



February 4, 2016

Dear Shareholder,

CIB Marine has completed and filed its financial results for the year ended December 31, 2015. The consolidated company, CIB Marine, and its main subsidiary, CIBM Bank, reported mixed financial results. Whereas significant progress was made in growing revenues, expanding our loan portfolio and in particular in the fourth quarter of 2015, achieving some asset quality milestones; earnings have not yet fully reflected this progress in part due to some planned, but also some unplanned, expenses for 2015.

### **Result of Operations – Summary**

CIB Marine reported a loss during the fourth quarter and full year of 2015 of \$0.8 million and \$0.6 million, respectively, compared to earnings of \$0.1 million and \$0.3 million in the same periods for 2014. Basic loss per share of common stock was \$0.03 for the twelve months ending December 31, 2015, compared to earnings of \$0.02 for the same period of 2014 and on a diluted basis, the loss per share was \$0.03 and earnings per share was \$0.01, respectively.

Key highlights of our 2015 operating results include:

- CIBM Bank earnings were \$0.3 million during 2015, compared to \$1.4 million during 2014. Despite solid progress in revenues and asset quality, as highlighted further below, the results for 2015 reflect some higher planned costs for our new Wheaton and mortgage offices and some unplanned costs for the year including several OREO property write-downs totaling \$0.3 million for the year and a one-time expense of \$0.4 million in the fourth quarter related to an expense reduction plan described more fully below. When fully implemented in the first half of 2016, the expense reduction plan is expected to result in cost savings of \$1.1 million on a per annum basis. Also, since a substantial part of our commercial loan growth occurred in the fourth quarter, the full annual revenue impact of that has not yet been experienced.
- CIB Marine's consolidated operating results were impacted by CIBM Bank's results and expenses at the parent company resulting from various capital and corporate strategy related activity.
- Net interest income improved by \$0.1 million during 2015 compared to 2014. Although average interest-earning assets were up \$42 million (\$39 million from loans alone) the average yields on interest-earning assets were down 0.25% for the year. Yields declined primarily due to: (i) continued pay-down of older, higher yielding assets; (ii) growth of net loan portfolio balances during a historically low interest rate environment; (iii) continued use of interest rate swaps to hedge longer term fixed rate loans in an effort to protect CIBM Bank's net interest margins from potentially rising interest rates; and (iv) the growth and increased prominence of first lien residential loans in the loan portfolio. The latter tend to have lower spreads and yields than commercial loans, but they also, historically, have lower credit risk. As a result, the net interest margin declined from 3.44% for the year 2014 to 3.18% for the year 2015.
- Noninterest income increased by \$0.8 million for the twelve months ending in 2015 compared to 2014. Over that time period, net mortgage banking revenues increased \$1.2 million and losses on sale (and write downs) of assets (i.e. foreclosed properties) deteriorated by \$0.4 million. Deposit and other service charge income grew by \$0.1 million during 2015 versus 2014.
- Noninterest expenses increased \$2.1 million for the twelve months ending 2015 compared to 2014. The increase was the result of \$1.7 million in higher compensation due, in part, to higher mortgage lender commissions and staffing of our new Wheaton bank branch. In addition, occupancy and equipment expenses were higher on a combined basis by \$0.4 million due, in part, to the new mortgage banking and Wheaton

*“Community Banking – The Way It Used To Be”*

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

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

branch offices. Professional fees, telephone and data communications, and insurance expenses all declined for a net reduction from the prior year of \$0.2 million.

- To improve our noninterest expense and efficiency ratio, CIB Marine management performed benchmarking and other studies to identify department level staffing and expense imbalances in the bank. As a result, the company has begun implementing an expense reduction program that will result in fewer bank operations staff in a number of departments and the closing of two non-depository offices – one in Franklin, Wisconsin and the other in Naperville, Illinois. The operations at those non-branch offices will relocate to our other bank offices without any new space being added.

### **Financial Condition - Summary**

During the year 2015, CIB Marine again had strong loan growth resulting in the loan portfolio increasing on net for the year by \$57 million. Asset quality milestones were reached during 2015 as well.

Below are some highlights of our financial condition as of December 31, 2015:

- Total assets increased approximately \$69 million, led by another year of solid loan growth – primarily in the commercial real estate and residential real estate portfolio segments. In addition, all deposit product areas reported growth and, in total, grew by \$43 million over the course of 2015.
- 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, declined to 2.25% at December 31, 2015, from 2.94% at December 31, 2014. As a comparative note, at December 31, 2011, this was 7.42%.
- Net recoveries to average loans during the year 2015 was 0.11%, reflecting strong recoveries of loans previously charged-off. This compares favorably to net charge offs of 0.31% during 2014. As a comparative note, in 2011 net charge offs were 1.28%.
- The December 31, 2015 and 2014, Tier 1 leverage ratio for CIB Marine was 12.27% and 13.50%, respectively. CIB Bank's Tier 1 leverage ratio for the same period ending dates was 10.93% and 11.87%, respectively, representing a strong, well-capitalized position. The changes were the result of asset growth and changes in capital in the areas of net accumulated other comprehensive loss and retained earnings.
- Book value of common stock was \$0.31 per share at December 31, 2015, down from \$0.42 per share at December 31, 2014. This reflected, primarily, a \$1.3 million dollar decline in the net accumulated other comprehensive loss capital account and the loss for the year. Over the same period, tangible book value declined to \$0.79 per share.

Attached please find audited financial results for the year ended December 31, 2015, including selected financial information, a balance sheet and an income statement.

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 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) 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, in the Milwaukee, Wisconsin area. Additional information regarding the annual meeting, including the proxy statement and shareholder proxy card for voting, is forthcoming.

### **Concluding Comments**

We are very pleased to report progress regarding the bank's condition, loan and deposit growth, and revenue growth. We think this reflects solid progress with the strategic goals we have discussed with you over the past few years. In addition, an opportunity emerged late in 2015 to nearly double the size of our mortgage operation through the assimilation of mortgage lenders, support staff, and management that became available through a

local bank merger. This will add expenses immediately, but we believe the additions will contribute positively to the bottom line by or before the end of 2016. This all bodes well for 2016 and beyond and we are very excited about CIB Marine's prospects for future success.

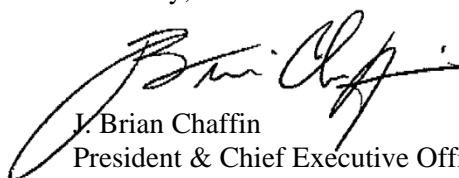
Improving efficiencies and earnings is a priority for 2016. We have initiated actions, as described above, to significantly reduce our operating expenses and we continue to strive to make the most of the opportunities in our four major markets. Although necessary for our business, it is never enjoyable to terminate the employment of hard working people and we recognize their positive contributions to CIB Marine.

Also, we would be remiss if we did not mention the volatility being experienced at home and abroad in the capital markets and the troubling global economic conditions. We recognize potential hurdles in 2016 as the current credit cycle is a bit 'long in the tooth' and the emergence of weaknesses in various credit and asset sectors (e.g., commodities), as well as some real estate markets that have had a long and prosperous run but have begun to show signs of concern (e.g., farm land, multifamily properties, downtown commercial properties). Over the past several years, we have localized originations for substantially all of our new loan assets added to the balance sheet meaning they nearly all have a local market address for our bank, and we have exhibited self-restraint in a number of key lending segments within our banking markets (e.g., multifamily, farming, hospitality).

In addition, we have heard from a number of shareholders about issues related to the liquidity of the common stock. We are exploring potential actions, some of which would be addressed at the time of our upcoming shareholder meeting, intended to improve the liquidity of your stock holdings. Although not concluded, we are evaluating the possibilities for: (i) a reverse stock split to increase the book value per share and potentially improve broker acceptance of 'CIBH' for investor trading opportunities, (ii) a suitable buyer and seller matching service that does not put CIB Marine at risk, (iii) some protective measures for our tax assets (i.e., net operating loss carryforwards), and (iv) improving broker acceptance and access through initiatives with our supporting vendors including Computershare and OTC Markets.

In closing, 2015 was a year of transition and change in the leadership of CIB Marine. The management group at CIB Marine is preparing a number of new initiatives which we look forward to discussing with you in the weeks and months ahead. We are also pleased to have the stability and expertise of our Board of Directors as we embark on an exciting 2016 that presents more opportunities to the Company. We are all focused on delivering on our mission and will take available actions necessary to achieve and accomplish our goals.

Sincerely,



J. Brian Chaffin  
President & Chief Executive Officer

## **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**

	<b>At or for the Years Ended December 31,</b>				
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>(Dollars in thousands, except share and per share data)</b>				
<b>Selected Statements of Operations Data</b>					
Interest and dividend income	\$18,530	\$18,162	\$17,710	\$21,404	\$25,680
Interest expense	2,377	2,137	2,470	3,218	5,469
Net interest income	16,153	16,025	15,240	18,186	20,211
Provision for (reversal of) loan losses	61	379	(22)	(3,213)	6,381
Net interest income after provision for (reversal of) loan losses	16,092	15,646	15,262	21,399	13,830
Noninterest income (loss) (1)	4,426	3,656	1,049	(1,172)	(336)
Noninterest expense	21,117	18,996	17,665	18,810	19,699
Income (loss) from continuing operations before income taxes	(599)	306	(1,354)	1,417	(6,205)
Income tax expense	6	4	—	50	—
<b>Net income (loss) from continuing operations</b>	<b>(605)</b>	<b>302</b>	<b>(1,354)</b>	<b>1,367</b>	<b>(6,205)</b>
<b>Discontinued operations:</b>					
Income from discontinued operations before income taxes	—	—	—	—	781
Income tax expense	—	—	—	—	—
<b>Net income from discontinued operations</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>781</b>
<b>Net income (loss)</b>	<b>\$(605)</b>	<b>\$302</b>	<b>\$(1,354)</b>	<b>\$1,367</b>	<b>\$(5,424)</b>
<b>Common Share Data</b>					
Basic net income (loss) from continuing operations	\$(0.03)	\$0.02	\$(0.07)	\$0.08	\$(0.34)
Diluted net income (loss) from continuing operations	(0.03)	0.01	(0.07)	0.04	(0.30)
Basic net income (loss)	(0.03)	0.02	(0.07)	0.08	(0.34)
Diluted net income (loss)	(0.03)	0.01	(0.07)	0.04	(0.30)
Dividends	—	—	—	—	—
Tangible book value per share (2)	0.79	0.90	0.82	0.92	0.73
Book value per share (2)	0.31	0.42	0.34	0.42	0.23
Weighted average shares outstanding-basic	18,127,892	18,127,892	18,127,892	18,127,892	18,127,892
Weighted average shares outstanding-diluted	18,127,892	35,631,892	18,127,892	35,631,892	18,127,892
<b>Financial Condition Data</b>					
Total assets	\$571,233	\$501,918	\$460,153	\$475,129	\$503,976
Loans	445,050	387,293	341,332	318,503	357,632
Allowance for loan losses	(8,064)	(7,556)	(8,308)	(11,378)	(16,128)
Investment securities	94,702	88,877	90,731	89,753	89,009
Deposits	443,571	400,201	387,901	394,684	422,586
Borrowings	58,883	31,260	4,348	10,414	14,784
Stockholders' equity	65,586	67,533	66,195	67,629	64,222
<b>Financial Ratios and Other Data</b>					
<b>Performance Ratios:</b>					
Net interest margin (3)	3.18%	3.44%	3.46%	3.80%	3.80%
Net interest spread (4)	3.03	3.28	3.29	3.59	3.54
Noninterest income to average assets (5)	0.84	0.74	0.23	(0.40)	(0.06)
Noninterest expense to average assets	4.02	3.93	3.84	3.83	3.57
Efficiency ratio (6)	102.68	96.96	108.46	115.82	99.11
Earnings (loss) on average assets (7)	(0.12)	0.06	(0.29)	0.28	(1.13)
Earnings (loss) on average equity (8)	(0.89)	0.45	(2.03)	2.06	(9.15)
<b>Asset Quality Ratios:</b>					
Nonaccrual loans to total loans (9)	0.70%	1.16%	1.06%	2.80%	5.48%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (9)	1.96	2.42	3.20	5.56	8.47
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total asset (9)	2.25	2.94	4.48	5.93	7.42
Allowance for loan losses to total loans	1.81	1.95	2.43	3.57	4.51
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (9)	92.25	80.64	76.02	64.30	53.23
Net charge-offs (recoveries) to average loans	(0.11)	0.31	0.95	0.46	1.28
<b>Capital Ratios:</b>					
Total equity to total assets	11.48%	13.45%	14.39%	14.23%	12.74%
Total risk-based capital ratio	15.45	17.21	18.05	19.34	16.93
Tier 1 risk-based capital ratio	14.20	15.95	16.79	18.07	15.64
Leverage capital ratio	12.27	13.50	14.89	14.39	13.15
<b>Other Data:</b>					
Number of employees (full-time equivalent)	173	154	154	137	127
Number of banking facilities	11	10	10	12	13

(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 (audited)**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
	<b>(Dollars in thousands, except share data)</b>	
<b>Assets</b>		
Cash and due from banks	\$9,170	\$8,314
Securities available for sale	94,702	88,877
Loans held for sale	12,275	5,386
Loans	445,050	387,293
Allowance for loan losses	(8,064)	(7,556)
Net loans	436,986	379,737
Federal Home Loan Bank stock	2,170	2,170
Premises and equipment, net	4,771	4,846
Accrued interest receivable	1,296	1,198
Other real estate owned, net	4,126	5,367
Bank owned life insurance	4,285	4,185
Goodwill and other intangible assets	243	265
Other assets	1,209	1,573
Total assets	\$571,233	\$501,918
<b>Liabilities and Stockholders' Equity</b>		
<b>Deposits:</b>		
Noninterest-bearing demand	\$77,580	\$73,228
Interest-bearing demand	33,192	31,145
Savings	162,663	154,310
Time	170,136	141,518
Total deposits	443,571	400,201
Short-term borrowings	58,883	31,260
Accrued interest payable	321	278
Other liabilities	2,872	2,646
Total liabilities	505,647	434,385
<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	(159,588)	(158,983)
Accumulated other comprehensive loss, net	(2,136)	(794)
Treasury stock 218,499 shares at cost	(529)	(529)
Total stockholders' equity	65,586	67,533
Total liabilities and stockholders' equity	\$571,233	\$501,918

**CIB MARINE BANCSHARES, INC.**  
**Consolidated Statements of Operations**  
**(audited)**

	<b>Years Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
	(Dollars in thousands)	
<b>Interest Income</b>		
Loans	\$15,972	\$15,479
Loans held for sale	341	167
Securities	2,206	2,508
Other investments	11	8
Total interest income	<u>18,530</u>	<u>18,162</u>
<b>Interest Expense</b>		
Deposits	2,327	2,098
Short-term borrowings	50	39
Total interest expense	<u>2,377</u>	<u>2,137</u>
Net interest income	<u>16,153</u>	<u>16,025</u>
Provision for loan losses	61	379
Net interest income after provision for loan losses	<u>16,092</u>	<u>15,646</u>
<b>Noninterest Income</b>		
Deposit service charges	450	416
Other service fees	236	187
Mortgage banking revenue, net	3,724	2,510
Other income	444	447
Net gains on sale of securities	13	89
Net gains (losses) on sale of assets and (write downs)	(441)	7
Total noninterest income	<u>4,426</u>	<u>3,656</u>
<b>Noninterest Expense</b>		
Compensation and employee benefits	13,515	11,845
Equipment	1,068	909
Occupancy and premises	1,576	1,346
Data processing	621	514
Federal deposit insurance	425	410
Professional services	942	1,068
Telephone and data communication	411	450
Insurance	221	289
Other expense	2,338	2,165
Total noninterest expense	<u>21,117</u>	<u>18,996</u>
Income (loss) from operations before income taxes	(599)	306
Income tax expense	6	4
<b>Net income (loss)</b>	<u>(605)</u>	<u>302</u>
Preferred stock dividends	—	—
<b>Net income (loss) allocated to common stockholders</b>	<u><u>\$(605)</u></u>	<u><u>\$302</u></u>