



November 6, 2014

Dear Shareholder,

CIB Marine Bancshares, Inc. (OTCQB: CIBH) is pleased to report its financial results for the quarter and nine months ended September 30, 2014. The consolidated company, CIB Marine, and its subsidiary, CIBM Bank, both reported earnings for the third quarter of 2014.

Result of Operations – Summary

Net income for the third quarter of 2014 and the nine months ended September 30, 2014, were \$44,000 and \$203,000, respectively, compared to a loss of \$0.8 million and \$1.7 million for those same periods in 2013. Below are some additional operating highlights:

- CIBM Bank's earnings for the third quarter of 2014 and the nine months ended September 30, 2014, were \$0.3 million and \$1.0 million, respectively, compared to losses of \$0.4 million and \$0.5 million for those same periods in 2013.
- Net interest income increased by \$0.4 million and \$0.6 million for the third quarter of 2014 and the nine months ended September 30, 2014, respectively, compared to those same periods of 2013. The increase was primarily the result of lower costs on interest-bearing deposits as well as higher average loan and investment balances versus lower interest-earning due from bank balances offset in part by lower loan yields. Net interest margins increased slightly from 3.46% to 3.47% from the third quarter of 2013 to the same period of 2014, and increased from 3.44% to 3.49% for the nine months ended September 30, 2013, to the same period for 2014, respectively.
- Noninterest income increased by \$1.1 million and \$2.3 million for the third quarter of 2014 and the nine months ended September 30, 2014, respectively, compared to those same periods of 2013. The increase was primarily the result of net mortgage banking revenues from the Avenue Mortgage operations.
- Noninterest expense increased by \$0.4 million and \$0.9 million for the third quarter of 2014 and the nine months ended September 30, 2014, respectively, compared to those same periods of 2013. The increase was primarily the result of higher compensation expenses related to the Avenue Mortgage operations, partially offset by lower occupancy, data processing, insurance, FDIC deposit insurance and other expenses.

Financial Condition – Summary

During the third quarter of 2014, CIB Marine increased its loan balances by \$44 million since the start of the year including \$21 million over the prior quarter. Below are other selected highlights of our financial condition as of September 30, 2014:

- The tangible book value per share of common stock at September 30, 2014, was \$0.86, up from \$0.82 at December 31, 2013. The book value per share of common stock at September 30, 2014, was \$0.38, up from \$0.34 at December 31, 2013.
- Total assets increased \$41 million since the start of the year including \$13 million during the third quarter 2014. Over the third quarter, loans increased \$21 million, cash and cash equivalents decreased \$3 million and securities decreased \$6 million. Total liabilities increased \$41 million since the start of the year including \$13 million during the third quarter 2014. Since the start of the year short-term borrowings, primarily by CIBM Bank from the Federal Home Loan Bank of Chicago and customer Repurchase Agreement Transactions, increased by \$49 million, some of which included transfers of balances from non-interest bearing demand deposits. In addition, time deposits decreased by \$12 million and deposits other than time increased by \$3 million since the start of the year.
- Loan delinquencies increased to \$11.0 million in the 30-59 day category. However, this increase was

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primarily due to a delayed process in renewal negotiations for one commercial and two commercial real estate loans and all three loans have since been renewed.

- The nonperforming asset ratio, or the sum of nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total assets, declined from 4.92% at September 30, 2013, and 4.48% at December 31, 2013, to 3.27% at September 30, 2014, demonstrating continued, steady progress in asset quality and building on prior improvements.
- CIB Marine and CIBM Bank continue to maintain elevated levels of traditional capital measures and have reported strong capital positions in relation to regulatory requirements for a “well capitalized” bank.
- As noted earlier in the year, CIB Marine continues to review and develop plans to address the new capital rules that are to be implemented by banking regulators beginning on January 1, 2015. The new rules introduce a new capital measure (i.e., the Common Equity Tier 1 capital ratio) and related minimum ratios, set higher minimum capital requirements for some of the current capital ratios, amend the definition of capital, change risk weightings for various regulatory capital and asset components used in the capital ratios, and institute a capital conservation buffer that is used with eligible retained income criteria to impose new restrictions on the payment of dividends and certain compensation.

Attached please find unaudited financial results for the quarter ended September 30, 2014, including select financial information, a balance sheet and an income statement.

Please visit our website, www.cibmarine.com, for additional detailed financial results for both recent and prior periods, as well as a link to the quarterly reports we file with our regulators. As a reminder, we will continue to release our financial results on a quarterly basis via our website. You may request a paper copy of our quarterly results, by contacting Shareholder Relations Manager, Elizabeth Neighbors, at (262) 695-6010 or Elizabeth.Neighbors@cibmarine.com, and she will put you on our mailing list.

Concluding Comments

Our trend of positive results continued in the third quarter of this year as we reached the major milestones of \$500 million in consolidated total assets and \$1 million in earnings at CIBM Bank. As noted previously, we also improved our nonperforming asset credit quality measures and we maintain a strong loan loss reserve. Finally, our capital position remains strong and continues to improve.

Our growth this quarter once again came from all areas of our business. Our corporate lending, mortgage lending and retail lending all turned in solid results. Volumes of business in all of these areas continue to grow and all report strong pipelines. It is also encouraging that, in our corporate business, our bankers are having success across our geographic footprint. This widespread flow of business is an important strength in terms of our risk profile.

As noted in my last letter to you, we formally introduced a new checking product, Acceleration Banking, in our retail group during the quarter. This is a rewards-based checking product that gives our clients an attractive interest rate on their checking balances and includes a savings component that is appealing for the customer. This complex product was developed in-house and is an example of the skill and capabilities of our staff. Our bankers are excited to have a product which has very little competition in the community banking arena and the early results are that new and existing clients alike find the mix of features and benefits attractive.

While the product itself is significant, the marketing support for its introduction has been equally important. We are promoting the product with heavier advertising activity, including social media and internet radio advertising in addition to traditional print and other media outlets. We expect this web-based emphasis will continue and expand to encompass our other products and business lines. Our other new products, mobile banking and mobile deposits, continue to show gains in the number of clients and usage.

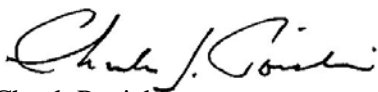
We also made a significant improvement in our technology infrastructure during the quarter. This investment substantially improved the redundancy of our data storage and will also dramatically improve the speed at which we can recover from a disaster that may affect our systems. As I noted above, our clients increasingly choose our

electronic banking options and so the ability to provide those services reliably is essential. This investment gives us a stronger response to that need.

The third quarter of 2014 also marks the expansion of our Chicagoland banking activity. The addition of our Avenue Mortgage division last year at this time opened the possibility of leveraging their existing client base, mostly in the western suburbs of Chicago. Equally important, the bankers at Avenue Mortgage have personal and other business contacts that we hope to use to build our business there. Furthermore, we have hired an experienced corporate banker whom I have worked with in the past and who has a deep knowledge of the business community in the Chicago market. He will be the foundation upon which we will build our business activity and we will support that activity with a planned opening of a branch in the western suburbs in 2015.

These are exciting times for the company and the activities we have been discussing over the past year are turning into increased earnings. Our employees have embraced the challenge of improving the company from many different perspectives. This has made us stronger financially and operationally. As I indicated in my remarks at the annual meeting, this has enabled us to “fight above our weight” so that we may deliver improved results for all of our constituencies. These results have substantially improved the value of the company over the past several years and continue to build the base on which we can deliver improved results in the future. And, as always, our success depends on this hard work and the trust our clients place in our company to provide them with banking services.

Sincerely,



Chuck Ponicki
President & Chief Executive Officer

FORWARD-LOOKING STATEMENTS

CIB Marine has made statements in this Shareholder Letter that constitute “forward-looking statements” within the meaning of 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 Shareholder Letter 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.

CIB MARINE BANCSHARES, INC.
Selected Consolidated Financial Data (unaudited)

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
(Dollars in thousands, except share and per share data)				
Selected Statements of Operations Data				
Interest and dividend income	\$4,643	\$4,346	\$13,539	\$13,303
Interest expense	526	598	1,572	1,903
Net interest income	4,117	3,748	11,967	11,400
Provision for loan losses	211	59	372	223
Net interest income after provision for loan losses	3,906	3,689	11,595	11,177
Noninterest income (loss) (1)	1,042	(13)	2,625	304
Noninterest expense	4,896	4,521	14,009	13,144
Income (loss) before income taxes	52	(845)	211	(1,663)
Income tax expense	8	—	8	—
Net income (loss)	\$44	\$(845)	\$203	\$(1,663)
Common Share Data				
Basic net income (loss)	\$0.00	\$(0.05)	\$0.01	\$(0.09)
Diluted net income (loss)	\$0.00	\$(0.05)	\$0.01	\$(0.09)
Dividends	—	—	—	—
Tangible book value per share (2)	\$0.86	\$0.78	\$0.86	\$0.78
Book value per share (2)	\$0.38	\$0.29	\$0.38	\$0.29
Weighted average shares outstanding-basic	18,127,892	18,127,892	18,127,892	18,127,892
Weighted average shares outstanding-diluted	35,631,892	18,127,892	35,631,892	18,127,892
Financial Condition Data				
Total assets	\$501,497	\$447,038	\$501,497	\$447,038
Loans	385,869	323,008	385,869	323,008
Allowance for loan losses	(8,516)	(8,368)	(8,516)	(8,368)
Investment securities	92,233	94,087	92,233	94,087
Deposits	378,916	376,474	378,916	376,474
Borrowings	53,813	3,711	53,813	3,711
Stockholders' equity	66,915	65,344	66,915	65,344
Financial Ratios and Other Data				
Performance ratios:				
Net interest margin (3)	3.47%	3.46%	3.49%	3.44%
Net interest spread (4)	3.32	3.29	3.33	3.26
Noninterest income (loss) to average assets (5)	0.79	(0.01)	0.71	0.09
Noninterest expense to average assets	3.98	3.97	3.93	3.80
Efficiency ratio (6)	96.11	120.95	96.54	112.23
Income (loss) on average assets (7)	0.04	(0.74)	0.06	(0.48)
Income (loss) on average equity (8)	0.26	(5.09)	0.40	(3.32)
Asset quality ratios:				
Nonaccrual loans to total loans (9)	1.52%	1.20%	1.52%	1.20%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (9)	2.77	3.44	2.77	3.44
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total assets (9)	3.27	4.92	3.27	4.92
Allowance for loan losses to total loans	2.21	2.59	2.21	2.59
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (9)	79.58	75.24	79.58	75.24
Net charge-offs (recoveries) annualized to average loans	(0.20)	0.48	0.06	1.35
Capital ratios:				
Total equity to total continuing assets	13.34%	14.62%	13.34%	14.62%
Total risk-based capital ratio	16.99	18.82	16.99	18.82
Tier 1 risk-based capital ratio	15.73	17.56	15.73	17.56
Leverage capital ratio	13.91	14.84	13.91	14.84
Other data:				
Number of employees (full-time equivalent)	149	151	149	151
Number of banking facilities	10	10	10	10

- (1) Noninterest income includes gains and losses on securities.
- (2) Tangible book value per share is the shareholder equity less the carry value of the preferred stock and less the goodwill and intangible assets, divided by the total shares of common outstanding. Book value per share is the shareholder equity less the liquidation preference of the preferred stock, divided by the total shares of common outstanding.
- (3) Net interest margin is the ratio of net interest income to average interest-earning assets.
- (4) Net interest spread is the yield on average interest-earning assets less the rate on average interest-bearing liabilities.
- (5) Noninterest income to average assets excludes gains and losses on securities.
- (6) The efficiency ratio is noninterest expense divided by the sum of net interest income plus noninterest income, excluding gains and losses on securities.
- (7) Earnings on average assets are net income divided by average total assets.
- (8) Earnings on average equity are net income divided by average common equity.
- (9) Excludes loans held for sale.

CIB MARINE BANCSHARES, INC.
Consolidated Balance Sheets (unaudited)

	September 30, 2014	December 31, 2013
	(Dollars in thousands, except share data)	
Assets		
Cash and due from banks	\$8,250	\$10,886
Investment securities:		
Securities available for sale	92,233	89,043
Trading securities	—	1,688
Total investment securities	92,233	90,731
Loans held for sale	2,959	1,226
Loans	385,869	341,332
Allowance for loan losses	(8,516)	(8,308)
Net loans	377,353	333,024
Federal Home Loan Bank stock	2,170	2,170
Premises and equipment, net	4,846	4,834
Accrued interest receivable	1,475	1,288
Other real estate owned, net	5,696	9,700
Bank owned life insurance	4,161	4,089
Goodwill and other intangible assets	271	287
Other assets	2,083	1,918
Total assets	\$501,497	\$460,153
Liabilities and Stockholders' Equity		
Deposits:		
Noninterest-bearing demand	\$70,555	\$71,425
Interest-bearing demand	30,057	30,471
Savings	151,109	147,058
Time	127,195	138,947
Total deposits	378,916	387,901
Short-term borrowings	53,813	4,348
Accrued interest payable	213	235
Other liabilities	1,640	1,474
Total liabilities	434,582	393,958
Stockholders' Equity		
Preferred stock, \$1 par value; 5,000,000 authorized shares; 7% fixed rate noncumulative perpetual issued-55,624 shares of Series A and 4,376 shares of Series B convertible; aggregate liquidation preference-\$60,000	51,000	51,000
Common stock, \$1 par value; 50,000,000 authorized shares; 18,346,391 issued shares; 18,135,344 outstanding shares	18,346	18,346
Capital surplus	158,493	158,493
Accumulated deficit	(159,082)	(159,285)
Accumulated other comprehensive income related to available for sale securities	1,059	542
Accumulated other comprehensive loss related to non-credit other-than-temporary impairments	(2,372)	(2,372)
Accumulated other comprehensive loss, net	(1,313)	(1,830)
Treasury stock 218,499 shares at cost	(529)	(529)
Total stockholders' equity	66,915	66,195
Total liabilities and stockholders' equity	\$501,497	\$460,153

CIB MARINE BANCSHARES, INC.
Consolidated Statements of Operations (unaudited)

	Quarters Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2014	2013	2014	2013
	(Dollars in thousands)			
Interest and Dividend Income				
Loans	\$3,981	\$3,689	\$11,477	\$11,282
Loans held for sale	52	3	109	(6)
Securities	609	639	1,948	1,961
Other investments	1	15	5	66
Total interest income	4,643	4,346	13,539	13,303
Interest Expense				
Deposits	513	597	1,545	1,896
Short-term borrowings	13	1	27	7
Total interest expense	526	598	1,572	1,903
Net interest income	4,117	3,748	11,967	11,400
Provision for loan losses	211	59	372	223
Net interest income after provision for loan losses	3,906	3,689	11,595	11,177
Noninterest Income				
Deposit service charges	113	99	318	312
Other service fees	48	31	146	123
Mortgage banking revenue, net	687	—	1,747	—
Other income	68	111	295	220
Net gain (loss) on sale of securities	65	(3)	81	(8)
Net loss on assets	61	(251)	38	(343)
Total noninterest income (loss)	1,042	(13)	2,625	304
Noninterest Expense				
Compensation and employee benefits	2,993	2,354	8,695	7,097
Equipment	231	210	665	647
Occupancy and premises	340	344	1,013	1,155
Data processing	55	175	367	475
Federal deposit insurance	100	148	307	434
Professional services	278	341	810	922
Telephone and data communication	115	115	333	313
Insurance	58	94	232	358
Other expense	726	740	1,587	1,743
Total noninterest expense	4,896	4,521	14,009	13,144
Income (loss) from operations before income taxes	52	(845)	211	(1,663)
Income tax benefit	8	—	8	—
Net income (loss)	44	(845)	203	(1,663)
Preferred stock dividends	—	—	—	—
Net income (loss) allocated to common stockholders	\$44	\$(845)	\$203	\$(1,663)