

CIB Marine Bancshares, Inc. (OTCQB: CIBH). This report provides additional detail financial information for the three and six months ended June 30, 2014. Please see our Earnings Release and Shareholder Letter dated August 7, 2014, located at www.cibmarine.com for a summary description of our financial results.

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

	2014			2013		
	Average Balance	Interest Earned/Paid	Average Yield/Cost	Average Balance	Interest Earned/Paid	Average Yield/Cost
(Dollars in thousands)						
Quarter Ended June 30,						
Interest-earning assets						
Securities (1)	\$101,129	\$683	2.70%	\$90,621	\$621	2.74%
Loans held for sale (1)	2,935	36	4.92	319	3	3.77
Loans (1)(2)	355,747	3,759	4.24	320,796	3,818	4.77
Federal funds sold, reverse repos and interest-earning due from banks	2,626	2	0.31	33,748	25	0.30
Total interest-earning assets	462,437	4,480	3.88	445,484	4,467	4.02
Noninterest-earning assets	17,650			19,653		
Total assets	\$480,087			\$465,137		
Interest-bearing liabilities						
Interest-bearing deposits	\$317,333	\$524	0.66%	\$334,761	\$641	0.77%
Borrowed funds	28,578	10	0.14	6,090	3	0.20
Total interest-bearing liabilities	345,911	534	0.62	340,851	644	0.76
Noninterest-earning liabilities	66,985			56,804		
Preferred equity	51,000			51,000		
Common equity	16,191			16,482		
Total stockholders' equity	67,191			67,482		
Total liabilities and stockholders' equity	\$480,087			\$465,137		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$116,526	\$3,946	3.26%	\$104,633	\$3,823	3.26%
Net interest margin (1)(4)			3.42%			3.44%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.34			1.31		

	2014			2013		
	Average Balance	Interest Earned/Paid	Average Yield/Cost	Average Balance	Interest Earned/Paid	Average Yield/Cost
(Dollars in thousands)						
Six Months Ended June 30,						
Interest-earning assets						
Securities (1)	\$97,698	\$1,339	2.74%	\$91,362	\$1,322	2.89%
Loans held for sale (1)	2,262	57	5.08	329	(9)	(5.52)
Loans (1)(2)	349,328	7,496	4.33	319,937	7,593	4.79
Federal funds sold, reverse repos and interest-earning due from banks	3,172	4	0.25	37,404	51	0.27
Total interest-earning assets	452,460	8,896	3.96	449,032	8,957	4.02
Noninterest-earning assets	19,123			19,093		
Total assets	\$471,583			\$468,125		
Interest-bearing liabilities						
Interest-bearing deposits	\$316,542	\$1,032	0.66%	\$337,770	\$1,299	0.78%
Borrowed funds	19,533	14	0.14	7,010	6	0.17
Total interest-bearing liabilities	336,075	1,046	0.63	344,780	1,305	0.76
Noninterest-earning liabilities	68,595			55,829		
Preferred equity	51,000			51,000		
Common equity	15,913			16,516		
Total stockholders' equity	66,913			67,516		
Total liabilities and stockholders' equity	\$471,583			\$468,125		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$116,385	\$7,850	3.33%	\$104,252	\$7,652	3.26%
Net interest margin (1)(4)			3.49%			3.43%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.35			1.30		

(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 2 basis points from 3.44% during the second quarter of 2013 to 3.42% during the second quarter of 2014 and increased 6 basis points from 3.43% during the first six months of 2013 to 3.49% during the first six months of 2014. The net interest margin declined in the quarter to quarter comparison due to a 14 basis point decline in yields on interest-earning assets compared to a 14 basis point decline in cost on interest-bearing liabilities. The net interest margin increased in the six month comparison due to a 6 basis point decline in yields on interest-earning assets compared to a 13 basis point decline in cost on interest-bearing liabilities. Over both periods, loan and securities yields declined and are expected to continue to put pressure on the net interest margin given the continued low interest rate environment and market forces. The decrease in the cost on interest-bearing liabilities was primarily the result of an ongoing decline in the cost of time deposits.

CIB MARINE BANCSHARES, INC.
Loans and Allowance for Loan and Losses

	Loan Portfolio Segments (unaudited)					
	June 30, 2014		December 31, 2013		June 30, 2013	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)					
Commercial	\$56,311	15.5%	\$56,464	16.6%	\$ 43,102	13.5%
Commercial real estate	185,780	51.3	178,387	52.4	181,338	56.8
Construction and development	19,744	5.5	16,738	4.9	16,662	5.2
Residential real estate	52,371	14.4	38,397	11.3	29,914	9.4
Home equity	32,924	8.9	32,245	9.5	29,434	9.2
Purchased home equity pools	13,880	3.8	15,087	4.4	16,482	5.2
Other consumer	2,323	0.6	2,880	0.9	2,304	0.7
Gross loans	<u>363,333</u>	<u>100.0%</u>	<u>340,198</u>	<u>100.0%</u>	<u>319,236</u>	<u>100.0%</u>
Deferred loan costs	1,094		1,134		1,147	
Loans	<u>364,427</u>		<u>341,332</u>		<u>320,383</u>	
Allowance for loan losses	(8,123)		(8,308)		(8,694)	
Loans, net	<u>\$356,304</u>		<u>\$333,024</u>		<u>\$311,689</u>	

Nonperforming Assets and Selected Asset Quality Ratios (unaudited)

	June 30, 2014			December 31, 2013			June 30, 2013		
	(Dollars in thousands)								
Nonperforming assets									
Nonaccrual loans:									
Commercial		\$772			\$16			\$ 105	
Commercial real estate		2,960			737			5,969	
Construction and development		1,673			1,727			1,902	
Residential real estate		816			664			790	
Home equity		733			471			698	
Other consumer		—			11			2	
		<u>6,954</u>			<u>3,626</u>			<u>9,466</u>	
Loans held for sale		—			—			184	
Total nonaccrual loans		<u>6,954</u>			<u>3,626</u>			<u>9,650</u>	
Other real estate owned		5,789			9,700			10,508	
Total nonperforming assets		<u>\$12,743</u>			<u>\$13,326</u>			<u>\$ 20,158</u>	
Restructured loans accruing									
Commercial real estate		\$3,217			\$5,584			\$5,729	
Residential real estate		234			237			103	
Home equity		1,016			1,067			1,000	
Purchased home equity pools		406			410			417	
Other consumer		1			5			45	
		<u>\$4,874</u>			<u>\$7,303</u>			<u>\$ 7,294</u>	
90 days or more past due still accruing									
Commercial		\$1,106			\$—			\$—	
Commercial real estate		—			—			2,401	
Residential real estate		—			—			27	
Home equity loans		—			—			—	
		<u>\$1,106</u>			<u>\$—</u>			<u>\$2,428</u>	
Ratios									
Nonaccrual loans to total loans (1)		1.91%			1.06%			2.95%	
Other real estate owned to total assets		1.19			2.11			2.28	
Nonperforming assets to total assets (1)		2.61			2.90			4.32	
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (1)		3.55			3.20			5.23	
Nonperforming assets, restructured loans and 90 days or more past due and still accruing loans to total assets (1)		3.83			4.48			5.90	

(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.

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, 2014								
Balance at beginning of period	\$948	\$4,289	\$499	\$487	\$927	\$1,070	\$53	\$8,273
Provision for (reversal of) loan losses	173	(101)	(19)	59	(3)	30	11	150
Charge-offs	(2)	(6)	(2)	—	(101)	(313)	(19)	(443)
Recoveries	7	27	3	2	53	48	3	143
Balance at end of period	\$1,126	\$4,209	\$481	\$548	\$876	\$835	\$48	\$8,123
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
Six months ended June 30, 2014								
Balance at beginning of period	\$1,125	\$4,195	\$473	\$440	\$834	\$1,186	\$55	\$8,308
Provision for (reversal of) loan losses	(90)	(16)	7	106	95	48	11	161
Charge-offs	(2)	(8)	(2)	—	(141)	(478)	(21)	(652)
Recoveries	93	38	3	2	88	79	3	306
Balance at end of period	\$1,126	\$4,209	\$481	\$548	\$876	\$835	\$48	\$8,123
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

Although up over the prior year end, nonaccrual loan volumes declined by \$2.7 million from June 30, 2013, to June 30, 2014. OREO balances declined over the prior year end and declined by \$4.7 million from June 30, 2013, to June 30, 2014.

Provision expense for the second quarter of 2014 was \$150,000 compared to \$86,000 for the same period of 2013, and \$161,000 for the first six months of 2014, compared to \$164,000 for the same period in 2013. Charge-offs for the second quarter of 2014 were \$0.4 million compared to \$0.9 million during the same period of 2013, and for the first six months of 2014 \$0.7 million compared to \$3.4 million for the same period of 2013, resulting from a decline in commercial real estate charge-offs. Total recoveries were \$0.1 million for the second quarter of 2014 compared to \$0.3 million for the same period in 2013, and \$0.3 million for the first six months of 2014, compared to \$0.5 million for the same period of 2013. 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 \$8.7 million at June 30, 2013, to \$8.1 million at June 30, 2014. The allowance for loan losses to total loans declined from 2.71% to 2.23% from June 30, 2013, to June 30, 2014. The reduction has primarily been the result of ongoing improved loan asset quality.

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, 2014</u>						
Commercial	\$359	\$—	\$—	\$359	\$55,180	\$55,539
Commercial real estate	328	20	1,106	1,454	181,366	182,820
Construction and development	739	—	—	739	17,332	18,071
Residential real estate	18	64	—	82	51,473	51,555
Home equity	109	55	—	164	32,027	32,191
Purchased home equity pools	176	110	—	286	13,594	13,880
Other consumer	200	—	—	200	2,123	2,323
Deferred loan costs	6	1	3	10	1,084	1,094
Total	\$1,935	\$250	\$1,109	\$3,294	\$354,179	\$357,473
<u>At December 30, 2013</u>						
Commercial	\$—	\$25	\$—	\$25	\$56,423	\$56,448
Commercial real estate	333	69	—	402	177,248	177,650
Construction and development	—	—	—	—	15,011	15,011
Residential real estate	—	107	—	107	37,626	37,733
Home equity	568	21	—	589	31,185	31,774
Purchased home equity pools	56	238	—	294	14,793	15,087
Other consumer	—	—	—	—	2,869	2,869
Deferred loan costs	3	2	—	5	1,129	1,134
Total	\$960	\$462	\$—	\$1,422	\$336,284	\$337,706
<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

Accruing past due loans increased \$1.9 million from the year ending December 31, 2013, to the quarter ending June 30, 2014, and decreased \$1.2 million from June 30, 2013, to June 30, 2014. The recent increase was primarily related to one commercial real estate loan past due more than 89 days due to a delayed process in renewal negotiations.

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, 2014								
Total capital to risk-weighted assets								
CIB Marine Bancshares, Inc.	\$73,137	17.60%	\$33,236	8.00%				
CIBM Bank	64,136	15.50	33,109	8.00	\$41,386	10.00%	NA	NA
Tier 1 capital to risk-weighted assets								
CIB Marine Bancshares, Inc.	\$67,908	16.35%	\$16,618	4.00%				
CIBM Bank	58,926	14.24	16,554	4.00	\$24,832	6.00%	NA	NA
Tier 1 leverage to average assets								
CIB Marine Bancshares, Inc.	\$67,908	14.12%	\$19,240	4.00%				
CIBM Bank	58,926	12.33	19,121	4.00	\$23,902	5.00%	NA	NA
December 31, 2013								
Total capital to risk-weighted assets								
CIB Marine Bancshares, Inc.	\$72,819	18.05%	\$32,266	8.00%				
CIBM Bank	63,270	15.91	31,816	8.00	\$39,769	10.00%	\$47,723	12.00%
Tier 1 capital to risk-weighted assets								
CIB Marine Bancshares, Inc.	67,737	16.79	16,133	4.00				
CIBM Bank	58,258	14.65	15,908	4.00	23,862	N/A	N/A	N/A
Tier 1 leverage to average assets								
CIB Marine Bancshares, Inc.	67,737	14.89	18,193	4.00				
CIBM Bank	58,258	12.97	17,970	4.00	22,463	5.00	35,940	8.00

(1) Under the revised regulatory requirements effective February 14, 2013, CIBM Bank was required to maintain a minimum Tier 1 ratio of 8% and capital-to-risk based ratio of 12%. As of June 30, 2014, these additional regulatory requirements are no longer applicable to CIBM Bank.