home equity pools	386	389	398
Other consumer	4	—	—
	\$3,917	\$3,733	\$4,131
90 days or more past due still accruing			
Commercial	\$—	\$—	\$50
Commercial real estate	—	1,874	—
	\$—	\$1,874	\$50
Ratios			
Nonaccrual loans to total loans (1)	0.81%	0.70%	1.55%
Other real estate owned to total assets	0.65	0.72	1.01
Nonperforming assets to total assets (1)	1.28	1.27	2.15
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (1)	1.64	1.96	2.63
Nonperforming assets, restructured loans and 90 days or more past due and still accruing loans to total assets (1)	1.94	2.25	2.95

(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 March 31, 2016								
Balance at beginning of period	\$1,567	\$4,117	\$595	\$669	\$717	\$372	\$27	\$8,064
Provision for (reversal of) loan losses	110	(19)	45	30	(64)	(46)	5	61
Charge-offs	—	(1)	—	—	—	(19)	—	(20)
Recoveries	6	57	—	—	26	41	—	130
Balance at end of period	\$1,683	\$4,154	\$640	\$699	\$679	\$348	\$32	\$8,235
Quarter ended March 31, 2015								
Balance at beginning of period	\$1,023	\$3,724	\$429	\$581	\$913	\$845	\$41	\$7,556
Provision for (reversal of) loan losses	390	(79)	(13)	57	(72)	(193)	(4)	86
Charge-offs	(63)	(2)	—	(10)	(46)	(47)	(2)	(170)
Recoveries	6	7	—	—	72	29	—	114
Balance at end of period	\$1,356	\$3,650	\$416	\$628	\$867	\$634	\$35	\$7,586

Nonaccrual loan volumes increased \$0.7 million over the prior year-end and decreased \$2.2 million from March 31, 2015. OREO balances declined \$0.3 million over the prior year-end and declined by \$1.4 million from March 31, 2015, to March 31, 2016.

Provision expense for the first quarter of 2016 was \$61,000 compared to provision expense of \$86,000 for the same period of 2015. Charge-offs for the first quarter of 2016 were \$20,000 compared to \$170,000 during the same period of 2015. Total recoveries were \$130,000 for the first quarter of 2016 compared to \$114,000 for the same period in 2015. 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 reversals of the provision for any of the portfolio segments.

The allowance for loan losses has increased from \$7.6 million at March 31, 2015, to \$8.2 million at March 31, 2016. The allowance for loan losses to total loans declined from 1.96% to 1.75% from March 31, 2015, to March 31, 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 March 31, 2016</u>						
Commercial	\$—	\$10	\$—	\$10	\$64,586	\$64,596
Commercial real estate	—	—	—	—	221,087	221,087
Construction and development	—	—	—	—	29,959	29,959
Residential real estate	62	—	—	62	108,079	108,141
Home equity	212	—	—	212	31,370	31,582
Purchased home equity pools	229	5	—	234	8,503	8,737
Other consumer	108	—	—	108	1,257	1,365
Deferred loan costs	2	—	—	2	1,157	1,159
Total	\$613	\$15	\$—	\$628	\$465,998	\$466,626
<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 March 31, 2015</u>						
Commercial	\$88	\$—	\$50	\$138	\$55,778	\$55,916
Commercial real estate	1,919	—	—	1,919	185,734	187,653
Construction and development	—	—	—	—	17,785	17,785
Residential real estate	555	—	—	555	71,949	72,504
Home equity	517	19	—	536	32,057	32,593
Purchased home equity pools	98	14	—	112	11,088	11,200
Other consumer	—	—	—	—	1,794	1,794
Deferred loan costs	10	—	—	10	1,153	1,163
Total	\$3,187	\$33	\$50	\$3,270	\$377,338	\$380,608

Accruing past due loans decreased \$3.1 million from December 31, 2015, to March 31, 2016, and decreased \$2.5 million from March 31, 2015, to March 31, 2016.

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)						
March 31, 2016 (1)						
Total capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$74,649	15.19%	\$39,324	8.00%		
CIBM Bank	66,818	13.63	39,207	8.00	\$49,008	10.00%
Tier 1 capital to risk-weighted assets						
CIB Marine Bancshares, Inc.	\$68,479	13.93%	\$29,493	6.00%		
CIBM Bank	60,667	12.38	29,405	6.00	\$39,207	8.00%
Tier 1 leverage to average assets						
CIB Marine Bancshares, Inc.	\$68,479	11.72%	\$23,373	4.00%		
CIBM Bank	60,667	10.40	23,323	4.00	\$29,154	5.00%
Common Equity Tier 1 (2)						
CIBM Bank	\$60,667	12.38%	\$22,054	4.50%	\$31,855	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.