



February 19, 2015

Dear Shareholder,

CIB Marine is pleased to report its financial results for the year ended December 31, 2014. The consolidated company, CIB Marine, reported earnings for the fourth quarter and the full year of 2014. Its subsidiary, CIBM Bank, likewise reported continued earnings improvement for the year 2014 with stronger operating results from higher revenues and improved efficiency.

Result of Operations – Summary

Earnings from operations for the fourth quarter and full year of 2014 were \$0.1 million and \$0.3 million, compared to earnings of \$0.3 million and a loss of \$1.4 million in the same periods for 2013. Basic earnings per share of common stock were \$0.01 for the three months ended December 31, 2014 and \$0.02 for the twelve months ended December 31, 2014, compared to basic earnings per share of \$0.02 and a loss per share of \$0.07, respectively, for the same periods of 2013. On a diluted basis, the results were earnings of \$0.00 and \$0.01 for the three and twelve months ended December 31, 2014, respectively.

Below are some highlights for our 2014 operating results:

- CIBM Bank earnings were \$1.4 million during 2014, compared to \$0.1 million during 2013, and recorded earnings for each of the four quarters of 2014. The improved earnings were primarily the result of higher net interest income as well as higher noninterest income in all categories, but primarily in net mortgage banking revenues.
- CIB Marine's consolidated earnings were higher during 2014 primarily due to improved earnings at CIBM Bank. CIB Marine recorded earnings for each quarter of 2014.
- Net interest income improved by \$0.8 million from \$15.2 million for the year 2013 to \$16.0 million for the year 2014. The increase was primarily the result of interest-earning asset average balance growth of \$25.3 million for the year 2014. Yields on interest-earning assets declined by 12 basis points, matched by a 12 basis point decline in cost of interest-bearing liabilities during 2014. The net interest margin declined from 3.46% for the year 2013 to 3.44% for the year 2014.
- Noninterest income increased by \$2.6 million for the twelve months ending in 2014 compared to 2013. Over that time period net mortgage banking revenues increased \$2.1 million, gains on sale of assets improved by \$247,000, other income grew \$102,000, gains on sale of securities increased \$87,000 and other service charges increased \$25,000.
- Noninterest expenses rose \$1.3 million for the twelve months ending 2014 compared to 2013. The increase was the result of \$2.3 million in higher compensation (largely attributable to the addition of Avenue Mortgage Division) offset in part by a \$0.2 million reduction in professional service costs, \$0.2 million decline in other expenses, \$0.2 million decline in occupancy and premise expenses, \$0.2 million reduction in FDIC insurance expense and \$0.2 million reduction in insurance expenses. As a result of the cost management activities, revenues outpaced costs and the efficiency ratio declined from 108% in 2013 to 97% in 2014 and a similar degree of improvement at CIBM Bank from 99% to 91% over the same time period.

Financial Condition - Summary

During the year 2014, CIB Marine had solid growth of \$47 million in its loan portfolio. This growth came from a strong local pipeline in commercial lending and residential lending in our markets, both the result of prior strategic initiatives to improve our commercial lending activity and build our mortgage lending capacity by

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acquisition. At the same time, asset quality continued to improve.

Below are some highlights of our financial condition as of December 31, 2014:

- Book value per share of common stock improved to \$0.42 per share at December 31, 2014, from \$0.34 per share at December 31, 2013. Tangible book value per share improved to \$0.90 per share from \$0.82 per share over the same time period. Increases were the result of reduced unrealized losses in the securities portfolio and 2014 earnings.
- Total assets increased \$42 million during 2014, compared to a decline of \$15 million during 2013. The growth was primarily in the CIBM Bank loan portfolio that resulted strictly from its own originations from within its markets. This was the second consecutive year-over-year increase in the loan portfolio.
- Total deposits grew \$12 million during 2014 with all deposit categories represented in that growth. Growth came as a result of direct relationship banking, improved products and services, and additional advertising.
- 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 from 4.48% at December 31, 2013, to 2.94% at December 31, 2014.
- The December 31, 2014 and 2013, Tier 1 leverage ratio for CIB Marine was 13.50% and 14.89%, respectively. CIBM Bank's Tier 1 leverage ratio for the same period ending dates was 11.87% and 12.97%, respectively, representing a strong, well-capitalized position. The changes were the result of asset growth.

As stated in our third and fourth quarter shareholder letters, CIB Marine was reviewing and planning to address the new capital rules that were implemented by banking regulators beginning on January 1, 2015. CIBM Bank expects substantial compliance with the capital ratio limitations under the new capital rules in part due to its current strong capital ratios and the lack of forms of equity other than common equity in its capital structure. CIB Marine has preferred stock in its capital structure but will be considered a 'small bank holding company' under pending revisions to Appendix C of Part 225 of the Federal Reserve's regulations ("Small Bank Holding Company Policy Statement") as a result of a bill signed into law on December 18, 2014. The Interim Final Rule and the Notice of Proposed Rulemaking for the new law were published in the Federal Register Notice on February 3, 2015. The new law and Interim Final Rule raise the threshold for small bank holding company designations that are also generally non-complex from \$500 million to \$1 billion in total assets. Designated small bank holding companies are exempt from the new capital rules. The exemption does not apply to CIBM Bank since it is a bank and not a bank holding company. CIB Marine believes that the new law and implementing regulations result in its exemption from the maintenance of its common equity Tier 1 capital ratio above certain limits as outlined in the new capital rules and as a result would not be out of compliance with the new capital rules.

Attached please find financial results for the year ended December 31, 2014, including selected financial information, and an audited balance sheet and income statement.

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.

2015 Annual Meeting

We have scheduled our Annual Meeting of Shareholders for 1:00pm on May 21, 2015. Additional information regarding the annual meeting, including the proxy statement and shareholder proxy card for voting, is forthcoming.

Concluding Comments

The company ended the year with a solid quarter and on its intended path for continued improvement in asset

quality and earnings.

With dramatically improved credit quality in the prior years the focus has turned more heavily on earnings performance. The groundwork for earnings improvement stems from our capacity to generate higher revenues while containing and controlling our costs.

Revenue growth has come from all our main lines of business – commercial, retail and mortgage banking. Significant groundwork has been performed under strong leadership in each division. We are pleased to have accomplished the growth in business volumes under what CIB Marine views as a lower risk regime. CIB Marine has grown assets with its own originations from within its local markets, it has not ‘purchased’ assets or originated assets outside of its three state market of Illinois, Indiana and Wisconsin (other than U.S. government guaranteed assets), and it has maintained an experienced senior management group that has navigated CIB Marine into a significantly improved position and debt free operating status at the parent company.

Without a continuous cost management approach and conscientious risk management, revenue growth would not be sufficient alone for continued progress. At CIB Marine we give careful consideration to any new costs and we are continually alert for potential new techniques or systems to reduce our costs and enhance our efficiency in ways that do not adversely affect the standard of service we strive to deliver. Investments in fixed assets must be value additive and enhance our ability to support revenue growth at a lower cost per dollar of revenue. As a result we have made a number of new upgrades in our information technology areas that will help us achieve these goals, and we have added critical space for Avenue Mortgage to expand its sales force and plan on moving ahead with our new Wheaton, Illinois bank branch. We believe this branch will anchor new retail banking activity in a region Avenue Mortgage has significant clientele and provide us a location from which to engage selectively in commercial banking activity.

After the voluntary resignation of Chuck Ponicki from his positions as Director, President and CEO of CIB Marine and CIBM Bank, the Board of Directors appointed me to serve as President and CEO on an interim basis. Chuck did a wonderful job for CIB Marine the past four years and he will be missed. I appreciate the continued support and talents of our employees who have done an extraordinary job of serving the needs of our clients and communities, and improving profitability. Our bank leadership team of Patrick Straka (Chief Financial Officer), Brian Chaffin (Director of Corporate Banking), Paul Melnick (Chief Credit Officer), David Pendley (Mortgage Banking Director), Mark Wilmington (Retail Sales Director), and Joanne Blaesing (SVP, Marketing & Enterprise Projects) will assist me in leading the company through the next phase of our continued strategy of growing CIB Marine and improving its financial strength and performance.

Sincerely,



John Hickey
Chairman, 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

	At or for the Years Ended December 31,				
	2014	2013	2012	2011	2010
	(Dollars in thousands, except share and per share data)				
Selected Statements of Operations Data					
Interest and dividend income	\$18,162	\$17,710	\$21,404	\$25,680	\$30,290
Interest expense	2,137	2,470	3,218	5,469	9,269
Net interest income	16,025	15,240	18,186	20,211	21,021
Provision for (reversal of) loan losses	379	(22)	(3,213)	6,381	15,345
Net interest income after provision for (reversal of) loan losses	15,646	15,262	21,399	13,830	5,676
Noninterest income (loss) (1)	3,656	1,049	(1,172)	(336)	(610)
Noninterest expense	18,996	17,665	18,810	19,699	22,319
Income (loss) from continuing operations before income taxes	306	(1,354)	1,417	(6,205)	(17,253)
Income tax expense	4	—	50	—	—
Net income (loss) from continuing operations	302	(1,354)	1,367	(6,205)	(17,253)
Discontinued operations:					
Income from discontinued operations before income taxes	—	—	—	781	—
Income tax expense (benefit)	—	—	—	—	—
Net income from discontinued operations	—	—	—	781	—
Net income (loss) before extraordinary net gain	302	(1,354)	1,367	(5,424)	(17,253)
Extraordinary gain on extinguishment of junior subordinated debentures, net of amortization and reorganization costs	—	—	—	—	—
Net income (loss)	\$302	\$(1,354)	\$1,367	\$(5,424)	\$(17,253)
Common Share Data					
Basic net income (loss) from continuing operations	\$0.02	\$(0.07)	\$0.08	\$(0.34)	\$(0.95)
Diluted net income (loss) from continuing operations	0.02	(0.07)	0.04	(0.34)	(0.95)
Basic net income (loss)	0.01	(0.07)	0.08	(0.30)	(0.95)
Diluted net income (loss)	0.01	(0.07)	0.04	(0.30)	(0.95)
Dividends	—	—	—	—	—
Tangible book value per share (2)	0.90	0.82	0.92	0.73	0.98
Book value per share (2)	0.42	0.34	0.42	0.23	0.48
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	35,631,892	18,127,892	35,631,892	18,127,892	18,127,892
Financial Condition Data					
Total assets excluding assets of company held for disposal	\$501,918	\$460,153	\$475,129	\$503,976	\$587,943
Loans	387,293	341,332	318,503	357,632	415,778
Allowance for loan losses	(7,556)	(8,308)	(11,378)	(16,128)	(14,645)
Investment securities	88,877	90,731	89,753	89,009	126,878
Deposits	400,201	387,901	394,684	422,586	493,527
Borrowings, including junior subordinated debentures	31,260	4,348	10,414	14,784	22,761
Stockholders' equity	67,533	66,195	67,629	64,222	68,753
Financial Ratios and Other Data					
Performance Ratios:					
Net interest margin (3)	3.44%	3.46%	3.80%	3.80%	3.27%
Net interest spread (4)	3.28	3.29	3.59	3.54	2.95
Noninterest income to average assets (5)	0.74	0.23	(0.40)	(0.06)	(0.12)
Noninterest expense to average assets	3.93	3.84	3.83	3.57	3.37
Efficiency ratio (6)	96.96	108.46	115.82	99.11	110.17
Earnings (loss) on average assets (7)	0.06	(0.29)	0.28	(1.13)	(2.60)
Earnings (loss) on average equity (8)	0.45	(2.03)	2.06	(9.15)	(21.34)
Asset Quality Ratios:					
Nonaccrual loans to total loans (9)	1.16%	1.06%	2.80%	5.48%	8.04%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (9)	2.42	3.20	5.56	8.47	9.37
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total asset (9)	2.94	4.48	5.93	7.42	7.53
Allowance for loan losses to total loans	1.95	2.43	3.57	4.51	3.52
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (9)	80.64	76.02	64.30	53.23	37.58
Net charge-offs to average loans	0.31	0.95	0.46	1.28	3.90
Capital Ratios:					
Total equity to total continuing assets	13.45%	14.39%	14.23%	12.74%	11.69%
Total risk-based capital ratio	17.21	18.05	19.34	16.93	15.47
Tier 1 risk-based capital ratio	15.95	16.79	18.07	15.64	14.20
Leverage capital ratio	13.50	14.89	14.39	13.15	11.80
Other Data:					
Number of employees (full-time equivalent)	154	154	137	127	145
Number of banking facilities	10	10	12	13	15

(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)

	December 31, 2014	December 31, 2013
	(Dollars in thousands, except share data)	
Assets		
Cash and due from banks	\$8,314	\$10,886
Investment securities:		
Securities available for sale	88,877	89,043
Trading securities	—	1,688
Total investment securities	88,877	90,731
Loans held for sale	5,386	1,226
Loans	387,293	341,332
Allowance for loan losses	(7,556)	(8,308)
Net loans	379,737	333,024
Federal Home Loan Bank stock	2,170	2,170
Premises and equipment, net	4,846	4,834
Accrued interest receivable	1,198	1,288
Other real estate owned, net	5,367	9,700
Bank owned life insurance	4,185	4,089
Goodwill and other intangible assets	265	287
Other assets	1,573	1,918
Total assets	\$501,918	\$460,153
Liabilities and Stockholders' Equity		
Deposits:		
Noninterest-bearing demand	\$73,228	\$71,425
Interest-bearing demand	31,145	30,471
Savings	154,310	147,058
Time	141,518	138,947
Total deposits	400,201	387,901
Short-term borrowings	31,260	4,348
Accrued interest payable	278	235
Other liabilities	2,646	1,474
Total liabilities	434,385	393,958
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	(159,983)	(159,285)
Accumulated other comprehensive loss, net	(794)	(1,830)
Treasury stock 218,499 shares at cost	(529)	(529)
Total stockholders' equity	67,533	66,195
Total liabilities and stockholders' equity	\$501,918	\$460,153

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

	Years Ended December 31,	
	2014	2013
(Dollars in thousands)		
Interest Income		
Loans	\$15,479	\$15,045
Loans held for sale	167	8
Securities	2,508	2,584
Other investments	8	73
Total interest income	18,162	17,710
Interest Expense		
Deposits	2,098	2,461
Short-term borrowings	39	9
Federal Home Loan Bank advances	—	—
Total interest expense	2,137	2,470
Net interest income	16,025	15,240
Reversal of loan losses	379	(22)
Net interest income after reversal of loan losses	15,646	15,262
Noninterest Income		
Deposit service charges	416	414
Other service fees	187	162
Mortgage banking revenue, net	2,510	366
Other income	447	345
Net gains on sale of securities	89	2
Net gains (losses) on sale of assets and (write downs)	7	(240)
Total noninterest income	3,656	1,049
Noninterest Expense		
Compensation and employee benefits	11,845	9,584
Equipment	909	868
Occupancy and premises	1,346	1,509
Data processing	514	627
Federal deposit insurance	410	578
Professional services	1,068	1,266
Telephone and data communication	450	428
Insurance	289	451
Other expense	2,165	2,354
Total noninterest expense	18,996	17,665
Income (loss) from operations before income taxes	306	(1,354)
Income tax expense	4	—
Net income (loss)	302	(1,354)
Preferred stock dividends	—	—
Net income (loss) allocated to common stockholders	\$302	\$(1,354)