

CIB Marine Bancshares, Inc. (OTCQB: CIBH). This report provides additional detail financial information for the three and nine months ended September 30, 2014. Please see our Shareholder Letter dated November 6, 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 September 30,						
Interest-earning assets						
Securities (1)	\$96,419	\$609	2.53%	\$91,759	\$639	2.79%
Loans held for sale (1)	4,428	52	4.66	154	3	7.73
Loans (1)(2)	367,257	3,981	4.30	320,690	3,689	4.56
Federal funds sold, reverse repos and interest-earning due from banks	2,542	1	0.16	18,206	15	0.33
Total interest-earning assets	470,646	4,643	3.92	430,809	4,346	4.01
Noninterest-earning assets	17,076			21,319		
Total assets	\$487,722			\$452,128		
Interest-bearing liabilities						
Interest-bearing deposits	\$312,201	\$513	0.65%	\$324,749	\$597	0.73%
Borrowed funds	35,010	13	0.15	4,212	1	0.09
Total interest-bearing liabilities	347,211	526	0.60	328,961	598	0.72
Noninterest-earning liabilities	73,043			57,303		
Preferred equity	51,000			51,000		
Common equity	16,468			14,864		
Total stockholders' equity	67,468			65,864		
Total liabilities and stockholders' equity	\$487,722			\$452,128		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$123,435	\$4,117	3.32%	\$101,848	\$3,748	3.29%
Net interest margin (1)(4)			3.47%			3.46%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.36			1.31		

	2014			2013		
	Average Balance	Interest Earned/Paid	Average Yield/Cost	Average Balance	Interest Earned/Paid	Average Yield/Cost
(Dollars in thousands)						
Nine Months Ended September 30,						
Interest-earning assets						
Securities (1)	\$97,267	\$1,948	2.67%	\$91,496	\$1,961	2.86%
Loans held for sale (1)	2,992	109	4.87	270	(6)	(2.97)
Loans (1)(2)	355,369	11,477	4.32	320,191	11,282	4.71
Federal funds sold, reverse repos and interest-earning due from banks	2,960	5	0.23	30,934	66	0.29
Total interest-earning assets	458,588	13,539	3.95	442,891	13,303	4.01
Noninterest-earning assets	18,434			19,843		
Total assets	\$477,022			\$462,734		
Interest-bearing liabilities						
Interest-bearing deposits	\$315,079	\$1,545	0.66%	\$333,382	\$1,896	0.76%
Borrowed funds	24,749	27	0.15	6,067	7	0.15
Total interest-bearing liabilities	339,828	1,572	0.62	339,449	1,903	0.75
Noninterest-earning liabilities	70,094			56,325		
Preferred equity	51,000			51,000		
Common equity	16,100			15,960		
Total stockholders' equity	67,100			66,960		
Total liabilities and stockholders' equity	\$477,022			\$462,734		
Net interest-earning assets, interest income and net interest spread (1)(3)	\$118,760	\$11,967	3.33%	\$103,442	\$11,400	3.26%
Net interest margin (1)(4)			3.49%			3.44%
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 increased by 1 basis point from 3.46% for the third quarter of 2013 to 3.47% for the third quarter of 2014 and increased 5 basis points from 3.44% for the first nine months of 2013 to 3.49% for the first nine months of 2014. The net interest margin increased in the quarter to quarter comparison due to a 9 basis point decline in yields on interest-earning assets compared to a 12 basis point decline in cost on interest-bearing liabilities. The net interest margin increased in the nine month comparison due to a 7 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)					
	September 30, 2014		December 31, 2013		September 30, 2013	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)					
Commercial	\$63,225	16.4%	\$56,464	16.6%	\$52,566	16.3%
Commercial real estate	190,625	49.5	178,387	52.4	171,021	53.1
Construction and development	23,443	6.1	16,738	4.9	17,325	5.4
Residential real estate	59,192	15.4	38,397	11.3	31,745	9.9
Home equity	33,039	8.6	32,245	9.5	30,891	9.6
Purchased home equity pools	13,079	3.4	15,087	4.4	15,629	4.9
Other consumer	2,190	0.6	2,880	0.9	2,750	0.8
Gross loans	<u>384,793</u>	<u>100.0%</u>	<u>340,198</u>	<u>100.0%</u>	<u>321,927</u>	<u>100.0%</u>
Deferred loan costs	1,076		1,134		1,081	
Loans	<u>385,869</u>		<u>341,332</u>		<u>323,008</u>	
Allowance for loan losses	(8,516)		(8,308)		(8,368)	
Loans, net	<u>\$377,353</u>		<u>\$333,024</u>		<u>\$314,640</u>	

Nonperforming Assets and Selected Asset Quality Ratios (unaudited)

	September 30, 2014			December 31, 2013			September 30, 2013		
	(Dollars in thousands)								
Nonperforming assets									
Nonaccrual loans:									
Commercial	\$771			\$16			\$17		
Commercial real estate	2,925			737			768		
Construction and development	805			1,727			1,760		
Residential real estate	626			664			789		
Home equity	722			471			540		
Other consumer	—			11			11		
	<u>5,849</u>			<u>3,626</u>			<u>3,885</u>		
Loans held for sale	—			—			—		
Total nonaccrual loans	5,849			3,626			3,885		
Other real estate owned	5,696			9,700			10,881		
Total nonperforming assets	<u>\$11,545</u>			<u>\$13,326</u>			<u>\$14,766</u>		
Restructured loans accruing									
Commercial real estate	\$3,195			\$5,584			\$5,625		
Residential real estate	233			237			129		
Home equity	821			1,067			1,028		
Purchased home equity pools	403			410			414		
Other consumer	1			5			41		
	<u>\$4,653</u>			<u>\$7,303</u>			<u>\$ 7,237</u>		
90 days or more past due still accruing									
Other consumer	\$199			\$—			\$—		
	<u>\$199</u>			<u>\$—</u>			<u>\$—</u>		
Ratios									
Nonaccrual loans to total loans (1)	1.52%			1.06%			1.20%		
Other real estate owned to total assets	1.14			2.11			2.43		
Nonperforming assets to total assets (1)	2.30			2.90			3.30		
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (1)	2.77			3.20			3.44		
Nonperforming assets, restructured loans and 90 days or more past due and still accruing loans to total assets (1)	3.27			4.48			4.92		

(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 September 30, 2014								
Balance at beginning of period	\$1,126	\$4,209	\$481	\$548	\$876	\$835	\$48	\$8,123
Provision for (reversal of) loan losses	275	14	94	(215)	(55)	24	74	211
Charge-offs	—	—	(17)	(181)	(28)	(76)	—	(302)
Recoveries	6	11	—	375	35	57	—	484
Balance at end of period	\$1,407	\$4,234	\$558	\$527	\$828	\$840	\$122	\$8,516
Quarter ended September 30, 2013								
Balance at beginning of period	\$1,101	\$4,381	\$601	\$318	\$903	\$1,350	\$40	\$8,694
Provision for (reversal of) loan losses	5	(163)	(39)	35	87	123	11	59
Charge-offs	(25)	(337)	—	(1)	(131)	(339)	(1)	(834)
Recoveries	18	341	—	—	23	66	1	449
Balance at end of period	\$1,099	\$4,222	\$562	\$352	\$882	\$1,200	\$51	\$8,368
Nine months ended September 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	185	(2)	101	(109)	40	72	85	372
Charge-offs	(2)	(8)	(19)	(181)	(169)	(554)	(21)	(954)
Recoveries	99	49	3	377	123	136	3	790
Balance at end of period	\$1,407	\$4,234	\$558	\$527	\$828	\$840	\$122	\$8,516
Nine months ended September 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	(1)	179	108	50	68	(199)	18	223
Charge-offs	(100)	(2,952)	—	(1)	(302)	(828)	(5)	(4,188)
Recoveries	177	423	60	—	73	220	2	955
Balance at end of period	\$1,099	\$4,222	\$562	\$352	\$882	\$1,200	\$51	\$8,368

Nonaccrual loan volumes increased by \$2.0 million from September 30, 2013, to September 30, 2014. OREO balances declined over the prior year end and declined by \$5.2 million from September 30, 2013, to September 30, 2014.

Provision expense for the third quarter of 2014 was \$211,000 compared to \$59,000 for the same period of 2013, and \$372,000 for the first nine months of 2014, compared to \$223,000 for the same period in 2013. Charge-offs for the third quarter of 2014 were \$0.3 million compared to \$0.8 million during the same period of 2013, and for the first nine months of 2014 \$1.0 million compared to \$4.2 million for the same period of 2013, resulting from a decline in commercial real estate charge-offs. Total recoveries were \$0.5 million for the third quarter of 2014 compared to \$0.4 million for the same period in 2013, and \$0.8 million for the first nine months of 2014, compared to \$1.0 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 increased from \$8.4 million at September 30, 2013, to \$8.5 million at September 30, 2014. The allowance for loan losses to total loans declined from 2.59% to 2.21% from September 30, 2013, to September 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 September 30, 2014</u>						
Commercial	\$3,969	\$—	\$—	\$3,969	\$58,485	\$62,454
Commercial real estate	6,438	8	—	6,446	181,254	187,700
Construction and development	—	—	—	—	22,638	22,638
Residential real estate	300	81	—	381	58,185	58,566
Home equity	63	—	—	63	32,254	32,317
Purchased home equity pools	242	335	—	577	12,502	13,079
Other consumer	—	100	199	299	1,891	2,190
Deferred loan costs	31	1	1	33	1,043	1,076
Total	\$11,043	\$525	\$200	\$11,768	\$368,252	\$380,020
<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 September 30, 2013</u>						
Commercial	\$ 64	\$ —	\$ —	\$ 64	\$ 52,485	\$ 52,549
Commercial real estate	2,166	—	—	2,166	168,087	170,253
Construction and development	—	—	—	—	15,565	15,565
Residential real estate	—	—	—	—	30,956	30,956
Home equity	165	51	—	216	30,135	30,351
Purchased home equity pools	216	88	—	304	15,325	15,629
Other consumer	—	—	—	—	2,739	2,739
Deferred loan costs	9	—	9	18	1,063	1,081
Total	\$2,620	\$ 139	\$ 9	\$ 2,768	\$316,355	\$319,123

Accruing past due loans increased \$10.3 million from the year ending December 31, 2013, to the quarter ending September 30, 2014, and increased \$9.0 million from September 30, 2013, to September 30, 2014. The recent increase was primarily due to a delayed process in renewal negotiations for one commercial and two commercial real estate loans past due 30-59 days totaling \$9.7 million. All three loans have since been renewed.

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)								
September 30, 2014								
Total capital to risk-weighted assets								
CIB Marine Bancshares, Inc.	\$73,396	16.99%	\$34,560	8.00%				
CIBM Bank	64,699	15.03	34,428	8.00	\$43,036	10.00%	NA	NA
Tier 1 capital to risk-weighted assets								
CIB Marine Bancshares, Inc.	\$67,957	15.73%	\$17,280	4.00%				
CIBM Bank	59,282	13.78	17,214	4.00	\$25,821	6.00%	NA	NA
Tier 1 leverage to average assets								
CIB Marine Bancshares, Inc.	\$67,957	13.91%	\$19,542	4.00%				
CIBM Bank	59,282	12.18	19,463	4.00	\$24,329	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 September 30, 2014, these additional regulatory requirements are no longer applicable to CIBM Bank.