



**CIB MARINE
BANCSHARES, INC.**

2013 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, and Charles J. Ponicki, CEO

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 is a division of CIBM Bank serving the communities of all CIBM Bank branches and the Chicagoland market.

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:

We produced a strong finish to 2013, with improvements in many components of our balance sheet and income statement. While our annual results were not what we wanted to deliver, the fourth quarter's profit for the consolidated company and, especially, the results in our banking subsidiary, reflect the trends we have been discussing over the past year.

Credit quality again took center stage for the company but it is increasingly vying for top billing with the growth in our business lines. The removal of the Consent Order for our banking subsidiary, the release of the Written Agreement by the Federal Reserve for our holding company, and the dramatic decline in our non-accruals and non-performing loans are particularly notable. Our non-accrual levels fell below local and national peers and the trends in our non-performing assets are also very good.

All of our business lines contributed to the strong finish for the year. As noted in previous letters, our commercial loan growth has been hampered by the extensive repositioning of our loan portfolio. That has led to extraordinarily high levels of desired paydowns. During 2013 we added several additional, talented corporate bankers to our team and are now better represented in our markets. This has led to an increased pipeline of more desirable business. Equally important has been the strong working partnership between credit management and our business development teams.

Our consumer business has also improved noticeably. We have increased our outstanding loan balances in first mortgages and home equity loans and our core-client deposit base continues to grow. This growth has been the result of management emphasis on acquiring and maintaining these accounts. In order to support that effort, we introduced mobile banking, upgraded our online banking system and revamped our website. We also added a new checking product and introduced a rewards program for our debit card. Finally, we closed two under performing branches and relocated two of our branches to more desirable locations. Those new locations are outperforming the old branches. Our overall deposit emphasis continues to be to shift a higher proportion of our deposit base to core checking products.

Avenue Mortgage also contributed to our results. Much work has been done to integrate this formerly independent mortgage company and enable them to operate under the heavy regulatory requirements of today's market. Along with that integration, the mortgage division has been adding people in our larger markets to grow business there, as well as continuing to serve clients in the Chicagoland market. We are also supplementing the bankers' product offerings with bank loan products that they were formerly unable to offer. Under the leadership of company founder David Pendley, we expect to continue to place mortgage bankers into our markets and increase the beneficial impact of the mortgage business on our company.

Other positive results were also evident in the fourth quarter. An increase in fee income was largely due to our mortgage business, but fee income from both our retail business and our commercial business advanced. These fees came from both our loan activity and from increased activity in our cash management products. Expense management posted a year-over-year reduction of approximately \$1.2 million.

The outlook for our company continues to improve in a measured fashion and is consistent with the rebuilding of a successful company. Our team continues to emphasize our core message of "Service, Solutions and Integrity" when working with our clients. This has led to a strong commercial pipeline, expanded choices for our deposit clients, revitalized branches and the additional capabilities of our mortgage company, all of which are having a beneficial impact on our performance.

As always, our success is the result of the hard work of our employees and the trust our clients place in our company to provide them with banking services.

Sincerely,



Chuck Ponicki
President & Chief Executive Officer

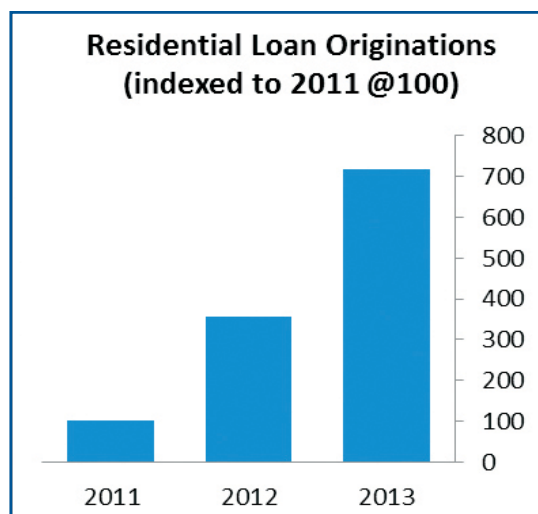
RETAIL BANKING SERVICES

CIBM Bank remains focused on its mission of delivering personalized services and customized solutions to fulfill our clients' financial needs. This means listening to our customers, knowing their plans and finding solutions to help them achieve their financial goals.

In 2013, the commitment to our mission resulted in continued growth in our core business, while achieving significant enhancement in our delivery of services. We built upon a strong foundation in our core products and services by improving key elements of our customer experience. This included the enhancement of online banking, extensively renovating our full-service retail locations in key geographic areas, and initiating a small business lending program.

Key initiatives:

- Our new primary checking accounts grew by 3.5%, while funds on deposit grew by 4%. These accounts remain essential to building our solid retail base, and ongoing growth is one key factor to the success of our retail banking area.
- Retail lending performance surpassed our goals for 2013, generating more than \$21 million in new 1st and 2nd mortgages, with growth experienced across all of our markets.
- Focused on our mission to create a better customer experience, last year we improved several key products and services:
 - We significantly enhanced the look and feel of our online banking, creating a more positive, convenient and responsive online experience for our customers. These enhancements drove the conversion of more than 1,100 customers to eStatement delivery.
 - To create added value for our customers, we implemented both a debit card rewards program and mobile banking in 2013. CIBM Rewards allows customers to earn points just by using their CIBM Bank debit card, while mobile banking allows customers to manage their accounts securely from their mobile phones or devices, 24/7, from anywhere.
 - In 2013, we added our small business lending program, placing key people in our markets to assist with these needs. We closed more than \$1 million in new small business loans last year with this new program.
 - Finally, we enhanced our retail facilities presence in the Milwaukee and Indianapolis markets by relocating two branches. The new Elm Grove (Wis.) and Clearwater (Ind.) branches provide more convenient locations and improved facilities for our customers.

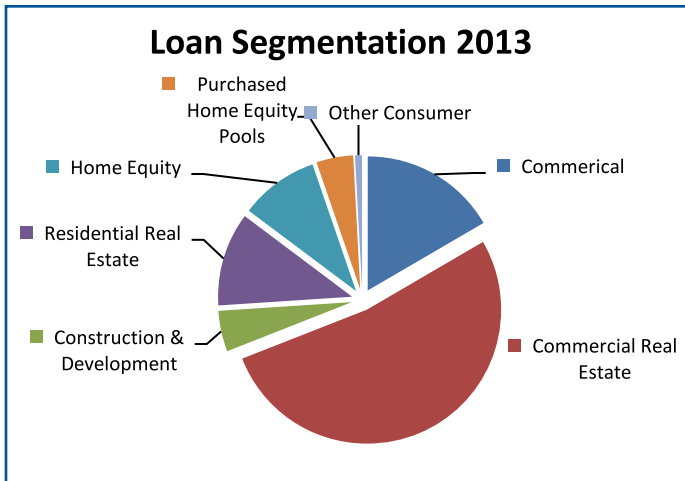


Key initiatives for 2014:

- In 2014, we will continue to build on the solid retail foundation built over the past few years, with particular focus on increasing primary checking relationships, growing deposits and generating quality loans. Our staff is the key to achieving these goals, and each team member will be expected to perform at the highest level. To this end, we are implementing several key initiatives in 2014:
 - We restructured the incentive plan at the beginning of 2014 to better meet our company objectives and to better reward our retail employees.
 - We will continue to focus on enhancing the customer service skills of our retail employees by providing dynamic new training focused on service.
- In an effort to continue to enhance our customers' experience, we are adding several new key products and services in 2014, including:
 - Remote deposit, allowing customers to make their deposits from anywhere using their mobile phones, and putting us ahead of many of our peers in providing this product.
 - New checking account options that will enhance outside growth, augment our target market, and increase our customer base.
 - Avenue Mortgage was a key strategic initiative for CIBM Bank in 2013, and we will cross-market it throughout the retail area in 2014 in an effort to grow new mortgages through referrals, and create new deposit relationships.

Our retail team is ready to achieve success and meet their goals in 2014 through hard work, new products and services, and enhanced customer service skills.

SERVICE MARKETS



CORPORATE BANKING & TREASURY MANAGEMENT SERVICES

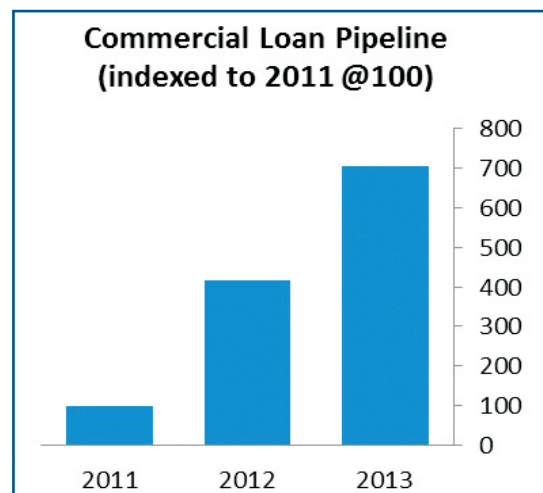
At CIBM Bank, we are committed to relationship banking and focused on getting to know our customers and their businesses – understanding their concerns, objectives and financial goals. We provide our customers with solutions, giving them prompt, honest answers that work for them. To this end, we’ve integrated our Corporate Banking and Treasury Management functions to better serve our business customers with seamless business services delivery while providing a customer-focused experience. The results were positive with growth in our commercial loan volume and our treasury management customer base.

Key initiatives:

- We funded more than \$64 million in new loans, nearly doubling 2012’s numbers. We also created a more desirable mix of loans with 45% of the new loans in commercial & industrial/owner occupied commercial real estate, and exceeded loan quality targets. We also added three new corporate bankers in Wisconsin and Illinois to accommodate this growth in corporate lending.
- By focusing on cross-marketing and referral business, we referred and closed \$5.7 million in new mortgage loans.
- In our mission to find solutions for our customers, we created two new business checking account products to increase and improve efficiencies, using the latest in technology features, resulting in new deposits nearly tripling in 2013 to \$11.2 million.
- We more than tripled new fee income to \$221,000, compared to \$71,000 in 2012. This included \$40,000 in new annual treasury management fee income.
- Finally, we ended the year with strong forward momentum with new potential business in the pipeline, up 159% over 2012, putting us in a solid position for 2014.



Our corporate bankers share common attributes: professionalism, integrity, solid business acumen, banking knowledge, and dedication to a team approach in serving our clients. This encompasses all aspects of our company. We feel we have a competitive advantage because of our internal partnerships and our process of incorporating strong, disciplined underwriting standards with the delivery capability and speed of a nimble community bank.



The pipeline represents business lending opportunities under evaluation or approved but not yet closed. An increase in pipeline activity may not result in increased portfolio loan balances due to factors including but not limited to loan approval rates for the pipeline and repayments of loans in the portfolio. For additional information, please see our published financial reports for year-end 2013 and first quarter 2014.

Key initiatives for 2014:

- CIBM Bank is poised for growth in 2014, continuing to build on its solid foundation. We will focus on quality loans comprised of a strong commercial & industrial/owner occupied commercial real estate mix.
- Our deposit goals emphasize growing checking account balances. We will seek opportunities to increase checking account balances through the direct activities of corporate bankers and the treasury management officers as well.
- We will continue to research and incorporate technology advancements that can improve efficiency of our treasury management and corporate banking products.
- Finally, we will continue to establish and refine expertise throughout our company via teamwork across department lines, while remaining nimble and responsive to our customers' needs.

MORTGAGE DIVISION

Our solutions-driven focus led us to the acquisition of the assets and employees of Avenue Mortgage in the fall of 2013. This strategy was enacted to allow CIBM Bank to better serve its communities through a dedicated mortgage division. Located in Naperville, Illinois, with 24 years of history, Avenue Mortgage specializes in high-quality residential loans. The addition of the Avenue Mortgage division strengthens and broadens CIBM Bank's mortgage expertise and product offerings.

Key Initiatives:

- Avenue Mortgage closed \$19.5 million in first mortgage residential loans as well as more than \$5 million in construction, bridge and lot loans.
- Mortgage originators were hired and placed in our Milwaukee and Champaign banking offices, expanding beyond an existing group of loan originators already located in Naperville.
- In collaboration with our retail banking area, we created an easy-to-use internal system designed to encourage mortgage referrals.
- Finally, we established a comprehensive training program to strengthen the expertise and maximize the effectiveness of our new loan originators throughout our banking system.

Key initiatives for 2014:

- Building on Avenue Mortgage's solid foundation of 24 years of mortgage lending, we plan to increase the size of our staff by adding quality loan originators in our Illinois, Wisconsin and Indiana offices, including the Avenue Mortgage division's Naperville headquarters where we look to make the largest increase.
- We plan to add a dedicated new construction loan officer in northern Illinois, allowing for substantial growth in Chicago's northern and northwestern suburbs where there is an increase in new home construction.
- Working in collaboration with our retail and commercial areas, we will continue to develop our referral processes.

- Finally, we will be researching office space options in Naperville, which will be designed to enhance workflows, productivity and be more conducive for our planned growth.

INFORMATION TECHNOLOGY

At CIBM Bank the Information Technology (IT) Department strives to make computing as efficient and safe as possible for both our clients and employees. This includes the integration of new technologies and procedures.

Early in 2013, in conjunction with other areas across our company, IT evaluated various technologies and initiatives then prioritized these in a plan for the current year and beyond.

Key Initiatives:

- Assisted in mobile banking and remote deposit.
- Implemented the use of electronic signatures within several internal departments and with clients to improve process workflow.
- Migrated to Microsoft Exchange 2010.
- Integrated Avenue Mortgage into CIBM Bank systems and processes.
- Migrated backup systems to a disk based replication system to improve efficiency.

A constant priority is educating clients and staff about key security protection measures related to their personal and business account information.

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 supported financially many of their fundraising activities.
- 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,				
	2013	2012	2011	2010	2009
	Unaudited, Dollars in Thousands				
Selected Statements of Operations Data					
Interest and dividend income	\$17,710	\$21,404	\$25,680	\$30,290	\$39,409
Interest expense	2,470	3,218	5,469	9,269	23,926
Net interest income	15,240	18,186	20,211	21,021	15,483
Provision for (reversal of) loan losses	(22)	(3,213)	6,381	15,345	27,373
Net interest income (loss) after provision for (reversal of) loan losses	15,262	21,399	13,830	5,676	(11,890)
Noninterest income (loss) (1)	900	(1,243)	(431)	(681)	(1,744)
Noninterest expense	17,516	18,739	19,604	22,248	27,750
Income (loss) from continuing operations before income taxes	(1,354)	1,417	(6,205)	(17,253)	(41,384)
Income tax expense	—	50	—	—	99
Net income from discontinued operations	—	—	781	—	711
Extraordinary gain on extinguishment of junior subordinated debentures, net of amortization and reorganization costs	—	—	—	—	54,497
Net income (loss)	\$(1,354)	\$1,367	\$(5,424)	\$(17,253)	\$13,725
Common Share Data					
Basic net income (loss) from continuing operations	\$(0.07)	\$0.08	\$(0.34)	\$(0.95)	\$(2.28)
Diluted net income (loss) from continuing operations	(0.07)	0.04	(0.34)	(0.95)	(2.28)
Basic net income (loss)	(0.07)	0.08	(0.30)	(0.95)	0.75
Diluted net income (loss)	(0.07)	0.04	(0.30)	(0.95)	0.75
Dividends	—	—	—	—	—
Book value per share	0.34	0.42	0.23	0.48	1.36
Weighted average shares outstanding-basic	18,127,892	18,127,892	18,127,892	18,127,892	18,217,608
Weighted average shares outstanding-diluted	18,127,892	35,631,892	18,127,892	18,127,892	18,313,520
Financial Condition Data					
Total assets excluding assets of company held for disposal	\$460,153	\$475,129	\$503,976	\$587,943	\$708,686
Loans	341,332	318,503	357,632	415,778	470,668
Allowance for loan losses	(8,308)	(11,378)	(16,128)	(14,645)	(16,240)
Investment securities	90,731	89,753	89,009	126,878	182,971
Deposits	387,901	394,684	422,586	493,527	589,450
Borrowings, including junior subordinated debentures	4,348	10,414	14,784	22,761	30,572
Stockholders' equity	66,195	67,629	64,222	68,753	84,695
Performance Ratios					
Net interest margin (2)	3.46%	3.80%	3.80%	3.27%	1.92%
Noninterest income to average assets (3)	0.20	(0.41)	(0.08)	(0.13)	(0.28)
Noninterest expense to average assets	3.80	3.82	3.56	3.36	3.37
Efficiency ratio (4)	108.54	115.89	99.11	110.21	210.42
Earnings (loss) on average assets	(0.29)	0.28	(1.13)	(2.60)	(5.04)
Asset Quality Ratios					
Nonaccrual loans to total loans (5)	1.06%	2.80%	5.48%	8.04%	10.80%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (5)	3.20	5.55	8.47	9.37	10.97
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total asset (5)	4.48	5.93	7.42	7.53	7.40
Allowance for loan losses to total loans	2.43	3.57	4.51	3.52	3.45
Net charge-offs to average loans	0.95	0.46	1.28	3.90	5.82
Capital Ratios					
Total risk-based capital ratio	18.05	19.34	16.93	15.47	16.51
Tier 1 risk-based capital ratio	16.79	18.07	15.64	14.20	15.24
Leverage capital ratio	14.89	14.39	13.15	11.80	12.08
Other Data					
Number of employees (full-time equivalent)	154	137	127	145	165
Number of banking facilities	10	12	13	15	17

(1) Noninterest income from operations includes pretax gains on investment securities of \$0.8 million, \$0.2 million and \$0.6 million for the years ended December 31, 2012, 2010 and 2009, respectively. There were no pretax gains on investment securities in 2011 and a nominal amount in 2013.

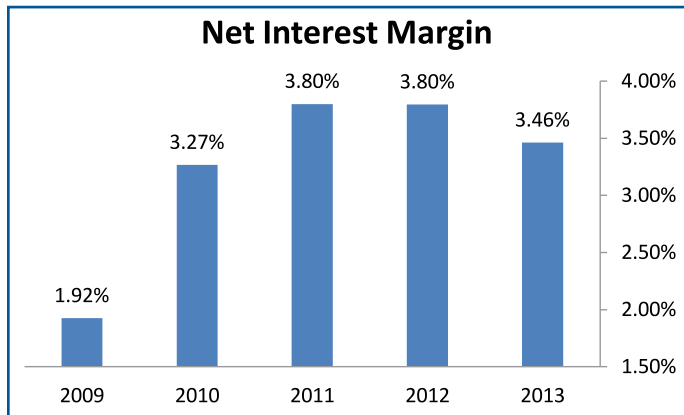
(2) Net interest margin is the ratio of net interest income to average interest-earning assets.

(3) Noninterest income to average assets excludes gains and losses on securities.

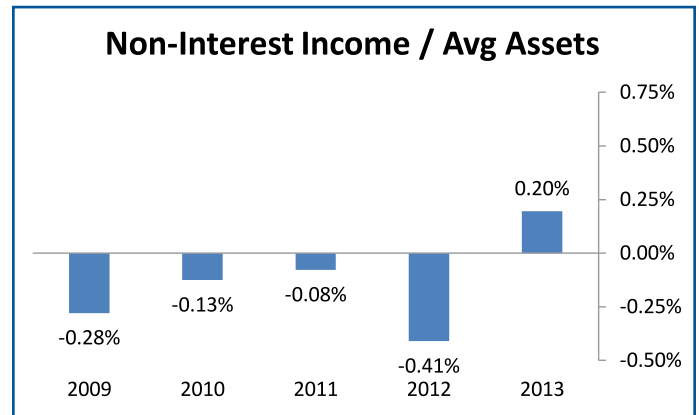
(4) The efficiency ratio is noninterest expense divided by the sum of net interest income plus noninterest income, excluding gains and losses on securities.

(5) Excludes loans held for sale from nonaccrual loans, nonperforming assets and 90 days or more past due and still accruing.

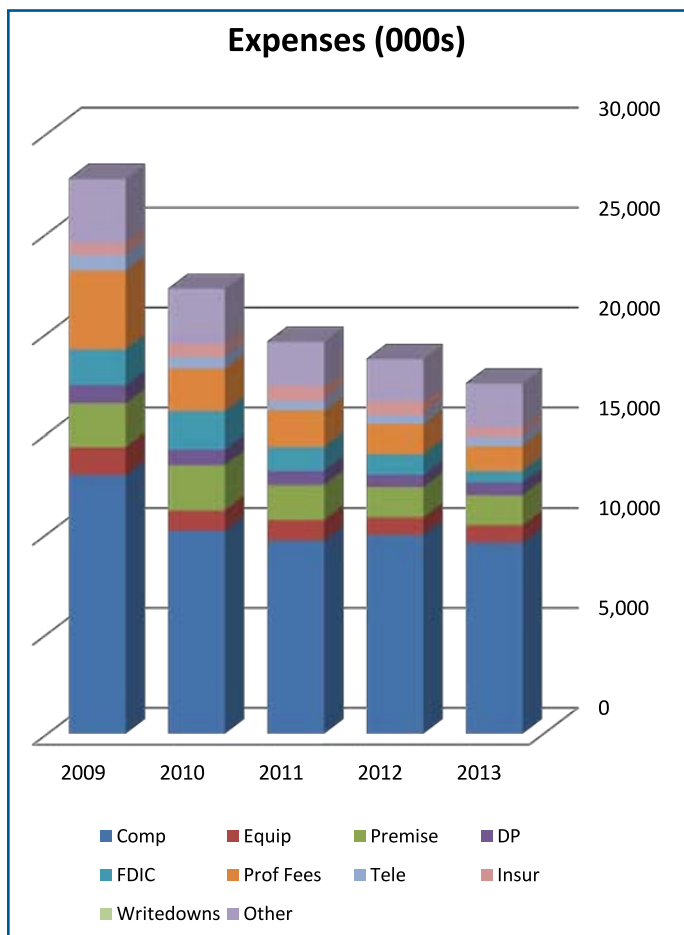
SELECTED FINANCIAL HIGHLIGHTS



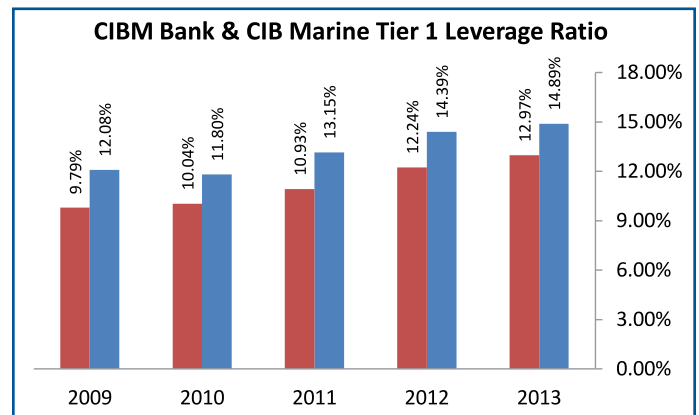
Net interest margins reflected industry trends with margin pressures due to limited ability to move interest expense lower and a prolonged low rate environment for earning assets.



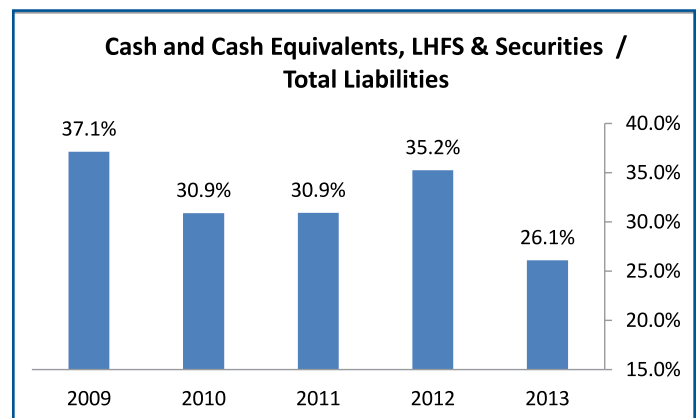
Working out asset quality issues through and beyond the Great Recession took its toll on non-interest income. With improved asset quality and the addition of Avenue Mortgage, results are markedly improved.



The long process of prudently adjusting our cost structure in a heavily regulated industry has continued to assist in our ability prepare the company for the potential of improved performance. As asset quality has improved, so have a number of supporting work-out related expenses.

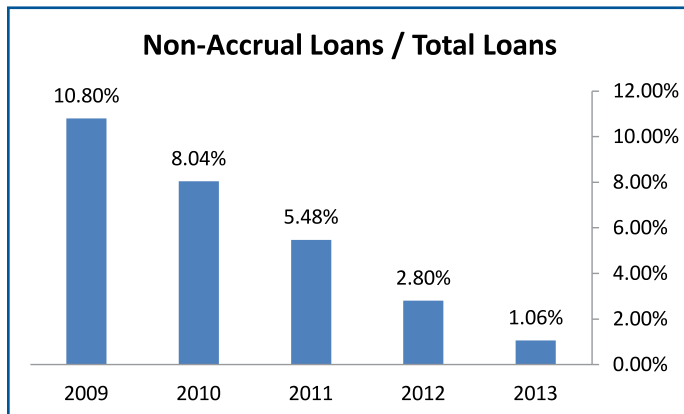


CIBM Bank and CIB Marine Tier 1 Leverage Ratios remain strong in support of strategies to grow our business activity levels.

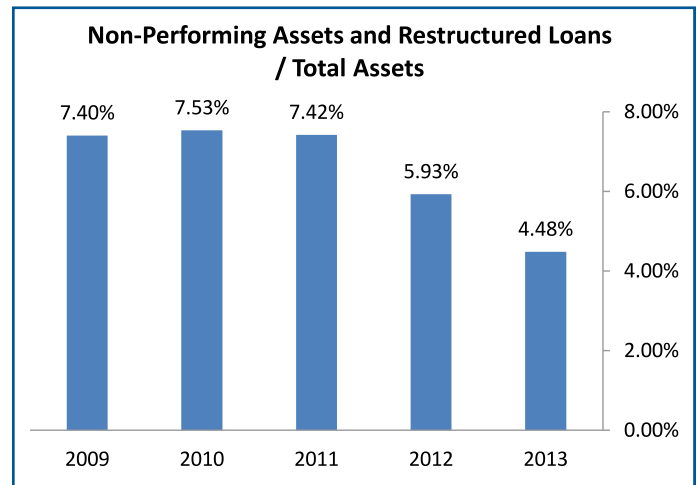


Liquid asset positions remain solid. Levels have declined, but from very high levels. Broader liquidity conditions overall have improved at CIBM Bank with its overall condition improvements.

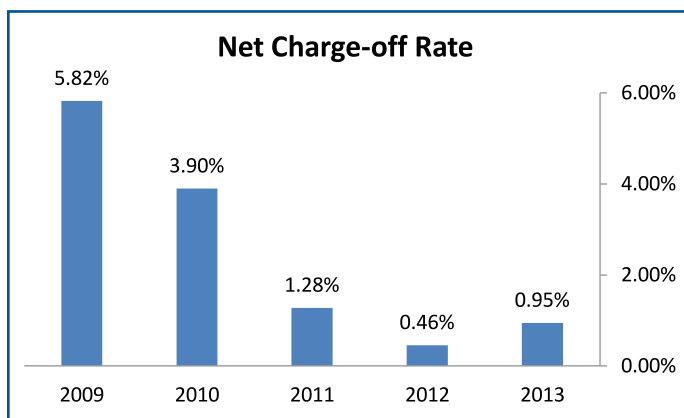
ASSET QUALITY



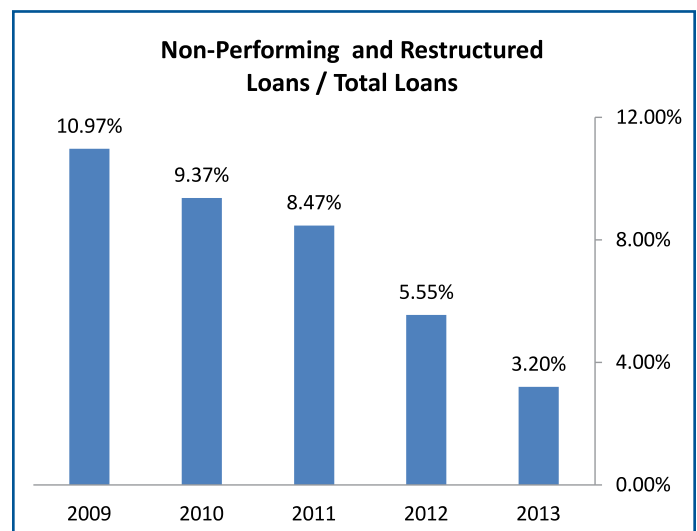
Non-accrual loans have improved to more normalized industry levels reflecting the improved credit environment and the significant work done by our work-out and credit functions.



This important asset quality ratio used by the industry has shown some nice improvements the last few years as the work-out group makes significant gains.



Net charge-offs have moved up, but due primarily to lower levels of recoveries during 2013 versus 2012.



Non-performing and restructured loan trends have continued to show necessary and welcome improvements.

In conclusion, we are pleased with the progress made in 2013, and expect continued progress in 2014.

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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 Charles J. Ponicki Chief Executive Officer
 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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 Fax: (414) 607-6009

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