



May 7, 2015

Dear Shareholder,

CIB Marine is pleased to report its financial results for the three months ended March 31, 2015. The consolidated company, CIB Marine, and its subsidiary, CIBM Bank, reported earnings for the first quarter of 2015. Additionally, the Company's total assets and book value per share increased for the first quarter.

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

Earnings from operations for the first quarter of 2015 were \$26,000, compared to earnings of \$133,000 in the same period for 2014. Although positive for the quarter, earnings were hindered by a few non-repeating expense items totaling \$0.2 million, including a \$0.1 million write down on a specific OREO asset. Basic earnings per share of common stock were nominal for the three months ended March 31, 2015, compared to basic earnings per share of \$0.01 for the same period of 2014. On a diluted basis, the results of earnings per share were nominal and \$0.01 for the three months ended March 31, 2015 and 2014, respectively.

Below are some highlights for our first quarter 2015 operating results:

- CIBM Bank earnings were \$0.2 million during the three months ended March 31, 2015, compared to \$0.3 million for the same period of 2014. The decline in earnings resulted primarily from a \$0.1 million loss on write-downs of assets for OREO.
- Net interest income was flat to nominally lower reporting at \$3.889 million for the three months ended March 31, 2015, compared to \$3.904 million for the same period of 2014. 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. Average interest-earning assets were up \$47 million between the two periods and average yields on interest-earnings assets declined by 35 basis points while average costs of interest-bearing liabilities were flat, reflecting competition in the market for loans and the replacement of older paying down loans and securities in a lower interest rate environment over a longer period. The net interest margin declined from 3.57% for the three months ending March 31, 2014, to 3.22% for the same period in 2015.
- Provision expenses increased to \$86,000 during the three months ended March 31, 2015, compared to \$11,000 for the same period in 2014.
- Noninterest income increased by \$0.7 million for the three months ended March 31, 2015, compared to the same period in 2014. The increase was primarily the result of a \$0.7 million increase in net mortgage banking revenues, but also increases in deposit service charges, gains on sale of securities, other service fees and other income; reduced by a \$0.1 million loss on write-down of assets for OREO.
- Noninterest expense was \$0.7 million higher for the three months ended March 31, 2015, compared to the same period in 2014. The increase was the result of a \$0.6 million increase in compensation, in part due to commissions for higher mortgage loan volumes, and an increase in equipment, occupancy, and other expenses offset partially by lower professional fees and insurance expenses.

### **Financial Condition - Summary**

Total assets were up \$20 million from December 31, 2014, to March 31, 2015. The increase was primarily the result of higher loans held for sale and investment securities balances. Below are some highlights of our financial condition as of March 31, 2015:

- Book value per share of common stock improved to \$0.45 per share at March 31, 2015, from \$0.42 at December 31, 2014, and \$0.38 at March 31, 2014. Tangible book value per share improved to \$0.93 per share from \$0.90 and \$0.86 per share over the same time period. Increases were the result of reduced

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unrealized losses in the securities portfolio and earnings.

- 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, was 2.95% at March 31, 2015, compared to 2.94% at December 31, 2014, and 4.31% at March 31, 2014.
- The Tier 1 leverage ratio for CIB Marine was 13.44% at March 31, 2015, compared to 13.50% at December 31, 2014, and 14.62% at March 31, 2014. CIB Marine continues to be designated a “small bank holding company” as a result of revisions to Appendix C of Part 225 of the Federal Reserve’s regulations and, thereby, is exempt from the maintenance of its common equity Tier 1 capital ratio above certain limits as outlined in the new capital rules. The new capital rules do apply to our subsidiary, CIBM Bank, and it is in full compliance with all of the limits established including the common equity Tier 1 capital ratio. This ratio is shown on page 4 of this letter under Capital Ratios of the Selected Unaudited Consolidated Financial Data and the supplemental information posted at [www.cibmarine.com](http://www.cibmarine.com). The difference between CIB Marine and CIBM Bank’s common equity Tier 1 capital ratio is explained by the level of CIB Marine’s issued and outstanding shares of preferred stock.

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.

### **2015 Annual Meeting**

We have scheduled our Annual Meeting of Shareholders for 1:00PM on May 21, 2015, at our Elm Grove, Wisconsin branch. 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. If you have not yet done so, please promptly vote your shares.

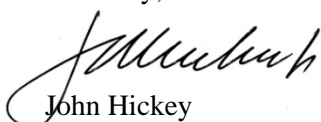
### **Concluding Comments**

The quarter for CIB Marine was affected by a few significant occurrences. With long-term mortgage rates falling, the Avenue Mortgage division enjoyed a significant lift in mortgage refinance volumes during a traditionally slower part of the year. The resulting increase in noninterest income, coupled with progress in deposit and other areas of fee income, assisted in diminishing the impact of a decline in earning assets yields reflecting the lower rate environment, and higher loan loss provisions.

In addition, although we experienced an uptick in prepayments in our commercial loan portfolio, our Corporate Banking division produced solid pipeline developments and loan originations in line with our budget for the year. The net result was only a nominal reduction in total outstanding loan portfolio balances for the quarter. We also wrote some OREO assets down during the quarter. This was related to opportunities in the later part of the first quarter that have a reasonable chance of favorably impacting CIB Marine’s nonperforming asset ratio in the future.

I would like to acknowledge and thank the dedicated employees of the bank whose day to day attention to our clients and our mission is critical to our future success. As part of that, we are looking forward to the mid-May opening of our new branch at 330 South Naperville Road in downtown Wheaton, Illinois. The banking team at CIB Marine continues to work diligently at delivering the best service for our clients and the best value for our shareholders.

Sincerely,



John Hickey  
Chairman, President and 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 Three Months Ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>(Dollars in thousands, except share and per share data)</b>		
<b>Selected Statements of Operations Data</b>		
Interest and dividend income	\$4,460	\$4,416
Interest expense	571	512
Net interest income	3,889	3,904
Provision for loan losses	86	11
Net interest income after provision for loan losses	3,803	3,893
Noninterest income (1)	1,376	710
Noninterest expense	5,153	4,468
Income before income taxes	26	135
Income tax expense	—	2
<b>Net income</b>	<b>\$26</b>	<b>\$133</b>
<b>Common Share Data</b>		
Basic net income	\$0.00	\$0.01
Diluted net income	0.00	0.01
Basic net income	0.00	0.00
Diluted net income	0.00	0.00
Dividends	—	—
Tangible book value per share (2)	0.93	0.86
Book value per share (2)	0.45	0.38
Weighted average shares outstanding-basic	18,127,892	18,127,892
Weighted average shares outstanding-diluted	35,631,892	35,631,892
<b>Financial Condition Data</b>		
Total assets	\$522,346	\$475,743
Loans	386,588	348,634
Allowance for loan losses	(7,586)	(8,273)
Investment securities	96,696	103,671
Deposits	407,247	380,470
Borrowings	43,753	26,810
Stockholders' equity	68,068	66,870
<b>Financial Ratios and Other Data</b>		
Performance Ratios:		
Net interest margin (3)	3.22%	3.57%
Net interest spread (4)	3.05	3.40
Noninterest income to average assets (5)	1.09	0.62
Noninterest expense to average assets	4.13	3.91
Efficiency ratio (6)	98.12	96.90
Earnings on average assets (7)	0.02	0.12
Earnings on average equity (8)	0.15	0.81
Asset Quality Ratios:		
Nonaccrual loans to total loans (9)	1.55%	1.70%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (9)	2.63	3.35
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total asset (9)	2.95	4.31
Allowance for loan losses to total loans	1.96	2.37
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (9)	74.66	70.85
Net charge-offs to average loans	0.06	0.05
Capital Ratios:		
Total equity to total assets	13.03%	14.06%
Total risk-based capital ratio	16.92	17.91
Tier 1 risk-based capital ratio	15.67	16.65
Leverage capital ratio	13.44	14.62
Other Data:		
Number of employees (full-time equivalent)	153	152
Number of banking facilities	10	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)**

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
	<b>(Dollars in thousands, except share data)</b>	
<b>Assets</b>		
Cash and due from banks	\$6,694	\$8,314
Investment securities:		
Securities available for sale	96,696	88,877
Loans held for sale	20,359	5,386
Loans	386,588	387,293
Allowance for loan losses	(7,586)	(7,556)
Net loans	379,002	379,737
Federal Home Loan Bank stock	2,170	2,170
Premises and equipment, net	4,790	4,846
Accrued interest receivable	1,412	1,198
Other real estate owned, net	5,259	5,367
Bank owned life insurance	4,209	4,185
Goodwill and other intangible assets	260	265
Other assets	1,495	1,573
Total assets	\$522,346	\$501,918
<b>Liabilities and Stockholders' Equity</b>		
Deposits:		
Noninterest-bearing demand	\$75,121	\$73,228
Interest-bearing demand	33,149	31,145
Savings	159,105	154,310
Time	139,872	141,518
Total deposits	407,247	400,201
Short-term borrowings	43,753	31,260
Accrued interest payable	271	278
Other liabilities	3,007	2,646
Total liabilities	454,278	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	(158,957)	(158,983)
Accumulated other comprehensive loss, net	(285)	(794)
Treasury stock 218,499 shares at cost	(529)	(529)
Total stockholders' equity	68,068	67,533
Total liabilities and stockholders' equity	\$522,346	\$501,918

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

	<b>Three Months Ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
	<b>(Dollars in thousands)</b>	
<b>Interest Income</b>		
Loans	\$3,830	\$3,737
Loans held for sale	72	21
Securities	555	656
Other investments	3	2
Total interest income	<u>4,460</u>	<u>4,416</u>
<b>Interest Expense</b>		
Deposits	562	508
Short-term borrowings	9	4
Total interest expense	<u>571</u>	<u>512</u>
Net interest income	3,889	3,904
Provision for loan losses	86	11
Net interest income after provision for loan losses	<u>3,803</u>	<u>3,893</u>
<b>Noninterest Income</b>		
Deposit service charges	108	97
Other service fees	49	48
Mortgage banking revenue, net	1,121	374
Other income	188	173
Net gains on sale of securities	13	3
Net gains (losses) on sale of assets and (write downs)	(103)	15
Total noninterest income	<u>1,376</u>	<u>710</u>
<b>Noninterest Expense</b>		
Compensation and employee benefits	3,458	2,809
Equipment	268	198
Occupancy and premises	400	357
Data processing	146	153
Federal deposit insurance	105	98
Professional services	153	270
Telephone and data communication	109	105
Insurance	57	93
Other expense	457	385
Total noninterest expense	<u>5,153</u>	<u>4,468</u>
Income from operations before income taxes	26	135
Income tax expense	—	2
<b>Net income</b>	<u>26</u>	<u>133</u>
Preferred stock dividends	—	—
<b>Net income allocated to common stockholders</b>	<u>\$26</u>	<u>\$133</u>