

CIB Marine Bancshares, Inc. (OTCQB: CIBH). This report provides additional detail financial information for the quarter and Six Months ended June 30, 2013. Please see our Earnings Release and Shareholder Letter dated August 8, 2013 located at www.cibmarine.com for a summary description of our financial results.

CIB MARINE BANCSHARES, INC.
Net Interest Income
(Unaudited)

	2013			2012		
	Average Balance	Interest Earned/Paid	Average Yield/Cost	Average Balance	Interest Earned/Paid	Average Yield/Cost
(Dollars in thousands)						
Quarters Ended June 30,						
Interest-earning assets						
Securities (1)	\$90,622	\$621	2.74%	\$90,072	\$882	3.92%
Loans held for sale (1)	319	3	3.77	659	35	21.36
Loans (1)(2)	320,796	3,818	4.77	342,264	4,510	5.30
Federal funds sold, reverse repos and interest-earning due from banks	33,748	25	0.30	53,223	36	0.27
Total interest-earning assets	445,485	4,467	4.02	486,218	5,463	4.51
Interest-bearing liabilities						
Interest-bearing deposits	\$334,761	\$641	0.77%	\$360,075	\$799	0.89%
Borrowed funds	6,090	3	0.20	12,251	57	1.87
Total interest-bearing liabilities	340,851	644	0.76	372,326	856	0.92
Net interest-earning assets, interest income and net interest spread (1)(3)	\$104,634	\$3,823	3.26%	\$113,892	\$4,607	3.59%
Net interest margin (1)(4)			<u>3.44%</u>			<u>3.81%</u>
Ratio of average interest-earning assets to average interest-bearing liabilities	<u>1.31</u>			<u>1.31</u>		
(Dollars in thousands)						
Six Months Ended June 30,						
Interest-earning assets						
Securities (1)	\$91,362	\$1,322	2.89%	\$88,715	\$1,889	4.26%
Loans held for sale (1)	329	(9)	(5.52)	901	69	15.40
Loans (1)(2)	319,937	7,593	4.79	348,045	9,214	5.32
Federal funds sold, reverse repos and interest-earning due from banks	37,404	51	0.27	48,505	58	0.24
Total interest-earning assets	449,032	8,957	4.02	486,166	11,230	4.64
Interest-bearing liabilities						
Interest-bearing deposits	\$337,769	\$1,299	0.78%	\$363,041	\$1,666	0.92%
Borrowed funds	7,009	6	0.17	12,248	113	1.86
Total interest-bearing liabilities	344,778	1,305	0.76	375,289	1,779	0.95
Net interest-earning assets, interest income and net interest spread (1)(3)	\$104,254	\$7,652	3.26%	\$110,877	\$9,451	3.69%
Net interest margin (1)(4)			<u>3.43%</u>			<u>3.91%</u>
Ratio of average interest-earning assets to average interest-bearing liabilities	<u>1.30</u>			<u>1.30</u>		

(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 by 37 basis points from 3.81% during the second quarter of 2012 to 3.44% during the second quarter of 2013. The net interest margin decreased during the second quarter of 2013 compared to the same period of 2012 due to a 49 basis point decline in yields on interest-earning assets compared to a 16 basis point decline in cost on interest-bearing liabilities. The decline in earning asset yields was a result of declines in the yields for both loans and securities as new loans and securities are being originated and purchased at lower yields than those paid down or off, or sold. This is the result of both competitive forces and the lower interest rate environment we are operating in. In addition, the second quarter of 2012 included interest recoveries for the purchased home equity loan pools. CIBM Bank continues to hold elevated levels of low yielding liquid interest-earning due from bank assets.

**Loans and Allowance for Loan and Losses
(Unaudited)**

**Loan Portfolio Segments
(unaudited)**

	At June 30, 2013		At December 31, 2012		At June 30, 2012	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
(Dollars in thousands)						
Commercial	\$ 43,102	13.5%	\$ 41,773	13.2%	\$ 39,814	12.1%
Commercial real estate	181,338	56.8	189,134	59.6	205,172	62.2
Construction and development	16,662	5.2	12,852	4.0	12,155	3.7
Residential real estate	29,914	9.4	23,911	7.5	18,988	5.7
Home equity	29,434	9.2	28,513	9.0	30,678	9.3
Purchased home equity pools	16,482	5.2	18,257	5.8	20,268	6.2
Other consumer	2,304	0.7	2,840	0.9	2,733	0.8
Gross loans	319,236	100.0%	317,280	100.0%	328,808	100.0%
Deferred loan costs	1,147		1,223		912	
Loans	320,383		318,503		330,720	
Allowance for loan losses	(8,694)		(11,378)		(12,208)	
Loans, net	\$311,689		\$307,125		\$ 318,512	

**Nonperforming Assets and Selected Asset Quality Ratios
(unaudited)**

	June 30, 2013	December 31, 2012	June 30, 2012
	(Dollars in thousands)		
Nonperforming assets			
Nonaccrual loans:			
Commercial	\$ 105	\$ 655	\$ 455
Commercial real estate	5,969	4,522	7,308
Construction and development	1,902	2,395	2,835
Residential real estate	790	695	780
Home equity	698	656	546
Purchased home equity pools	—	—	—
Other consumer	2	3	—
	9,466	8,926	11,924
Loans held for sale	184	—	—
Total nonaccrual loans	9,650	8,926	11,924
Other real estate owned	10,508	10,493	8,041
Total nonperforming assets	\$ 20,158	\$ 19,419	\$ 19,965
Restructured loans accruing			
Commercial	\$ —	\$ 11	\$ 12
Commercial real estate	5,729	6,955	8,348
Residential real estate	103	267	270
Home equity	1,000	1,032	1,098
Purchased home equity pools	417	422	428
Other consumer	45	59	73
	\$ 7,294	\$ 8,746	\$ 10,229
Ratios			
Nonaccrual loans to total loans (1)	2.95%	2.80%	3.61%
Other real estate owned to total assets (2)	2.28	2.21	1.63
Nonperforming assets to total assets (1) (2)	4.32	4.09	4.03
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (1)	5.23	5.55	6.70
Nonperforming assets, restructured loans and 90 days or more past due and still accruing loans to total assets (1) (2)	5.90	5.93	6.10

(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.

(2) For comparative purposes, all periods presented exclude the assets of companies held for disposal.

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 June 30, 2013								
Balance at beginning of period	\$983	\$4,810	\$439	\$324	\$938	\$1,713	\$36	\$9,243
Provision for (reversal of) loan losses	82	187	156	(6)	42	(383)	8	86
Charge-offs	(45)	(695)	—	—	(101)	(69)	(4)	(914)
Recoveries	81	79	6	—	24	89	—	279
Balance at end of period	\$1,101	\$4,381	\$601	\$318	\$903	\$1,350	\$40	\$8,694
Quarter ended June 30, 2012								
Balance at beginning of period	\$1,242	\$10,607	\$437	\$296	\$1,018	\$2,440	\$52	\$16,092
Provision for (reversal of) loan losses	(37)	(501)	90	(67)	99	(2,330)	18	(2,728)
Charge-offs	(135)	(3,665)	(140)	—	(230)	(352)	(23)	(4,545)
Recoveries	15	650	—	—	109	2,615	—	3,389
Balance at end of period	\$1,085	\$7,091	\$387	\$229	\$996	\$2,373	\$47	\$12,208
Six months ended June 30, 2013								
Balance at beginning of period	\$1,023	\$6,572	\$394	\$303	\$1,043	\$2,007	\$36	\$11,378
Provision for (reversal of) loan losses	(6)	342	147	15	(19)	(322)	7	164
Charge-offs	(75)	(2,615)	—	—	(171)	(489)	(4)	(3,354)
Recoveries	159	82	60	—	50	154	1	506
Balance at end of period	\$1,101	\$4,381	\$601	\$318	\$903	\$1,350	\$40	\$8,694
Six months ended June 30, 2012								
Balance at beginning of period	\$1,417	\$10,471	\$428	\$344	\$964	\$2,425	\$79	\$16,128
Provision for (reversal of) loan losses	(218)	76	770	(78)	367	(3,634)	62	(2,655)
Charge-offs	(135)	(4,589)	(812)	(37)	(461)	(1,145)	(95)	(7,274)
Recoveries	21	1,133	1	—	126	4,727	1	6,009
Balance at end of period	\$1,085	\$7,091	\$387	\$229	\$996	\$2,373	\$47	\$12,208

Year-over-year nonaccrual loan volumes showed signs of improvement, declining from \$11.9 million at June 3, 2012, to \$9.6 million at June 30, 2013. From December 31, 2012 to June 30, 2013, nonaccrual loans increased from \$8.9 million to \$9.6 million.

Provision expense for the second quarter of 2013 was \$0.1 million compared to provision reversal of \$2.7 million during the second quarter of 2012. Charge-offs for the second quarter of 2013 was \$0.9 million compared to \$4.5 million during the same period of 2012, with charge-offs down in every portfolio segment, but predominantly in commercial real estate. Total recoveries were \$0.3 million for the second quarter of 2013 compared to \$3.4 million for the second quarter of 2012 as a result of reduced recoveries in the purchased home equity and the commercial real estate portfolio segments. 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 declined from \$12.2 million at June 30, 2012, to \$8.7 million at June 30, 2013. The allowance for loan losses to total loans declined from 3.69% to 2.71% over the same time period. The year-over-year reduction was primarily due to charge-offs of specific reserves allocated to commercial real estate loans evaluated individually for impairment, as well as improved quality and lower overall balances of the purchased home equity pools.

**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 June 30, 2013</u>						
Commercial	\$ 625	\$ —	\$ —	\$ 625	\$ 42,372	\$ 42,997
Commercial real estate	645	—	2,401	3,046	172,324	175,370
Construction and development	—	—	—	—	14,760	14,760
Residential real estate	—	—	28	28	29,096	29,124
Home equity	171	104	—	275	28,461	28,736
Purchased home equity pools	316	150	—	466	16,016	16,482
Other consumer	1	11	—	12	2,289	2,301
Deferred loan costs	6	1	9	16	1,131	1,147
Total	\$1,764	\$ 266	\$ 2,438	\$ 4,468	\$306,449	\$310,917
<u>At December 30, 2012</u>						
Commercial	\$ —	\$ 732	\$ —	\$ 732	\$ 40,386	\$ 41,118
Commercial real estate	4,644	—	—	4,644	179,968	184,612
Construction and development	—	—	23	23	10,434	10,457
Residential real estate	243	—	—	243	22,973	23,216
Home equity	336	—	—	336	27,521	27,857
Purchased home equity pools	150	71	—	221	18,036	18,257
Other consumer	—	—	—	—	2,837	2,837
Deferred loan costs	21	3	—	24	1,199	1,223
Total	\$5,394	\$806	\$ 23	\$ 6,223	\$303,354	\$309,577
<u>At June 30, 2012</u>						
Commercial	\$ 19	\$ —	\$ —	\$ 19	\$ 39,340	\$ 39,359
Commercial real estate	951	—	—	951	196,913	197,864
Construction and development	—	—	—	—	9,320	9,320
Residential real estate	—	—	—	—	18,208	18,208
Home equity	55	71	—	126	30,006	30,132
Purchased home equity pools	591	261	—	852	19,416	20,268
Other consumer	—	—	—	—	2,733	2,733
Deferred loan costs	5	1	—	6	906	912
Total	\$1,621	\$ 333	\$ —	\$ 1,954	\$316,842	\$318,796

Accruing past due loans declined by \$1.8 million from the year ending December 31, 2012, to the quarter ending June 30, 2013; and increased \$2.5 million from the quarter ending June 30, 2012 to the quarter ending June 30, 2013. The increase was primarily related to a commercial real estate loan that had matured and not yet been renewed.

On balance asset quality measures and ratios reported in the tables above showed continued year-over-year improvement. Overall, we are encouraged by this continued progress in trends experienced over the past quarters and few years. Future progress could prove challenging and potentially have set backs due to the continued slow and tepid recoveries in national and local economies and continued elevated levels of unemployment in our markets.

CIB MARINE BANCSHARES, INC.
Capital
(Unaudited)

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Provisions		Minimum Pursuant to Additional Regulatory Requirements(1)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in thousands)								
June 30, 2013								
Total capital to risk-weighted assets								
CIB Marine Bancshares, Inc.	\$73,372	19.26%	\$30,479	8.00%				
CIBM Bank	63,076	16.73	30,157	8.00	\$37,697	10.00%	45,236	12.00%
Tier 1 capital to risk-weighted assets								
CIB Marine Bancshares, Inc.	\$68,561	18.00%	\$15,239	4.00%				
CIBM Bank	58,316	15.47	15,079	4.00	\$22,618	6.00%	NA	NA
Tier 1 leverage to average assets								
CIB Marine Bancshares, Inc.	\$68,561	14.69%	\$18,674	4.00%				
CIBM Bank	58,316	12.60	18,513	4.00	\$23,141	5.00%	37,025	8.00%
December 31, 2012								
Total capital to risk-weighted assets								
CIB Marine Bancshares, Inc.	\$74,260	19.34%	\$30,719	8.00%				
CIBM Bank	63,307	16.68	30,367	8.00	\$37,958	10.00%	\$45,550	12.00%
Tier 1 capital to risk-weighted assets								
CIB Marine Bancshares, Inc.	\$69,379	18.07%	\$15,360	4.00%				
CIBM Bank	58,481	15.41	15,183	4.00	\$22,775	6.00%	NA	NA
Tier 1 leverage to average assets								
CIB Marine Bancshares, Inc.	\$69,379	14.39%	\$19,287	4.00%				
CIBM Bank	58,481	12.24	19,117	4.00	\$23,896	5.00%	\$47,792	10.00%

(1) Additional regulatory requirements for June 30, 2013, were those agreed to by CIBM Bank upon the termination of the Consent Order. The minimums required at December 31, 2012, were those under the Consent Order which has since been terminated effective March 20, 2013, by the FDIC and Illinois Department of Financial and Professional Regulation.

Capital positions strengthened at June 30, 2013 compared to December 31, 2012. CIB Marine's Tier 1 leverage ratio increased to 14.69% and total capital to risk-weighted assets increased to 19.26% at June 30, 2013, compared to 14.39% and 19.34%, respectively, at year end 2012. CIBM Bank's Tier 1 leverage ratio increased to 12.60% and total capital to risk-weighted assets increased to 16.73% at June 30, 2013, compared to 12.24% and 16.68%, respectively, at December 31, 2012. Total asset declines have contributed to the improvements in the Tier 1 leverage to average asset ratios.