



**CIB MARINE
BANCSHARES, INC.**

2014 ANNUAL REPORT

Service | Solutions | Integrity

OUR MISSION:

CIB Marine provides personalized banking and related financial solutions to small and middle market businesses, their owners and employees, and consumer households in our communities. We leverage our entire banking team to provide our clients superior service with a high degree of professionalism and integrity. We operate our company to support our clients' enduring success, contribute to our communities' quality of life and economic development, provide growth opportunities and challenge for our employees and increase value for our shareholders.



John P. Hickey, Jr., Chairman

ABOUT:

CIB Marine Bancshares, Inc. owns and operates CIBM Bank, which serves communities throughout Central Illinois; Milwaukee, Wisconsin and Indianapolis, Indiana through its full-service banking offices. CIBM Bank operates under the name "Central Illinois Bank" in its central Illinois markets, and "Marine Bank" in its Indiana and Wisconsin markets. Avenue Mortgage operates as a division of CIBM Bank serving our banking markets and the broader Chicago area.

We strive to listen to the plans of our clients and collaborate to help goals be achieved. Our seasoned corporate bankers work with business owners to create solutions customized to their needs. We're delighted to assist customers in our lobbies, their offices or by phone and internet—across the communities we serve.

We offer a full array of personal banking, business banking and treasury management services that meet the needs of our clients. Banking is more than just a checking or savings account; it's a lifetime relationship.

Our banking team members strive to deliver unparalleled personal attention and genuine concern for the financial welfare and security of customers. We have a commitment to them and the communities we serve.

LETTER FROM CEO:

In 2014 we remained focused on our core message of Service, Solutions and Integrity as we progressed and grew during the year. With dramatically improved credit quality, we have turned our focus and resources more heavily to earnings performance - implementing new products and services that make it easier for our clients to bank with us, increasing marketing efforts and investing in human capital.

Our financial results paint the picture of continuing success as CIB Marine recorded earnings for each quarter of 2014 and, in the third quarter, we reached the milestone of \$500 million of consolidated total assets. Earnings improved \$1.7 million over the prior year, ending with \$0.3 million in earnings for 2014. Total assets increased \$42 million during 2014, primarily in the CIBM Bank loan portfolio, marking the second consecutive year-over-year increase in the loan portfolio. Total deposits grew \$12 million during 2014, as a result of direct relationship banking, improved products and services, and advertising.

Our corporate banking efforts in lending and treasury management sales remained very strong. We accomplished our goal to begin shifting our commercial loan portfolio mix to a higher percentage of commercial and industrial (C & I) and owner occupied commercial real estate clients. Total commercial and owner occupied commercial real estate loans increased by \$24 million. The types of banking services needed by companies in these sectors provide us with increased opportunity for additional product sales. In the third quarter we hired an experienced corporate banker, with deep knowledge of the business community in the broader Chicago market, and we are moving forward with plans to open a branch in Wheaton, Illinois during the second quarter of 2015. In 2014, we continued to foster the expansion of our activity in the broader Chicago area, primarily in the western suburbs, including building on the extensive business and personal contacts of our Avenue Mortgage division's staff. Our 2013 purchase of the assets of Avenue Mortgage in Naperville, Illinois began paying dividends with total residential mortgage loan closings of \$145 million during 2014.

In early 2014, we expanded our mobile banking capabilities by offering clients the ability to deposit checks via their smart phones, and launched a new Retail Banking checking and savings initiative, Acceleration BankingSM. This rewards-based checking product offers an attractive interest rate on checking balances for those with high debit card usage and includes a savings component that has proven to be attractive to new and existing clients alike. This complex product was developed entirely in-house and is an excellent example of the skills and capabilities of our staff.

In support of Acceleration BankingSM, our marketing strategy adapted and modernized. In addition to traditional print and other media outlets, we promoted the product heavily via social media and internet radio advertising. This kind of emphasis will continue and expand to encompass other products and business lines through 2015

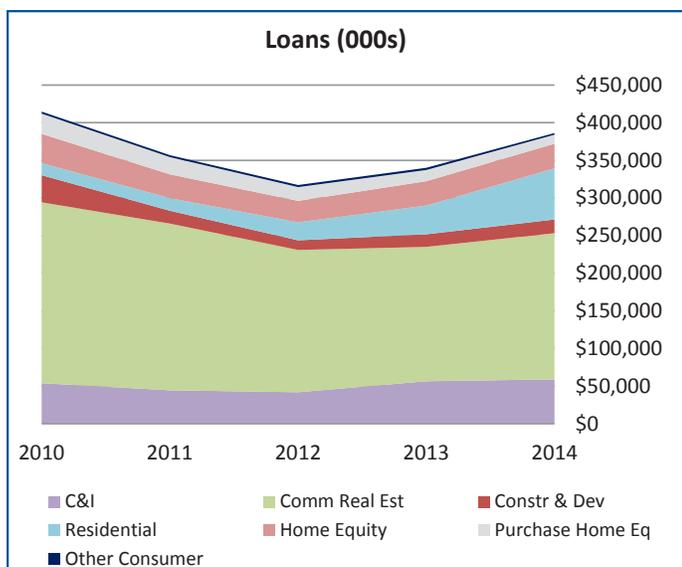
We also made a significant improvement in our technology infrastructure, improving the redundancy of our data storage and significantly increasing the speed at which we can recover from a disaster that may affect our systems. With clients increasingly choosing electronic banking options, the ability to react quickly to an emergency is essential.

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 (Corporate Banking Director), Paul Melnick (Chief Credit Officer), David Pendley (Mortgage Banking Director), Mark Wilmington (Retail Banking Director), and Joanne Blaesing (SVP, Marketing & Enterprise Projects) assists me in leading the company, improving CIB Marine's financial strength and performance, and enhancing shareholder value.

Thank you,



John P. Hickey
President, CEO & Chairman



Loan volumes increased, the result of the work done to build loan origination pipelines in both residential and commercial real estate lending.

CORPORATE BANKING & TREASURY MANAGEMENT SERVICES

Putting our clients first is the cornerstone of CIBM Bank's corporate banking business. Whether it's deposit or loan products, treasury or merchant services; aligning the way in which we deliver our products and services to fit the needs of our clients is paramount to helping them achieve success in their own businesses. We are committed to providing ongoing product enhancements and improvements, delivering new products and services, and partnering with clients in order to ensure the highest levels of customer satisfaction. And it's working. Overall, our numbers are up and continuing to grow.

- CIBM Bank's Commercial and Owner Occupied Commercial Real Estate loan portfolio segments grew in net balances by \$24 million in 2014. Growing these segments has been a strategic initiative of ours for both asset quality and banking relationship purposes.
- We added a new corporate banker in the Chicago area to be located in our new Wheaton, Illinois banking office opening in May 2015.
- In 2014 we had strong growth in newly opened commercial deposit relationships, contributing to the \$2.0 million net balance growth in non-interest bearing demand deposits in 2014. Our new balances growth was 150% of our goal and up from 2013.
- Corporate banking generated \$206,000 in new loan fee income, much of which is deferred and recognized in future years.
- Our cross-marketing and referral efforts continue to develop with new residential mortgage opportunities for our Avenue Mortgage division.

- We ended 2014 with \$130 million in the loan pipeline. A significant portion, but not all, of a pipeline typically results in a loan, positioning us well for growth in 2015.
- Results in 2014 were strong in Treasury Management net new business contributing to the growth in deposit and other service charges.

SERVICE MARKETS



Key initiatives for 2015:

With an exceptional product mix, strong leadership and full pipeline, CIBM Bank is positioned for continued growth in 2015. We will focus not only on higher loan goals but also on growing our non-credit deposit base, with a plan to:

- Take advantage of a hedging strategy and increase margins on 7- to 15-year loans.
- Build our corporate loan pipeline to higher levels still.
- Focus on high loan quality.
- Add additional corporate bankers to serve the broader Chicago area, Indianapolis and Wisconsin markets.
- Continue our lending focus on Commercial and Owner Occupied Commercial Real Estate.
- Implement a new credit origination system to improve efficiency.
- Increase our treasury management fees consistent with our focus on lending growth goals.

RETAIL BANKING SERVICES

In 2014, CIBM Bank continued to grow while strengthening and enhancing our core products, services and technology platform. We remained focused on providing our customers solutions to help them reach their financial goals.

Key initiatives:

- We developed and implemented Acceleration BankingSM, a deposit product that is a rewards-based checking product with a savings component, creating one of the most innovative and unique deposit products in the market.
- We continued to build momentum after our 2013 mobile banking launch gained more than 1,200 users in just seven months. In 2014 we added Deposit Anywhere, which provides customers with the additional convenience of making deposits from anywhere via their mobile phone.
- Our website was redesigned with a new customer-friendly look and feel, as well as updated navigation, providing customers with an enhanced online experience.
- The retail segment of the loan portfolio grew, led by net growth in balances of \$29.6 million in residential mortgage loans originated by our Avenue Mortgage division and \$0.6 million in home equity loans. Retail also contributed to the \$1.6 million net growth in construction loans.
- Our “Big Data” initiative focused on identifying additional sales opportunities for current customers within each of our offices.
- Investments in our staff development continued with all retail staff completing specialized Customer Service Training that will enhance the overall customer experience.

Key initiatives for 2015:

- We will continue to grow our retail presence with the addition of a new branch facility in the Wheaton, Illinois, which is scheduled to open in May 2015.
- Our “Big Data” initiative will continue to evolve through the input of our IT and Finance teams and a concentration on increased customer service and sales.
- The focus on creating cross-sale opportunities between our retail banking and Avenue Mortgage business units will continue in order to increase our mortgage business and develop new banking relationships within our banking markets.

2015 MORTGAGE DIVISION

CIBM Bank’s unwavering focus on growing our loan portfolio and advancing our technology has resulted in a solid 2014 for our mortgage banking division. Since the acquisition of the assets of Avenue Mortgage by CIBM Bank in 2013, our team has developed to a point of reflection where we can truly agree the union has been a success. The teams merged exceptionally well, and the synergy between the goals of the bank and the goals of the mortgage division are increasingly being realized daily as we strive for our potential.

Key initiatives:

- The start of 2014 began with a chill in temperatures well below zero and daily snow falls at record levels, while mortgage rates continued on an uptick. Although these factors brought the mortgage business to very sluggish levels, our sales team used the opportunity to cultivate their own respective markets by strengthening their territories and forging into new markets to prepare for a hopeful spring and summer housing market.
- The hard work of our mortgage loan officers paid off. We were well prepared for the housing activity which heated up when the frozen housing market thawed. Our pipelines became full and home mortgage closings began to roll again, closing the year with a respectable mortgage loan production of \$145 million.
- With production and income generation our focus, we are enhancing our platform for future increased mortgage volume. The combination of portfolio, correspondent and brokered outlets provides a broad and competitive product base for CIBM Bank as we grow in 2015 and beyond.

Key initiatives for 2015:

- We enter 2015 with more optimism than prior years. Our pipeline is plum with more than \$30 million in new business (please note that a significant part of a pipeline, but not all, typically results in a loan), mortgage rates are back down to historical lows and inventory is building by the day. Avenue Mortgage is targeting higher levels of closed loans in 2015 and working to create and execute a strategy to better serve our current mortgage footprint.
- To reach our goals, we have a plan in place that allocates individual production goals for each member of our current team, and includes plans to hire additional loan officers to increase capacity.
- We will leverage our cutting-edge “Client One” initiative (internet based leads program, marketing platform, client experience platform) making us stand out as an innovative market leader by adding value to both the end-borrowers and the realtors with whom we work to achieve production goals.
- Our ability to offer construction loans, bridge loans and portfolio loans gives us a distinctive difference in our markets, setting us apart from competitors.

INFORMATION TECHNOLOGY

As our customers rely more heavily on automated and remote banking services, our Information Technology efforts are paramount to our success in delivering reliable and innovative banking services to customers. We continue to invest heavily in the technology that will provide the most innovative, industry-leading and reliable banking services to our customers.

Key initiatives:

- Our in-house IT expertise played a key role in designing and delivering the new and innovative product, Acceleration BankingSM.
- Our data center was moved from a branch to a colocation facility, to provide improved facilities and availability.
- We established a second data center to improve our business resumption capabilities and reduced our recovery objective from over 48 hours to under four hours.
- We redesigned and enhanced our website to allow for an improved experience on mobile devices.

COMMUNITY

CIBM Bank is committed to making a positive impact in our communities, both by providing comprehensive banking solutions and investment products, and through our charitable giving and employee volunteerism. We are proud of our financial contributions and encouraged by the volunteerism of our colleagues at every level of the corporation.

Key initiatives:

- We continued our philanthropic commitment by sponsoring local events and organizations throughout the year.
- We provided educational opportunities and funding in the communities that we serve.
- In an effort to assist local charities and organizations supported by employees, we endorsed and financially supported many of their fundraising activities.
- In 2015 we will roll out our new Affordable Loan Program that will allow us to competitively reach a broader array of residential mortgage customers in our markets.
- Through the efforts of our employee volunteers and the bank's financial resources, we provided support to many local organizations, funding social welfare, scouting, the arts and more.

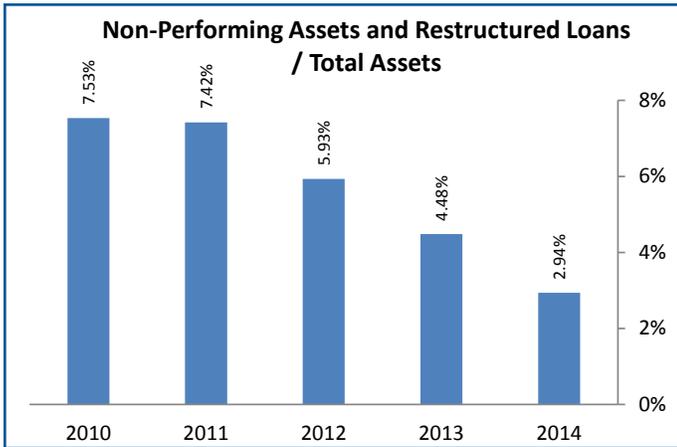
At CIBM Bank, meeting the goals and aspirations of our clients, employees and communities is both a daily focus and a winning combination. We proudly continue to prioritize and invest in local non-profit, educational, civic and children's initiatives that enhance and strengthen our communities.

FINANCIALS

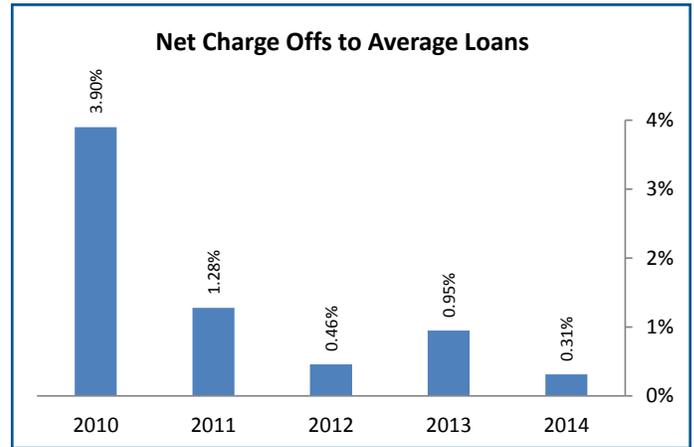
	At or for the Years Ended December 31,				
	2014	2013	2012	2011	2010
	Unaudited, Dollars in Thousands				
Selected Statements of Operations Data					
Interest and dividend income	\$18,162	\$17,710	\$21,404	\$25,680	\$30,290
Interest expense	2,137	2,470	3,218	5,469	9,269
Net interest income	16,025	15,240	18,186	20,211	21,021
Provision for (reversal of) loan losses	379	(22)	(3,213)	6,381	15,345
Net interest income (loss) 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)
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
Performance Ratios					
Net interest margin (3)	3.44%	3.46%	3.80%	3.80%	3.27%
Noninterest income to average assets (4)	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 (5)	96.96	108.46	115.82	99.11	110.17
Earnings (loss) on average assets (6)	0.06	(0.29)	0.28	(1.13)	(2.60)
Asset Quality Ratios					
Nonaccrual loans to total loans (7)	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 (7)	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 (7)	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
Net charge-offs to average loans	0.31	0.95	0.46	1.28	3.90
Capital Ratios					
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) Noninterest income to average assets excludes gains and losses on securities.
- (5) The efficiency ratio is noninterest expense divided by the sum of net interest income plus noninterest income, excluding gains and losses on securities.
- (6) Earnings on average assets are net income divided by average total assets.
- (7) Excludes loans held for sale.

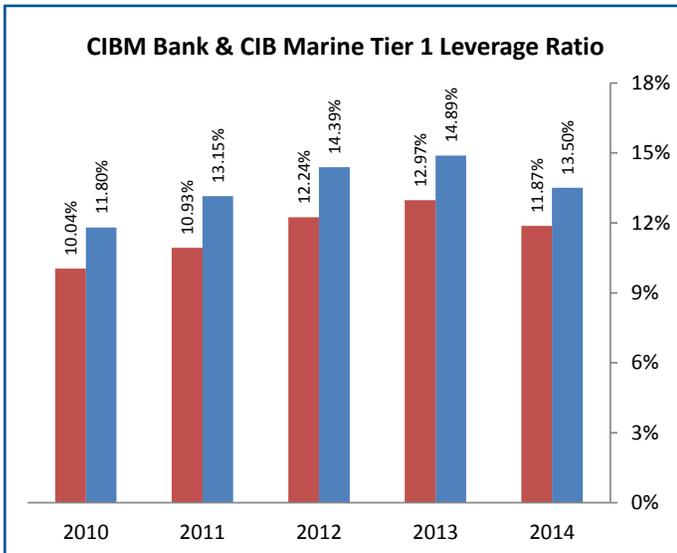
SELECTED FINANCIAL HIGHLIGHTS



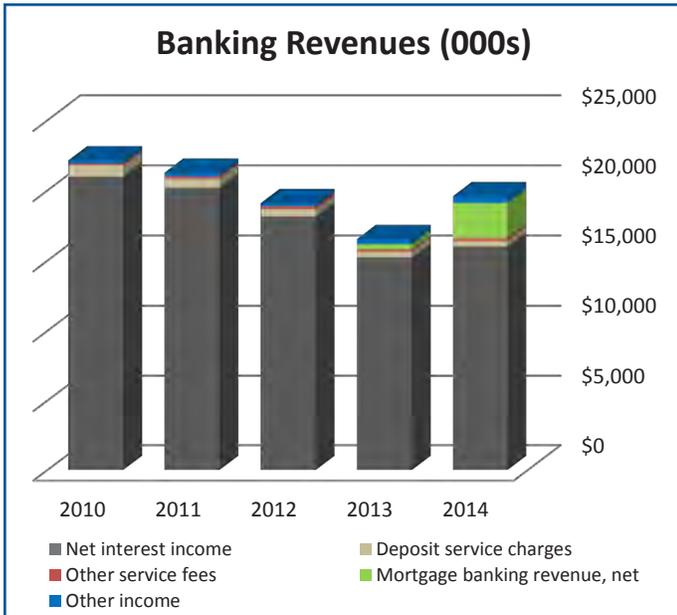
Asset quality improvement trends continued into 2014 with a significant reduction in non-performing assets relative to total assets.



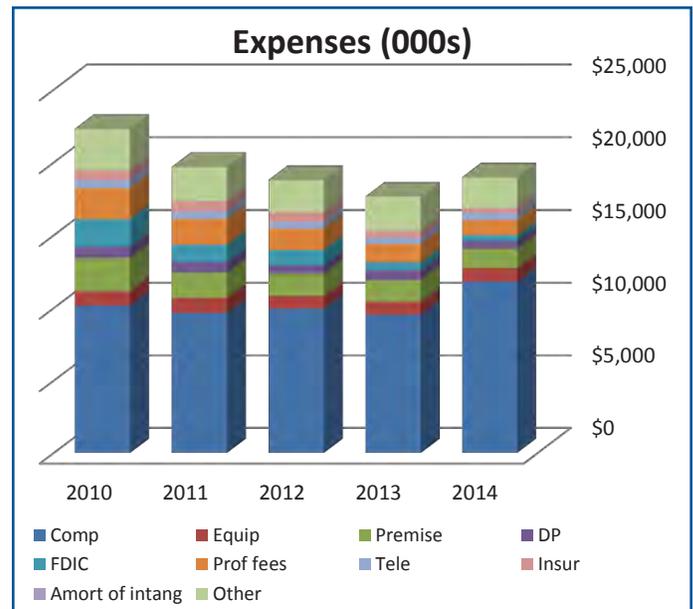
Net charge offs continued to normalize at lower levels, a result of better asset quality and improved economic conditions.



Solid Tier 1 leverage ratios have provided a foundation to grow the balance sheet and the new Avenue Mortgage residential business line.



Net interest income has turned up as loan volumes have grown. The addition of Avenue Mortgage has resulted in higher and more diverse banking revenues.



Other than compensation, most of the major expense categories declined. Compensation increased primarily due to the addition of Avenue Mortgage.

In conclusion, we are pleased with the progress made in 2014, and expect continued progress in 2015.

FORWARD-LOOKING STATEMENTS

CIB Marine has made statements in this document that constitute "forward-looking statements" within the meaning to 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 document 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.

CORPORATE INFORMATION

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CIB MARINE BANCSHARES, INC. & CIBM BANK

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Charles E. Baker*	Gary L. Longman*
Willard Bunn III*	Charles D. Mires
Mark A. Elste*	Ronald E. Rhoades*
John P. Hickey, Jr.	

*Audit Committee members

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John P. Hickey, Jr. . . . Chairman, President & CEO
 Patrick J. Straka Chief Financial Officer
 Paul C. Melnick. Chief Credit Officer

J. Brian Chaffin Senior Vice President
 Joanne M. P. Blaesing . . . Senior Vice President
 Mark V. Wilmington Senior Vice President
 David R. Pendley Senior Vice President

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