

CIB Marine Bancshares, Inc. (OTCQB: CIBH). This report provides additional detail financial information for the quarter and year to date ended September 30, 2012. Please see our Earnings Release and Shareholder Letter dated November 9, 2012 located at [www.cibmarine.com](http://www.cibmarine.com) for a summary description of our financial results.

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

	2012			2011		
	Average Balance	Interest Earned/Paid	Average Yield/Cost	Average Balance	Interest Earned/Paid	Average Yield/Cost
(Dollars in thousands)						
<b>Quarters Ended September 30,</b>						
<b>Interest-earning assets</b>						
Securities available for sale (1)	\$91,525	\$840	3.67%	\$99,083	\$1,187	4.79%
Loans held for sale (1)	376	30	31.74	5,520	167	12.00
Loans (1)(2)	325,489	4,232	5.17	373,743	4,998	5.31
Federal funds sold, reverse repos and interest-earning due from banks	58,206	34	0.23	39,518	24	0.24
Total interest-earning assets	475,596	5,136	4.30	517,864	6,376	4.89
<b>Interest-bearing liabilities</b>						
Interest-bearing deposits	\$349,113	\$723	0.82%	\$396,740	\$1,173	1.17%
Borrowed funds	11,909	30	1.00	17,032	84	1.96
Total interest-bearing liabilities	361,022	753	0.83	413,772	1,257	1.21
<b>Net interest-earning assets, interest income and net interest spread (1)(3)</b>	<b>\$114,574</b>	<b>\$4,383</b>	<b>3.47%</b>	<b>\$104,092</b>	<b>\$5,119</b>	<b>3.68%</b>
<b>Net interest margin (1)(4)</b>			<u>3.67%</u>			<u>3.93%</u>
<b>Ratio of average interest-earning assets to average interest-bearing liabilities</b>	<u>1.32</u>			<u>1.25</u>		
<b>Nine Months Ended September 30,</b>						
<b>Interest-earning assets</b>						
Securities available for sale (1)	\$89,658	\$2,729	4.06%	\$108,083	\$3,909	4.82%
Loans held for sale (1)	725	98	18.06	6,059	371	8.19
Loans (1)(2)	340,472	13,447	5.28	390,545	15,312	5.24
Federal funds sold, reverse repos and interest-earning due from banks	51,695	92	0.24	40,106	70	0.23
Total interest-earning assets	482,550	16,366	4.53	544,793	19,662	4.82
<b>Interest-bearing liabilities</b>						
Interest-bearing deposits	\$358,365	\$2,389	0.89%	\$421,408	\$4,155	1.32%
Borrowed funds	12,134	143	1.57	16,953	295	2.33
Total interest-bearing liabilities	370,499	2,532	0.91	438,361	4,450	1.36
<b>Net interest-earning assets, interest income and net interest spread (1)(3)</b>	<b>\$112,051</b>	<b>\$13,834</b>	<b>3.62%</b>	<b>\$106,432</b>	<b>\$15,212</b>	<b>3.46%</b>
<b>Net interest margin (1)(4)</b>			<u>3.83%</u>			<u>3.73%</u>
<b>Ratio of average interest-earning assets to average interest-bearing liabilities</b>	<u>1.30</u>			<u>1.24</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 26 basis points from 3.93% during the third quarter of 2011 to 3.67% during the third quarter of 2012, and increased 10 basis points on a year-to-date basis from 3.73% in 2011 to 3.83% for the first nine months of 2012. The net interest margin decreased during the third quarter of 2012 compared to the same period of 2011 due to a 59 basis point decline in yields on interest-earning assets compared to a 38 basis point decline in cost on interest-bearing liabilities. The net interest margin increased during the first nine months of 2012 compared to 2011 due to a 45 basis point decline in the cost of interest-bearing liabilities compared to a 29 basis point decline in yields on interest-earning assets. Likewise, CIBM Bank continues to hold elevated levels of lower yielding liquid assets and the spreads for new loans and securities relative to equivalent term benchmark interest rates have tightened.

**CIB MARINE BANCSHARES, INC.**  
**Loans and Allowance for Loan and Losses**  
**(Unaudited)**

**Loan Portfolio Segments**  
**(unaudited)**

	At September 30, 2012		At December 31, 2011		At September 30, 2011	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
(Dollars in thousands)						
Commercial	\$ 42,769	13.1%	\$ 44,385	12.4%	\$ 43,809	12.1%
Commercial real estate	201,134	61.7	221,420	62.1	223,957	61.8
Construction and development	10,606	3.3	17,260	4.8	17,795	4.9
Residential real estate	19,800	6.1	16,593	4.7	16,532	4.6
Home equity	29,423	9.0	31,831	8.9	34,231	9.5
Purchased home equity pools	19,467	6.0	22,646	6.4	23,664	6.5
Other consumer	2,908	0.9	2,542	0.7	2,327	0.6
Gross loans	326,107	100.0%	356,677	100.0%	362,315	100.0%
Deferred loan costs	1,276		955		959	
Loans	327,383		357,632		363,274	
Allowance for loan losses	(12,285)		(16,128)		(15,461)	
Loans, net	\$315,098		\$341,504		\$347,813	

**Non-Performing Assets and Selected Asset Quality Ratios**  
**(unaudited)**

	September 30, 2012	December 31, 2011	September 30, 2011
(Dollars in thousands)			
<b>Nonperforming assets</b>			
Nonaccrual loans:			
Commercial	\$ 683	\$ 323	\$ 579
Commercial real estate	7,507	11,277	13,674
Construction and development	2,501	6,836	7,873
Residential real estate	771	592	603
Home equity	631	504	998
Purchased home equity pools	—	—	—
Other consumer	3	63	—
	12,096	19,595	23,727
Loans held for sale	—	1,375	734
Total nonaccrual loans	12,096	20,970	24,461
Other real estate owned	7,484	7,088	7,291
Total nonperforming assets	\$ 19,580	\$ 28,058	\$ 31,752
<b>Restructured loans accruing</b>			
Commercial	\$ 12	\$ 13	\$ —
Commercial real estate	9,070	8,931	9,109
Residential real estate	269	167	168
Home equity	1,090	1,077	1,035
Purchased home equity pools	425	432	434
Other consumer	66	86	92
	\$ 10,932	\$ 10,706	\$ 10,838
<b>Ratios</b>			
Nonaccrual loans to total loans (1)	3.69%	5.48%	6.53%
Other real estate owned to total assets (2)	1.56	1.41	1.41
Nonperforming assets to total assets (1) (2)	4.07	5.29	6.01
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (1)	7.03	8.47	9.51
Nonperforming assets, restructured loans and 90 days or more past due and still accruing loans to total assets (1) (2)	6.34	7.42	8.11

(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)								
<b>Quarter ended September 30, 2012</b>								
Balance at beginning of period	\$1,085	\$7,091	\$387	\$229	\$996	\$2,373	\$47	\$12,208
Provision for (reversal of) loan losses	(125)	132	(44)	5	135	69	—	172
Charge-offs	—	(8)	—	—	(67)	(373)	(1)	(449)
Recoveries	144	63	—	—	36	111	—	354
<b>Balance at end of period</b>	<b>\$1,104</b>	<b>\$7,278</b>	<b>\$343</b>	<b>\$234</b>	<b>\$1,100</b>	<b>\$2,180</b>	<b>\$46</b>	<b>\$12,285</b>
<b>Nine months ended September 30, 2012</b>								
Balance at beginning of period	\$1,417	\$10,471	\$428	\$344	\$964	\$2,425	\$79	\$16,128
Provision for (reversal of) loan losses	(343)	208	726	(73)	502	(3,565)	62	(2,483)
Charge-offs	(135)	(4,597)	(812)	(37)	(528)	(1,518)	(96)	(7,723)
Recoveries	165	1,196	1	—	162	4,838	1	6,363
<b>Balance at end of period</b>	<b>\$1,104</b>	<b>\$7,278</b>	<b>\$343</b>	<b>\$234</b>	<b>\$1,100</b>	<b>\$2,180</b>	<b>\$46</b>	<b>\$12,285</b>
<b>Quarter ended September 30, 2011</b>								
Balance at beginning of period	\$2,208	\$8,376	\$1,104	\$313	\$943	\$1,972	\$49	\$14,965
Provision for (reversal of) loan losses	(721)	2,942	540	27	418	(1,605)	9	1,610
Charge-offs	—	(2,037)	(1,203)	—	(333)	(571)	(11)	(4,155)
Recoveries	4	84	336	—	10	2,607	—	3,041
<b>Balance at end of period</b>	<b>\$1,491</b>	<b>\$9,365</b>	<b>\$777</b>	<b>\$340</b>	<b>\$1,038</b>	<b>\$2,403</b>	<b>\$47</b>	<b>\$15,461</b>
<b>Nine months ended September 30, 2011</b>								
Balance at beginning of period	\$2,691	\$7,466	\$873	\$351	\$856	\$2,349	\$59	\$14,645
Provision for (reversal of) loan losses	(1,346)	5,659	884	(10)	847	(1,658)	2	4,378
Charge-offs	—	(4,230)	(1,316)	(1)	(715)	(2,009)	(14)	(8,285)
Recoveries	146	470	336	—	50	3,721	—	4,723
<b>Balance at end of period</b>	<b>\$1,491</b>	<b>\$9,365</b>	<b>\$777</b>	<b>\$340</b>	<b>\$1,038</b>	<b>\$2,403</b>	<b>\$47</b>	<b>\$15,461</b>

Provision expense for the third quarter 2012 was \$0.2 million compared to \$1.6 million for the third quarter 2011. Provision reversal for the nine months ended September 30, 2012 was \$2.5 million compared to provision expense of \$4.4 million for the nine months ended September 30, 2012. The reductions in the provision were primarily the results of recoveries in the purchased home equity loan and the commercial real estate loan portfolio segments. Total recoveries were \$0.4 million and \$6.4 million for the third quarter and year-to-date of 2012, respectively, compared to \$3.0 million and \$4.7 million, respectively, for the related periods of 2011.

Non-accrual loan volumes continued to show signs of improvement. Although the improvement trend had continued they are still elevated as deteriorated real estate markets and a tepid jobs recovery continues to adversely affect some of CIBM Bank's borrowers. At the same time, recoveries in the purchased home equity pools and commercial real estate segments resulted in reversals of provisions for performance year-to-date. Recoveries significantly slowed during the third quarter of 2012 due primarily to the halt in repurchases by Residential Funding Company, LLC and its subsidiary affiliates ("RFC") due to their filing for bankruptcy protection during the second quarter of 2012. 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. In particular, the recent bankruptcy filing by RFC, the seller of the purchased home equity pool loans and the entity responsible for the repurchase of loans from CIBM Bank that has resulted in the recoveries in the purchased home equity pool portfolio segment, has significantly jeopardized CIBM Bank's ability to achieve recoveries in this portfolio segment in future quarters.

The allowance for loan losses has declined by \$3.8 million from \$16.1 million or 4.51% of total loans at December 31, 2011, to \$12.3 million or 3.75% of total loans at September 30, 2012. The reduction was due primarily to charge-offs recorded during the second quarter of 2012 that previously were specifically reserved for, including a \$2.0 million charge-off from a single relationship. The charge-offs during the second quarter of 2012 largely explain a reduction of \$3.5 million in the component of

the allowance for loan losses for the impairment of individually evaluated loans. The allowance for loan loss increased by \$0.1 million during the third quarter of 2012 due to additional provisions of \$0.2 million.

**Past Due Accruing Loans  
(unaudited)**

	<b>30-59 Days Past Due</b>	<b>60-89 Days Past Due</b>	<b>Greater Than 89 Days Past Due</b>	<b>Total Past Due</b>	<b>Loans Not Past Due</b>	<b>Total</b>
(Dollars in thousands)						
<b><u>At September 30, 2012</u></b>						
Commercial	\$ —	\$ —	\$ —	\$ —	\$ 42,086	\$ 42,086
Commercial real estate:	945	212	—	1,157	192,470	193,627
Construction and development	—	—	—	—	8,105	8,105
Residential real estate:	—	—	—	—	19,029	19,029
Home equity	263	29	—	292	28,500	28,792
Purchased home equity pools	747	209	—	956	18,511	19,467
Other consumer	—	—	—	—	2,905	2,905
Deferred loan costs	8	2	—	10	1,266	1,276
<b>Total</b>	<b>\$1,963</b>	<b>\$ 452</b>	<b>\$ —</b>	<b>\$ 2,415</b>	<b>\$312,872</b>	<b>\$315,287</b>
<b><u>At December 30, 2011</u></b>						
Commercial	\$ 250	\$ —	\$ —	\$ 250	\$ 43,812	\$ 44,062
Commercial real estate:	34	—	—	34	210,109	210,143
Construction and development	—	—	—	—	10,424	10,424
Residential real estate:	172	—	—	172	15,829	16,001
Home equity	496	267	—	763	30,564	31,327
Purchased home equity pools	193	495	—	688	21,958	22,646
Other consumer	—	—	—	—	2,479	2,479
Deferred loan costs	3	2	—	5	950	955
<b>Total</b>	<b>\$1,148</b>	<b>\$764</b>	<b>\$ —</b>	<b>\$ 1,912</b>	<b>\$336,125</b>	<b>\$338,037</b>
<b><u>At September 30, 2011</u></b>						
Commercial	\$ 5,156	\$ —	\$ —	\$ 5,156	\$ 38,074	\$ 43,230
Commercial real estate:	1,391	—	—	1,391	208,892	210,283
Construction and development	23	—	—	23	9,899	9,922
Residential real estate:	—	515	—	515	15,414	15,929
Home equity	282	140	—	422	32,811	33,233
Purchased home equity pools	911	427	—	1,338	22,326	23,664
Other consumer	—	—	—	—	2,327	2,327
Deferred loan costs	22	3	—	25	934	959
<b>Total</b>	<b>\$ 7,785</b>	<b>\$1,085</b>	<b>\$—</b>	<b>\$8,870</b>	<b>\$330,677</b>	<b>\$339,547</b>

(1) Nonaccrual loans that are not past due often represent loans with deep collateral depreciation, and significantly deteriorated financial condition with weakened guarantors, where applicable, but have been able to make payments or bring loans current.

Although asset quality measures and ratios reported in the tables above showed continued signs of improvement overall, our ability to make additional progress along the same trends experienced over the past quarters and few years could prove to be 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.

**CIB MARINE BANCSHARES, INC.**

**Capital  
(Unaudited)**

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Provisions		Minimum Required Pursuant to the Consent Order	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>September 30, 2012</b>								
Total capital to risk-weighted assets								
CIB Marine Bancshares, Inc.	\$74,135	19.09%	\$31,068	8.00%				
CIBM Bank	62,834	16.36	30,723	8.00	\$38,404	10.00%	\$46,084	12.00%
Tier 1 capital to risk-weighted assets								
CIB Marine Bancshares, Inc.	\$69,189	17.82%	\$15,534	4.00%				
CIBM Bank	57,942	15.09	15,361	4.00	\$23,042	6.00%		
Tier 1 leverage to average assets								
CIB Marine Bancshares, Inc.	\$69,189	14.11%	\$19,645	4.00%				
CIBM Bank	57,942	11.87	19,524	4.00	\$24,405	5.00%	\$48,811	10.00%
<b>December 31, 2011</b>								
Total capital to risk-weighted assets								
CIB Marine Bancshares, Inc.	\$73,566	16.93%	\$34,772	8.00%				
CIBM Bank	61,489	14.26	34,489	8.00	\$43,111	10.00%	\$51,733	12.00%
Tier 1 capital to risk-weighted assets								
CIB Marine Bancshares, Inc.	\$67,999	15.64%	\$17,386	4.00%				
CIBM Bank	55,969	12.98	17,244	4.00	\$25,867	6.00%		
Tier 1 leverage to average assets								
CIB Marine Bancshares, Inc.	\$67,999	13.15%	\$20,685	4.00%				
CIBM Bank	55,969	10.93	20,473	4.00	\$25,592	5.00%	\$51,184	10.00%

Capital positions strengthened at September 30, 2012 compared to December 31, 2011. CIB Marine's Tier 1 leverage ratio increased to 14.11% and total capital to risk-weighted assets increased to 19.09% at September 30, 2012, compared to 13.15% and 16.93%, respectively, at year end 2011. CIBM Bank's Tier 1 leverage ratio increased to 11.87% and total capital to risk-weighted assets increased to 16.36% at September 30, 2012, compared to 10.93% and 14.26%, respectively, at December 31, 2011.