SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2003

Commission file number: 000-24149

CIB MARINE BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Wisconsin	**37-1203599**
(State of incorporation)	*(I.R.S. Employer Identification No.)*
N27 W24025 Paul Court, Pewaukee, Wisconsin	**53072**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code:
(262) 695-6010

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $1.00 Par Value Per Share
(Title of Class)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☑

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or other information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☐ No ☑

The aggregate market value of the common stock held by nonaffiliates of the registrant as of June 30, 2003 cannot be determined as there is no public market for the common stock.

As of September 30, 2005, there were issued and outstanding 18,346,442 shares of the registrant's common stock.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference in this report: None

EXPLANATORY NOTE

The company is filing this annual report on Form 10-K to report its financial results for the year ended December 31, 2003, as well as to restate the consolidated financial statements of operations for the years ended December 31, 2002 and 2001, and the consolidated balance sheets as of December 31, 2002 and 2001. This document is intended to speak as of December 31, 2003, except where noted otherwise.

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PART I

ITEM 1. *BUSINESS*

CIB MARINE

CIB Marine Bancshares, Inc. ("CIB Marine") is a multi-bank holding company with its principal executive offices in Pewaukee, Wisconsin, a suburb of Milwaukee. CIB Marine owned and operated five separately chartered commercial banking organizations and one federal savings bank at December 31, 2003:

- Central Illinois Bank, with its main office in Champaign, Illinois;
- CIB Bank, with its main office in Hillside, Illinois, a suburb of Chicago ("CIB — Chicago");
- Marine Bank, with its main office in Wauwatosa, Wisconsin, a suburb of Milwaukee ("Marine — Wisconsin");
- CIB Bank, with its main office in Indianapolis, Indiana ("CIB — Indiana");
- Marine Bank, a federal savings bank with its main office in Scottsdale, Arizona ("Marine FSB"); and
- Citrus Bank, N.A., with its main office in Vero Beach, Florida ("Citrus Bank").

As of December 31, 2003, CIB Marine had a total of 57 full-service banking facilities in Illinois, Wisconsin, Indiana, Nebraska, Florida, Arizona and Nevada. CIB Marine sold CIB — Chicago to an unrelated banking organization on November 30, 2004. See Note 27 to the consolidated financial statements — Subsequent Events.

CIB Marine offers a full array of traditional banking services through its bank and nonbank subsidiaries. These services include a broad range of loan products, such as commercial loans, commercial real estate loans, commercial and residential real estate construction loans, one-to-four family residential real estate loans, consumer loans, and commercial and standby letters of credit; accepting demand, savings and time deposits; providing commercial paper and repurchase agreements; and providing other banking services.

CIB Marine also owns an 84% interest in Canron Corporation ("Canron"), a closely held steel fabrication and erection company with operations in the United States and Canada, and 100% of MICR, Inc. ("MICR"), a manufacturer of payment processing systems, both of which were acquired as a result of loan collection activities. These are businesses unrelated to CIB Marine's banking business. Canron is in the process of a voluntary liquidation and winding down of its affairs and CIB Marine has initiated a plan to sell MICR.

Summary of Events

During 2003, CIB Marine shifted its strategic focus from business development and asset growth to improving the company's credit administration function, asset quality, and liquidity and capital positions. The change in emphasis occurred in response to a significant deterioration in the credit quality of its loan portfolio and other credit related matters, including credit concentration risk and weaknesses in the credit administration process, identified by the bank regulators during their regular examinations in 2002 and 2003. Moreover, these credit issues had an adverse financial impact on CIB Marine's financial condition and results of operations, resulting in a net loss of $137.6 million for 2003.

January 2003 CIB — Chicago MOU and Credit Concerns

In January 2003, CIB — Chicago entered into a Memorandum of Understanding with the Office of Banks and Real Estate, now known as the Illinois Department of Financial and Professional Regulation, Division of Banks and Real Estate (the "DBRE") and the FDIC. The bank regulators issued the Memorandum based on the results of their August 2002 examination of CIB — Chicago, which identified a severe deterioration in the credit quality of the bank's loan portfolio, heightened credit concentration risk, and weaknesses in the credit administration process. Pursuant to the Memorandum, CIB — Chicago agreed to take certain actions to correct noted deficiencies, maintain a Tier 1 capital level equal to or exceeding 8% of the bank's total assets, restrict its loan growth to no more than 2% during any consecutive three-month period and suspend the declaration or payment of dividends without regulatory approval.

Fall 2003 Regulatory Examinations

CIB — Chicago experienced further deterioration in the credit quality of its loan portfolio throughout the remainder of 2003, including a significant increase in nonperforming assets. A bank examination of CIB — Chicago in the fall of 2003 and examinations of some of CIB Marine's other subsidiary banks during this same period revealed serious asset quality and credit administration concerns that caused the bank regulators to pursue formal enforcement actions against CIB — Chicago and several of its affiliated banks as well as CIB Marine, all of which became effective in May 2004 and thereafter. These developments led CIB Marine to begin a comprehensive review of the adequacy of its allowance for loan losses in the fourth quarter of 2003 and to initiate an independent legal investigation of the situation.

Independent Review and Investigation

In October 2003, a Special Review Committee of the Board of Directors of CIB Marine was established to evaluate these credit issues and other issues which had come to the attention of the Board of Directors. The committee engaged the assistance of outside advisors, including independent legal counsel and an external loan review firm, to conduct an independent investigation of these developments. The investigation continued into 2004 and included an evaluation of possible illegal activities. This investigation was completed in the fourth quarter of 2004 and the results were reported to the Board of Directors, the banking regulators and CIB Marine's outside auditing firm, KPMG LLP. Management has taken appropriate actions to address issues raised by the investigations. As a result of the investigations and its own analysis, management has adopted new policies and procedures and has strengthened internal reporting and controls. In January 2004, an Executive Committee of the Board was also formed to ensure that these issues received the full and prompt attention of the entire organization.

Announcement of 2003 Consolidated Financial Results and Restatement of Previously Issued Consolidated Financial Statements

In April 2004, CIB Marine announced that, based on the preliminary results of the credit review, the estimated net loss for 2003 was expected to range from $135 million to $155 million and that nonperforming assets as of December 31, 2003 were expected to total $205 million. The loss was primarily due to increased provisions to the allowance for loan losses resulting from the deterioration in the credit quality of the loan portfolio and related tax effects and the impairment of goodwill. A troubled real estate development loan on the balance sheet of CIB — Chicago resulted in approximately $40 million of this loss. This property was acquired by CIB — Chicago in 2003 and was included in foreclosed properties at December 31, 2003. As a result of the significance of the estimated loss and the corresponding reduction in stockholders' equity, it was estimated that CIB Marine would be categorized as "undercapitalized" and CIB — Chicago would be categorized as "significantly undercapitalized" pursuant to regulatory guidelines for capital adequacy. CIB Marine also announced that the financial results of its prior periods may require restatement and that certain financial reports previously filed with the Securities and Exchange Commission ("SEC") should no longer be relied upon.

Upon considering the results of the comprehensive review of the adequacy of the allowance for loan losses which was concluded in August 2005 and the results of the independent investigation, CIB Marine also determined that it would be necessary to restate its previously issued consolidated financial statements for the years ended December 31, 1999 through 2002 and the quarters ended March 31 and June 30, 2003. See Item 6, Selected Financial Data and Note 2 to consolidated financial statements — Restatement of 2002 and 2001. Certain previously reported quarterly financial information is also being restated. See Note 26 to the consolidated financial statements — Quarterly Consolidated Financial Information. The consolidated financial statements have been restated for the following items:

Receivables from Sale of Stock

It was noted during the 2003 regulatory examination that certain of CIB Marine's subsidiary banks had originated loans, the proceeds of which were used by borrowers to purchase the common stock of CIB Marine. These loans should have been accounted for as a reduction in consolidated stockholders' equity, unless the loan had been repaid prior to the issuance of the financial statements or the loan was adequately collateralized exclusive of the value of CIB Marine stock pledged as collateral, if any. The amount of such loans outstanding was $5.2 million, $7.9 million, $7.4 million, $5.1 million and $4.7 million as of December 31, 2003, 2002, 2001, 2000 and 1999, respectively. The amount of such loans outstanding was $7.9 million at June 30 and March 31, 2003. The consolidated balance sheets at those dates have been restated to reduce loans and reduce stockholders' equity by recording a new contra-equity account in stockholders' equity captioned "Receivables from sale of stock." See Note 15 to the consolidated financial statements — stockholders' equity.

Provision for Credit Losses

The restatements also include an increase in the provision for credit losses for the years ended December 31, 2002 and 2001 and the quarters ended March 31 and June 30, 2003 to account for loan losses not reflected in the previous financial statements for these periods and the reduction of interest recognized on certain nonperforming loans to correct related balances that were previously reported. These adjustments also resulted in the corresponding increase in the allowance for loan losses at December 31, 2002 and 2001.

Reclassification of Securities

During the fourth quarter of 2004, CIB Marine determined that it no longer had the intent to hold to maturity its tax exempt securities classified as held to maturity. In the first nine months of 2005, CIB Marine sold $9.3 million of these securities at a gain of $0.4 million. As a result of these actions, CIB Marine determined the consolidated financial statements should be restated for all years presented to reclassify all held to maturity securities to available for sale. The effect of this restatement is to increase total securities for the unrealized gain, increase equity for the unrealized gain, net of taxes and increase deferred taxes.

The impact of the restatements for the loans made to acquire CIB Marine stock, the increases in the provision for credit losses and the transfer of securities held to maturity to available for sale as of and for the years ended December 31, 2002, 2001, 2000 and 1999 are as follows:

	2002			2001		
	As Previously Reported	Adjustment	As Restated	As Previously Reported	Adjustment	As Restated
	(Dollars in thousands, except share data)					
Selected Income Statement Accounts:						
Interest income — loans	$ 178,691	$ (191)	$ 178,500	$ 174,222	$ (125)	$ 174,097
Provision for credit losses	(35,725)	(10,785)	(46,510)	(12,743)	(1,652)	(14,395)
Net interest income after provision for credit losses	71,132	(10,976)	60,156	74,664	(1,777)	72,887
Income tax expense	(6,748)	4,152	(2,596)	(13,989)	589	(13,400)
Income from continuing operations	16,433	(6,824)	9,609	26,917	(1,188)	25,729
EPS — Diluted from continuing operations	$ 0.89	$ (0.37)	$ 0.52	$ 1.49	$ (0.07)	$ 1.42
Selected Balance Sheet Accounts:						
Total securities	$ 514,003	$ 2,741	$ 516,744	$ 418,357	$ 2,150	$ 420,507
Loans, net of deferred loan fees	2,711,943	(7,937)	2,704,006	2,389,482	(7,437)	2,382,045
Allowance for loan losses	(52,369)	(12,753)	(65,122)	(34,078)	(1,777)	(35,855)
Net loans	2,659,574	(20,690)	2,638,884	2,355,404	(9,214)	2,346,190
Retained earnings	82,901	(8,012)	74,889	67,270	(1,188)	66,082
Total stockholders' equity	$ 261,801	$(14,238)	$ 247,563	$ 237,142	$(7,317)	$ 229,825

	2000			1999		
	As Previously Reported	Adjustment	As Restated	As Previously Reported	Adjustment	As Restated
	(Dollars in thousands)					
Selected Balance Sheet Accounts:						
Total securities	$ 505,871	$ 729	$ 506,600	$ 369,988	$(1,854)	$ 368,134
Loans, net of deferred loan fees	1,831,231	(5,096)	1,826,135	1,455,581	(4,710)	1,450,871
Net loans	1,807,243	(5,096)	1,802,147	1,439,367	(4,710)	1,434,657
Total stockholders' equity	$ 203,367	$(4,653)	$ 198,714	$ 169,703	$(5,832)	$ 163,871

Delays in Filing Periodic SEC Reports

The results of the regulatory examinations and enforcement actions and the preliminary results of the Board's independent investigation that continued until the fourth quarter of 2004 caused CIB Marine to defer filing its quarterly report on Form 10-Q for the third quarter of 2003 as well as a prolonged delay in the completion of the audit for the year ended December 31, 2003 and the filing of the 2003 Form 10-K.

Early Action to Improve CIB Marine's Financial Condition

During this filing delay, and as the credit quality issues developed, were identified and quantified during late 2003 and into 2004, CIB Marine undertook a number of steps to improve its credit culture and strengthen the financial condition of the company. These actions included changes in company management and the

Board of Directors, improvements in the credit underwriting procedures, and various measures to reduce and control expenses.

CIB Marine made the following changes in senior management and the Board of Directors:

- In December 2003, Michael J. Miller was hired and named Chief Lending Officer of CIB Marine.
- In February 2004, Board Member W. Scott Blake was appointed Chairman of the Board of CIB Marine, succeeding Donald Trilling who remained on the Board of Directors.
- In February 2004, CIB Marine named Margaret A. Incandela as its Chief Credit Officer replacing Stephen C. Bonnell, who resigned from CIB Marine in March 2004. Ms. Incandela was hired as CIB Marine's Loan Review Manager in October 2003.
- In March 2004, CIB — Chicago's President and CEO, and the Senior Loan Officer of that bank resigned from their positions.
- In April 2004, Stanley J. Calderon was hired and appointed President and CEO of CIB Marine. He joined the Board of CIB Marine in November 2004. Mr. Calderon replaced J. Michael Straka, who retired as CIB Marine's President and CEO in February 2004 and retired from all positions and the Board of CIB Marine in April 2004.
- In September 2004, Steven C. Hillard was appointed to serve as a Director of the Board of CIB Marine.
- In October 2004, Gary L. Longman was appointed to serve on the Board of CIB Marine and as Chairman of CIB Marine's Audit Committee. The Board has determined that Mr. Longman is an Audit Committee Financial Expert.

CIB Marine made the following changes in its credit functions, policies and procedures:

- Replaced the senior executives in charge of the company's credit function;
- Formed an Executive Loan Committee of the holding company to review and approve certain new and renewal loans;
- Restructured the Loan Committees of its subsidiary banks;
- Prohibited any new or additional loans secured by or for the purpose of purchasing CIB Marine stock;
- Enhanced underwriting procedures;
- Directed the loan review function to report directly to CIB Marine's Board of Directors;
- Established an Early Identification/Warning Process to enhance the prompt identification, evaluation and monitoring of weak credits;
- Implemented a loan grade certification program; and
- Reinforced procedures with regard to controls over loan collateral in its possession.

Regulatory Orders and Agreements

In May 2004, CIB — Chicago, Central Illinois Bank, Marine — Wisconsin, and CIB — Indiana entered into Cease and Desist Orders with their respective banking regulators. The orders required the banks to cease and desist from certain banking practices and the violation of certain banking laws and regulations, such violations being primarily transactions with affiliates involving loans secured by or for the purpose of purchasing CIB Marine stock. The Memorandum entered into by CIB — Chicago in January 2003 was released as a result of entering into the Cease and Desist Order. In May 2004, CIB Marine entered into a Written Agreement with the Federal Reserve Bank of Chicago and in August 2004, Citrus Bank entered into a Written Agreement with the Office of the Comptroller of the Currency (collectively the "Orders and Agreements"). The Orders and Agreements impose certain restrictions and reporting requirements on

CIB Marine and the bank subsidiaries, and require various actions to be taken. These items include, among others:

- Maintenance of minimum capital levels;
- Restrictions on dividend payments and redemption of shares without prior regulatory approval;
- Limitations on asset and loan growth;
- Adoption of a comprehensive plan to improve earnings;
- Development of a plan to reduce concentrations of credit and loan relationships classified as substandard or doubtful;
- Development of a system to correct loan administration deficiencies; and
- Development of a plan to correct and prevent violations of banking laws and regulations related to affiliate transactions.

Management believes that CIB Marine and its bank subsidiaries have complied with the majority of the provisions of the Orders and Agreements and continues to work with the regulators to comply with the remaining requirements of such orders and agreements.

2004 and 2005 Actions to Improve CIB Marine's Financial Condition

As a result of the significant deterioration in the financial condition of the company and the requirements of the regulatory orders, CIB Marine undertook the following additional actions during 2004 and 2005 in order to improve the financial strength of the company:

- *Liquidity Enhancements.* CIB Marine improved its liquidity position by deferring interest payments on $60 million in junior subordinated debentures and increasing investment securities and other liquid assets at the subsidiary banks. Accrued and unpaid interest on the junior subordinated debentures was $5.5 million and $11.2 million at December 31, 2004 and September 30, 2005, respectively.
- *Further Reductions in Nonperforming Assets.* Beginning in 2004 and continuing into 2005, CIB Marine significantly reduced the level of nonperforming assets as a result of the sale of CIB — Chicago, aggressive workout strategies and charge-offs. Nonperforming assets were $57.2 million at December 31, 2004 compared to $195.7 million at December 31, 2003. At September 30, 2005, nonperforming assets were $29.9 million. The allowance for loan losses was $109.9 million at December 31, 2003, $30.9 million at December 31, 2004 and $22.7 million at September 30, 2005.
- *Further Reductions in Credit Concentrations.* Beginning in 2004 and continuing into 2005, CIB Marine worked with its largest borrowers to significantly reduce the level of credit concentrations. At December 31, 2003, CIB Marine had fifteen secured borrowing relationships (loans to one borrower or a related group of borrowers) that exceeded 25% of stockholders' equity as compared to one relationship at December 31, 2004 and September 30, 2005.
- *Sale of CIB — Chicago.* The Board of Directors evaluated a wide range of alternatives to improve the capital and liquidity position of the company, including the sale of additional common stock, sale of the company, sale of one or more of the bank subsidiaries and other asset reduction strategies. An investment banker was hired to assist in evaluating the financial condition of the company and various strategic alternatives. Upon evaluation, the Board determined that under the circumstances the sale of CIB — Chicago, its Chicago banking subsidiary, was the most prudent course of action for the company and its shareholders. On August 12, 2004, CIB Marine signed an agreement to sell CIB — Chicago. The sale of CIB — Chicago closed on November 30, 2004. The final sale price was $67.4 million in cash. CIB Marine used $23.6 million of the proceeds to repay all indebtedness under its revolving line of credit, injected $15.0 million of new capital into Central Illinois Bank and repaid a $5.4 million short-term loan from the purchaser. The balance of the proceeds are being utilized to help

fund ongoing operations and to meet the liquidity needs of the parent company. The sale resulted in a pre-tax gain for financial statement purposes of approximately $15.2 million. At the time of sale, CIB — Chicago had approximately $1.2 billion in assets and $1.1 billion in deposits. The total consolidated assets of CIB Marine immediately after the sale were approximately $1.4 billion. The sale of CIB — Chicago significantly improved the financial condition of the company. As a result of the sale of CIB — Chicago, CIB Marine and all of its subsidiary banks currently meet the capital requirements of the regulatory orders and agreements and are expected to meet their respective liquidity needs through 2005.

- *Sale and Wind Down of Nonbank Subsidiaries.* During 2004 and 2005, CIB Marine divested itself of certain nonbank subsidiaries and commenced the wind down of certain other nonbank subsidiaries in order to more narrowly focus its resources on its core commercial and retail banking strategies.
  - CIB Marine Commercial Finance, LLC. In June 2004, CIB — Chicago sold substantially all of the assets and operations of its factoring subsidiary, CIB Marine Commercial Finance, LLC. This company was subsequently dissolved in November 2004.
  - Mortgage Services, Inc. During the third quarter of 2004, CIB Marine sold substantially all of the assets and operations of Mortgage Services, Inc, its mortgage banking subsidiary. CIB Marine is in the process of winding down the remaining affairs, and has incurred certain liabilities with respect to the operations of this company. These liabilities, totaling $1.8 million and $1.7 million as of December 31, 2004 and September 30, 2005, respectively, include repurchase obligations relative to certain mortgage loans as a result of external fraud and/or documentation issues, and certain reporting penalties.
  - CIB Marine Capital, LLC. During 2004, CIB Marine continued to wind down CIB Marine Capital, LLC, its mezzanine lending company. There were $3.4 million and $0.9 million in loans outstanding at December 31, 2004 and September 30, 2005, respectively.
  - CIB Construction/Canron. In 2003, Canron, a steel fabrication company that CIB — Chicago acquired 84% of in foreclosure, commenced a voluntary liquidation and wind down of its affairs. During 2004, Canron continued this plan and sold several of its properties and operations. At December 31, 2004 and June 30, 2005, Canron had assets of approximately $14.6 million and $11.1 million, respectively. In August 2005, Canron authorized and began liquidation distributions to its shareholders. CIB Marine received a cash distribution of $0.8 million and recorded the amount as a reduction of its investment in Canron.
  - MICR, Inc. CIB Marine is continuing its efforts to sell MICR, a manufacturer of payment processing systems that was acquired from a borrower in lieu of foreclosure in 2000. In January 2005, CIB Marine retained the services of an investment banker to assist in the marketing and sale of MICR. At December 31, 2004, MICR had assets of approximately $4.6 million and liabilities of approximately $0.9 million. In January 2005, MICR met the accounting criteria as an asset held for sale. Based upon new valuation information received in the third quarter of 2005, CIB Marine posted a $1.3 million impairment loss and reduced its investment carrying value of MICR by that amount.
- *Cost Controls and Reduction in Force Program.* In June 2004, CIB Marine began an overall cost cutting program which included restrictions on salaries and hiring, tight expense controls, and some executive management salary reductions. During 2004 and the first nine months of 2005, CIB Marine reduced its work force by a total of 102 full-time equivalent employees with a total annual base pay of $4.9 million and incurred severance expense totaling $0.7 million.
- *Branches Planned for Sale.* CIB Marine currently has twelve branches planned to be offered for sale in the second half of 2005 and the first half of 2006 with total June 30, 2005 deposits of $131.8 million. Although these are all currently planned activities, it is possible some of these transactions may not be consummated as anticipated in the proposed time frames, or at all, if pricing is not acceptable or market conditions change.

- *Charter Consolidation.* During the third and fourth quarters of 2005, CIB Marine filed applications with the appropriate state and federal regulators to merge Marine FSB into Marine — Wisconsin. Prior to the merger, CIB Marine plans to sell the Omaha and Sun City branch facilities of Marine FSB to an unrelated third party. CIB Marine may also consider the consolidation of additional charters in the future as part of its strategy to become more efficient.

Additional Plans and Developments

These actions have stabilized the company and resulted in a significant improvement in its financial condition. The company also believes that while it was not profitable in 2004, and does not expect to be profitable in 2005, that these actions have laid the groundwork for the company to eventually return to profitability. Returning to profitability will depend upon whether CIB Marine is successful in growing its loan portfolio, improving its net interest margin, improving asset quality, further enhancing its credit processes and procedures and reducing overhead expenses, including ongoing collection and legal fees, and mitigating its legal risks.

With respect to CIB Marine's legal risks, the company and/or certain of its officers and directors (past and present) have been named as defendants in a lawsuit purported to be brought on behalf of CIB Marine shareholders that relate to their purchase of CIB Marine stock. CIB Marine believes this lawsuit is without merit and is aggressively defending the company's interests against this and any other lawsuits that it considers to be baseless.

All of the steps CIB Marine has taken to date to improve the company's financial position, liquidity and operations will enhance its ability to serve the banking needs of the communities of its five remaining banks. Specifically, during 2005, four new Chief Executive Officers were appointed to lead CIB Marine's subsidiary banks:

- Michael J. Miller as President and CEO of Marine Bank, Wisconsin. Mr. Miller previously served as Chief Lending Officer of CIB Marine;
- Rick Nisbeth as Chairman and CEO of Citrus Bank, N.A;
- Jerry Schwallier as President and CEO of Marine Bank, FSB; and
- Joseph Henderson as President and CEO of Central Illinois Bank.

In April 2005, the Cease and Desist Orders at Marine — Wisconsin and CIB — Indiana were released and replaced with less restrictive Memoranda of Understanding, which were entered into in March 2005, as a result of improvements at such banks. In April 2005, Central Illinois Bank, Marine — Wisconsin and CIB — Indiana each entered into a Memorandum of Understanding with the FDIC and its applicable state banking regulators as a result of deficiencies in internal controls over information technology.

Additional Information

See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8, "Financial Statements and Supplementary Data" for more details regarding certain of the above described items.

Markets Served

At December 31, 2003, CIB Marine served eight geographic markets or regions through its banking subsidiaries. Information on these banks as of December 31, 2003 and the markets they served is set forth in the following table:

Bank	Geographic Market/Region	Operated Since	Banking Facilities	Assets	Deposits
				(Dollars in millions)	
CIB — Chicago(1)	Chicago metropolitan area	1994	16	$1,501.2	$1,314.8
Central Illinois Bank	Central Illinois	1987	18	887.8	796.0
Marine — Wisconsin	Milwaukee metropolitan area	1997	7	358.4	320.0
Citrus Bank	Florida's southeastern coast	2001	8	211.6	182.3
CIB — Indiana	Indianapolis metropolitan area	1998	5	156.8	141.0
Marine FSB	Omaha, Phoenix and Las Vegas metropolitan areas	1999	3	96.2	86.9

(1) CIB — Chicago was sold on November 30, 2004.

Development of Banking Operations

CIB Marine was originally incorporated in the State of Illinois in 1985 as Sidney Bancorporation, Inc., a one-bank holding company headquartered in Sidney, Illinois. In September 1987, a group of investors acquired Sidney Bancorporation, which at the time had total assets of $9.4 million, and subsequently changed its name to Central Illinois Bancorp, Inc. On August 27, 1999, Central Illinois Bancorp reincorporated as a Wisconsin corporation and changed its name to CIB Marine Bancshares, Inc.

Central Illinois

At the time of the change in ownership in September 1987, CIB Marine had a single banking subsidiary, Sidney Community Bank, an Illinois state bank. The bank was originally organized in 1958 and had its sole office in Sidney, Illinois, a town with a population of approximately 1,000 people, located in Champaign County. In 1988, CIB Marine expanded into the Champaign-Urbana market, a community of approximately 100,000 people and home to the University of Illinois, changed the name of the bank to Central Illinois Bank and relocated its main office to Champaign, Illinois.

In October 1991, CIB Marine acquired Arrowsmith State Bank, an Illinois state bank organized in 1920. This bank had its sole office in Arrowsmith, Illinois, a town with a population of approximately 350, located in McLean County. At the time of the acquisition, the Arrowsmith bank had total assets of approximately $10.0 million. This acquisition allowed CIB Marine to enter the Bloomington-Normal market, a community of approximately 100,000 people, and home to Illinois State University. In July 1998, this bank was merged with Central Illinois Bank.

CIB Marine has expanded the operations of Central Illinois Bank by establishing banking facilities throughout central Illinois, including the five largest cities in this region. At December 31, 2003, the bank had total assets of $887.8 million, 173 full-time equivalent employees and 18 banking facilities: three in Champaign-Urbana, three in Peoria, and one each in Arrowsmith, Arthur, Bloomington-Normal, Danville, Decatur, East Peoria, Lincoln, Monticello, Morton, Rantoul, Sidney and Springfield.

Chicago Metropolitan Area

In June 1994, CIB Marine entered the Chicago metropolitan market through the acquisition of Hillside Investors, Ltd., a one-bank holding company located in Hillside, Illinois. The sole subsidiary of Hillside Investors was the Bank of Hillside, an Illinois state bank organized in 1963, with its main office located in Hillside, a suburb of Chicago. At the time of the acquisition, the Bank of Hillside had one banking facility and total assets of $34.5 million. In January 1995, the name of the bank was changed to CIB Bank.

CIB Marine expanded the operations of CIB — Chicago by establishing and acquiring banking facilities throughout the Chicago metropolitan area. At December 31, 2003, the bank had total assets of approximately $1.5 billion, 182 full-time equivalent employees and 16 banking facilities: one each in Arlington Heights, Bolingbrook, downtown Chicago, Deerfield, Elk Grove Village, Elmhurst, Frankfort, Gurnee, Harwood Heights, Hillside, Mount Prospect, Niles, Northbrook, Palos Heights, Willow Springs and Zion. The Gurnee, Mount Prospect, Arlington Heights and Zion facilities were acquired from other banking organizations and had $13.3 million, $33.0 million, $82.8 million and $28.2 million of deposit liabilities, respectively, at the time of acquisition. In January 2000, CIB — Chicago established a foreign office in the Cayman Islands which accepted Eurodollar deposits. On November 30, 2004, CIB Marine sold CIB — Chicago to another banking organization. In conjunction with the sale of CIB — Chicago, the Cayman Islands office was closed.

Milwaukee Metropolitan Area

In September 1997, CIB Marine entered the Milwaukee metropolitan area by acquiring First Ozaukee Capital Corp., a one-bank holding company located in Cedarburg, Wisconsin. The sole subsidiary of First Ozaukee Capital Corp. was First Ozaukee Savings Bank, a Wisconsin savings bank, with its main office in Cedarburg, and a banking facility in Grafton, both suburbs of Milwaukee. At the time of the acquisition, the bank had total assets of $37.6 million. In September 1997, CIB Marine changed the name of the bank to Marine Bank and Savings. In February 2000, CIB Marine converted the savings bank's charter to a Wisconsin commercial bank, changed its name to Marine Bank and moved its main office to its Wauwatosa facility.

CIB Marine expanded the operations of Marine — Wisconsin by establishing banking facilities throughout the Milwaukee metropolitan area. At December 31, 2003, the bank had total assets of $358.4 million, 55 full-time equivalent employees and seven banking facilities: one each in Brookfield, Cedarburg, Franklin, Grafton, downtown Milwaukee, Wauwatosa, and Pewaukee, which also serves as CIB Marine's executive offices.

Indianapolis Metropolitan Area

In March 1998, CIB Marine entered the Indianapolis metropolitan area by organizing a new Indiana state bank, also under the name CIB Bank. Since its organization, CIB Marine has expanded the operations of CIB — Indiana by establishing four additional banking facilities in the Indianapolis metropolitan area. At December 31, 2003, CIB — Indiana had total assets of $156.8 million, 29 full-time equivalent employees and five banking facilities.

Omaha Metropolitan Area

In November 1999, CIB Marine entered the Omaha metropolitan area by establishing a new federal savings bank also under the name Marine Bank. In January 2003, the main office was moved from the Omaha facility to the Scottsdale, Arizona facility. At December 31, 2003, Marine FSB had total assets of $96.2 million, 18 full-time equivalent employees and three banking facilities, one each in Omaha, Nebraska; Scottsdale, Arizona; and Henderson, Nevada, a suburb of Las Vegas. In February 2004, Marine FSB opened a new banking facility in Sun City, Arizona.

Florida

In September 2001, CIB Marine acquired Citrus Financial Services, Inc., including its banking subsidiary Citrus Bank, N.A., through a merger transaction. The merger was accounted for as a pooling of interests. At acquisition, Citrus Bank had total assets of $84.2 million and three banking facilities located along central Florida's Atlantic coast, one each in Vero Beach, Sebastian and Barefoot Bay, and a loan production office in Sebring. In December 2001, CIB Marine converted its CIB — Chicago loan production office in North Miami Beach to a full-service banking facility of Citrus Bank. In January 2002, CIB Marine converted the bank's loan production office in Sebring to a full-service banking facility. During April 2003, CIB Marine established banking facilities in Boca Raton, Miami and Coral Gables. At December 31, 2003, Citrus Bank had total assets of $211.6 million, 53 full-time equivalent employees and eight banking facilities, one each in Vero Beach, Sebastian, North Miami Beach, Barefoot Bay, Sebring, Boca Raton, Miami and Coral Gables.

Phoenix Metropolitan Area

In October 2001, CIB Marine entered the Phoenix metropolitan area by establishing a banking facility of Marine FSB in Scottsdale, Arizona. In January 2003, this facility became the main office of Marine FSB. In February 2004, a second banking facility in the Phoenix metropolitan area was opened in Sun City.

Las Vegas Metropolitan Area

In January 2002, CIB Marine entered the Las Vegas metropolitan area by establishing a banking facility of Marine FSB in Henderson, Nevada.

Operations of Nonbank Subsidiaries

At December 31, 2003, CIB Marine also had five wholly-owned nonbanking subsidiaries or affiliates: Mortgage Services, Inc., CIB Marine Capital, LLC, CIB Marine Commercial Finance, LLC, CIB Marine Information Services, Inc., and MICR, Inc.

Mortgage Services, Inc.

In September 1995, CIB Marine acquired Mortgage Services of Illinois, Inc., a mortgage origination and mortgage brokerage services company. In 1998, CIB Marine changed the name of this subsidiary to Mortgage Services, Inc ("Mortgage Services"). This subsidiary is an Illinois corporation and conducted retail and wholesale mortgage operations in a number of states. CIB Marine sold substantially all of these mortgage loans in the secondary market with servicing rights released. As of December 31, 2003, Mortgage Services had 112 full-time equivalent employees. Mortgage Services does not separately own any facilities, and its principal office was located in the Bloomington facility of Central Illinois Bank. Mortgage Services employees also provided mortgage origination and mortgage brokerage services at many of the other branch facilities of CIB Marine's subsidiary banks. CIB Marine sold the operations of Mortgage Services in the third quarter of 2004. CIB Marine is in the process of winding down the remaining affairs of Mortgage Services. CIB Marine offers residential mortgage loans through its subsidiary banks.

CIB Marine Capital, LLC

On April 3, 2001, CIB Marine established CIB Marine Capital, LLC ("CIB Marine Capital"), a Wisconsin limited liability company. CIB Marine Capital provided leveraged financing, including mezzanine loans. Typically, the collateral coverage on these loans is insufficient to secure a senior debt position. These loans are, by their nature, inherently riskier than senior debt position loans. At December 31, 2003, CIB Marine Capital had total loans outstanding of $19.0 million. CIB Marine Capital does not separately own any facilities and its principal office was located in the Hillside, Illinois facility of CIB — Chicago. During 2003, CIB Marine ceased to offer new loans through CIB Marine Capital and began winding down its affairs, including the sale and collection of outstanding loans.

CIB Marine Commercial Finance, LLC

In August 2002, CIB Marine acquired certain of the assets of a receivables factoring business through CIB Marine Commercial Finance, LLC ("Commercial Finance"), an Illinois limited liability company and a wholly-owned subsidiary of CIB — Chicago. The assets were acquired from a borrower who was in default of its obligations to CIB Marine and other lenders. CIB Marine Commercial Finance, LLC provided the factoring of receivables and other asset-based lending products to borrowers. At December 31, 2003, CIB Marine Commercial Finance, LLC had total assets of $12.0 million and 13 full-time equivalent employees. CIB Marine Commercial Finance, LLC did not own any facilities and its principal office was located in the Hillside, Illinois facility of CIB — Chicago. CIB Marine sold the operations of this company in

June 2004 and dissolved the company in November 2004. For more information on this company, see Note 3 — Business Combinations in Item 8 of this Form 10-K.

CIB Marine Information Services, Inc.

CIB Marine Information Services, Inc. ("CIB Marine Information"), an Illinois corporation, was incorporated as a wholly-owned subsidiary of CIB Marine in August 1990 as CIB Data Processing Services, Inc. In 2002, CIB Marine changed its name to CIB Marine Information Services, Inc. This subsidiary was organized to provide in-house data processing services, coordinate computer equipment leases and purchases, license banking software and coordinate operation of CIB Marine software. CIB Marine Information facilitates internal operational needs and does not provide services to third parties. As of December 31, 2003, CIB Marine Information had 71 full-time equivalent employees. CIB Marine Information does not separately own any facilities, and its principal office is located in Mt. Prospect, Illinois.

MICR, Inc.

In 2000, CIB Marine acquired and/or assumed, through MICR, Inc. ("MICR"), a wholly-owned subsidiary of CIB — Chicago, the business and certain assets and liabilities of a manufacturer of payment processing systems. The business was acquired from a borrower, who was in default of its obligations, in lieu of foreclosure or other legal action. The principal business of this manufacturer, which operates under the name Maverick International, is the design, development, assembly, distribution and servicing of magnetic ink character recognition check encoders and related embedded software for small and medium-sized financial institutions, as well as to large retailers and independent remittance processors. This business was classified as a held for disposal asset at December 31, 2003, 2002 and 2001. As of the acquisition date, MICR was recorded at $6.5 million, which represented the approximate fair value, as determined by an independent appraiser, of the business, less estimated costs to sell. Dividends totaling $0.8 million, $1.5 million and $0.8 million were paid by MICR to CIB Marine during 2003, 2002 and 2001, respectively. The business has generated profits in each of the prior four years and CIB Marine believes that it is likely the business will continue to generate profits. CIB Marine cannot, however, provide assurances that these profits will continue or that there will not be losses with respect to this business in the future. Pre-tax net income was $1.1 million, $1.2 million and $1.2 million for 2003, 2002 and 2001, respectively. During 2003, goodwill of $2.0 million attributable to MICR was determined to be impaired and was written off. As of December 31, 2003, MICR had total assets of $4.6 million and $0.6 million in liabilities. MICR does not separately own any facilities. CIB Marine continues its efforts to sell MICR. For more information on this company see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Companies Held for Disposal" and "Subsequent Events — MICR, Inc.," and Note 9 — Companies Held for Disposal in Item 8 of this Form 10-K.

CIB Construction, LLC

In 2002, CIB Marine acquired through its wholly-owned subsidiary, CIB Construction, LLC, a wholly-owned subsidiary of CIB — Chicago, 84% of Canron Corporation, a steel fabrication and erection company that had operations in the United States, Canada and Mexico. Canron was acquired from a borrower who was in default of its obligations to CIB Marine and it is classified as an asset held for disposal. In September 2003, Canron commenced a voluntary liquidation and winding down of its affairs. In the fourth quarter of 2003, Canron sold its Western Canadian, Western United States and Mexico operations. At December 31, 2003, CIB Construction had $29.0 million in assets and $28.5 million in liabilities. These amounts reflect estimated liquidation values net of selling costs. For more information on this company see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Companies Held For Disposal" and "Subsequent Events — Canron," Note 3 — Business Combinations and Note 9 — Companies Held for Disposal in Item 8 of this Form 10-K.

Management Support Services

In addition to the support services provided by its nonbank subsidiaries, CIB Marine, as a holding company, performs a significant portion of its subsidiaries' back office services, including credit administration, treasury and asset/liability management support services, loan review, accounting, finance, audit, operations, human resources, legal, marketing and advertising. CIB Marine believes it is more efficient for it to consolidate these services in order to assure that its operating policies and procedures are consistent throughout the organization. This also enables CIB Marine to more efficiently manage the costs of these services than if these services were performed independently at each subsidiary. At December 31, 2003, CIB Marine had 192 full-time equivalent employees at the holding company level, a majority of who are providing the described services to its subsidiaries.

Total Employees

At December 31, 2003, CIB Marine and all of its bank and nonbank subsidiaries had a combined total of 898 full-time equivalent employees. Including Canron Corporation and MICR, which are held for disposal. CIB Marine had a total of 947 full-time equivalent employees.

COMPETITION

The banking industry is highly competitive. CIB Marine's subsidiary banks compete for loans, deposits and other financial services in their markets and surrounding areas. CIB Marine competes with other financial institutions, money market and other mutual funds, insurance companies, brokerage companies and other non-depository financial service companies, including certain governmental organizations which may offer subsidized financing at lower rates than those offered by CIB Marine. Many of these financial firms have a regional or national presence and resources many times greater than those of CIB Marine. In addition, new financial companies such as money market mutual funds, brokerage companies and other nonbanking organizations are not subject to the same regulations and laws that govern the operation of traditional depository institutions.

Recent changes in federal and state laws have resulted in and are expected to continue to result in increased competition. The reductions in legal barriers to the acquisition of banks resulting from the implementation of interstate banking laws, the Gramm-Leach-Bliley Act (the "GLBA"), and other recent and proposed changes, are expected to continue to further stimulate competition in the markets in which CIB Marine operates, although it is not possible to predict the extent or timing of such increased competition.

SUPERVISION AND REGULATION

General

Bank holding companies and financial institutions are extensively regulated under both federal and state law. Any significant change in the banking laws and regulations applicable to CIB Marine or its banking subsidiaries could materially impact CIB Marine's operations or change the manner in which it conducts business. Federal and state regulation of financial institutions is intended primarily for the protection of the federal deposit insurance funds and depositors.

CIB Marine is a registered bank holding company under the Bank Holding Company Act of 1956, as amended (the "BHCA"), and is regulated by the Federal Reserve Board. Marine FSB is a federal savings bank, and its primary regulator is the Office of Thrift Supervision (the "OTS"). Citrus Bank is a national bank, and its primary regulator is the Office of the Comptroller of the Currency (the "OCC"). CIB Marine's other bank subsidiaries are regulated by the Federal Deposit Insurance Corporation (the "FDIC"), as their primary federal regulator, and also by the state banking regulator for the state in which they are chartered: The Division of Banks and Real Estate of the Illinois Department of Financial and Professional Regulation (the "DBRE"), the Wisconsin Department of Financial Institutions, or the Indiana Department of Financial Institutions. CIB Marine's mortgage banking subsidiary is regulated by the DBRE, and regulators in certain other states in which Mortgage Services conducts operations.

CIB Marine and its nonbank subsidiaries are subject to examination by the Federal Reserve Board. The state banking regulators and FDIC periodically conduct examinations of CIB Marine's state bank subsidiaries and nonbank subsidiaries that are under their regulatory authority. The OTS periodically conducts examinations of Marine FSB. The OCC periodically conducts examinations of Citrus Bank. The FDIC may also conduct special examinations of Marine FSB and Citrus Bank.

The bank regulatory agencies have extensive oversight authority relative to the depository holding companies and institutions that they supervise. They have been granted wide-ranging enforcement and supervision powers and exercise this authority to ensure that depository holding companies and institutions under their jurisdiction operate on a safe and sound basis and in compliance with applicable laws. Holding companies and institutions that fail to conduct their operations in a safe and sound basis or in compliance with applicable laws can be compelled by the regulators to change the way they do business and may be subject to regulatory enforcement actions, including encumbrances imposed on their operations. CIB Marine and each of its subsidiary banks, except Marine FSB, are subject to a Written Agreement, Cease and Desist Order or Memorandum of Understanding. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Regulatory Matters."

The following discussion summarizes the material elements of the regulatory framework applicable to CIB Marine and its subsidiaries. It is not meant to be a complete discussion of all the federal and state banking statutes and regulations applicable to CIB Marine and its subsidiaries. To the extent this discussion describes statutory and regulatory provisions, it is qualified in its entirety by reference to those provisions.

Expansion Activities

The BHCA requires every bank holding company to obtain the prior approval of the Federal Reserve Board before merging with another bank holding company, acquiring substantially all the assets of any bank or bank holding company, or acquiring directly or indirectly any ownership or control of more than 5% of the voting shares of any bank. The BHCA also prohibits a bank holding company, with particular exceptions, from acquiring direct or indirect ownership of more than 5% of the voting shares of any company which is not a bank or bank holding company and from engaging in any business other than that of banking, managing and controlling banks, or furnishing services to banks and their subsidiaries. Bank holding companies may, however, engage in some businesses and activities determined by the Federal Reserve Board to be closely related to banking or managing and controlling banks.

Interstate Banking and Branching

Under the Riegle-Neal Interstate Banking and Branching Efficiency Act (the "Riegle-Neal"), subject to certain concentration limits and other requirements, including having adequate capitalization and management:

- bank holding companies like CIB Marine are permitted to acquire banks and bank holding companies located in any state;
- any bank that is a subsidiary of a bank holding company is permitted to receive deposits, renew time deposits, close loans, service loans and receive loan payments as an agent for any other bank subsidiary of that bank holding company; and
- banks are permitted to acquire branch offices outside their home states by merging with out-of-state banks, purchasing branches in other states and establishing de novo branch offices in other states. The ability of banks to engage in branching activities in other states through purchase or de novo establishment is contingent, however, on the host state having adopted legislation "opting in" to those provisions of Riegle-Neal. In addition, the ability of a bank to merge with a bank located in another state is contingent on the host state not having adopted legislation "opting out" of that provision of Riegle-Neal. Federal Savings Banks such as Marine FSB are permitted to establish de novo branches outside their home state with OTS approval.

Financial Modernization Legislation

The Gramm-Leach-Bliley Act of 1999 and its implementing regulations (the "GLBA") significantly changed financial services regulations by expanding permissible nonbanking activities and removing barriers to affiliations among banks, insurance companies, securities firms and other financial services entities. As a result of the GLBA, a bank holding company may become a "Financial Holding Company" and engage in a full range of financial activities, including banking, insurance and securities activities, merchant banking and additional activities that are determined by the Federal Reserve to be "financial in nature", "incidental" to such financial activities or complementary activities that do not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally. The provisions of the GLBA became effective March 11, 2000.

In order to qualify as a Financial Holding Company, a bank holding company is required to file a declaration with the Federal Reserve Board certifying that all of its insured depository institutions are "well capitalized" and "well managed". In addition, the Federal Reserve must also determine that each of the company's insured depository institutions has received at least a satisfactory rating in their most recent Community Reinvestment Act ("CRA") examination. CIB Marine has not elected to become a Financial Holding Company and would not presently be able to do so.

The GLBA also allows passive investments by Financial Holding Companies in any type of financial or nonfinancial company through merchant bank and insurance company investments, provides an enhanced framework for protecting the privacy of consumer information, and broadens the activities which may be conducted by national banks. Through a financial subsidiary, and subject to certain eligibility requirements and restrictions, a national bank may engage in any activity authorized for a national bank directly or any financial activity, except insurance investments or underwriting, real estate investments or development, or merchant banking, which may be conducted through a Financial Holding Company. Because Wisconsin, Illinois and Indiana provide for parity with national banks, the state chartered subsidiary banks of CIB Marine will be able to form subsidiaries and engage in the activities permitted for national bank subsidiaries.

The GLBA also established a system of federal and state regulation based on functional regulation, meaning that primary regulatory oversight for a particular activity generally resides with the federal or state regulator having the greatest expertise in the area. Banking is to be supervised by banking regulators, insurance by state insurance regulators and securities activities by the Securities and Exchange Commission ("SEC") and state securities regulators.

The GLBA also limits the ability of depository and other financial institutions to disclose nonpublic information about consumers to nonaffiliated third parties. Pursuant to these rules, such institutions must adopt privacy policies and provide initial notices to customers about them describing the conditions under which they may disclose nonpublic personal information to nonaffiliated third parties and affiliates; annual notices to current customers about their privacy policies; and a reasonable method for customers to "opt-out" of disclosures to nonaffiliated third parties. These privacy provisions affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors.

Capital Standards

The federal banking agencies impose risk-based capital requirements and guidelines on bank holding companies and banks to provide for a measure of capital that reflects the degree of risk associated with a banking organization's operations for both transactions reported on the balance sheet as assets and those recorded as off-balance sheet items. A bank holding company or bank's capital, in turn, is divided into two tiers:

- core capital (commonly referred to as Tier 1 capital), which generally includes common equity, qualifying noncumulative perpetual preferred stock, and for bank holding companies, a limited amount of qualifying cumulative perpetual preferred stock, and minority interests in equity accounts of consolidated subsidiaries (including trust preferred securities, provided that not more than 25% of the qualifying Tier 1 capital may consist of trust preferred securities), less goodwill and certain other intangible assets; and

- supplementary capital (commonly referred to as Tier 2 capital), which includes, among other items, perpetual preferred stock not meeting the Tier 1 definition, mandatory convertible securities, and limited amounts of subordinated debt and reserves for credit losses.

Bank holding companies and banks are currently required to maintain Tier 1 capital equal to at least 4% and "total capital" (the sum of Tier 1 and Tier 2 capital) equal to at least 8% of its total risk-weighted assets, including certain off-balance-sheet items, such as unused lending commitments and standby letters of credit.

The Federal Reserve Board, the FDIC and the OCC have also adopted rules to incorporate market and interest rate risk components into their risk-based capital standards. Amendments to the risk-based capital requirements, incorporating market risk, became effective January 1, 1998. Under these market risk requirements, capital must be allocated to support the amount of market risk related to a financial institution's ongoing trading activities.

The Federal Reserve Board also requires bank holding companies to maintain a minimum "leverage ratio" of Tier 1 capital to adjusted total assets of 3% if the bank holding company has the highest regulatory rating and meets certain other requirements, or 3% plus an additional cushion of at least 100 to 200 basis points if the bank holding company does not meet these requirements. Federal regulators have imposed similar requirements on banks.

The regulators may set capital requirements higher than the minimums noted above for banks and bank holding companies whose circumstances warrant it. For example, bank holding companies experiencing or anticipating significant growth may be expected to maintain strong capital positions substantially above the minimum supervisory levels without significant reliance on intangible assets. Furthermore, the Federal Reserve Board has indicated that it will consider a "tangible Tier 1 capital leverage ratio" (deducting all intangibles) and other indications of capital strength in evaluating proposals for expansion or new activities.

At December 31, 2003, CIB Marine was not in compliance with these minimum capital requirements. At December 31, 2003, CIB Marine's banking subsidiaries were in compliance with those requirements except CIB — Chicago. For more information about the regulatory capital levels of CIB Marine and its bank subsidiaries, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Capital" and Note 15 — Stockholders' Equity in Item 8 of this Form 10-K.

On January 30, 2003, CIB — Chicago entered into a Memorandum of Understanding (the "Memorandum") with the DBRE and the FDIC. The Memorandum was entered into as a result of a deterioration in the credit quality of the loan portfolio, the level of concentrations of credit, and weaknesses in the credit administration process. Pursuant to the Memorandum, CIB — Chicago agreed to take certain actions to correct noted deficiencies and to maintain a Tier 1 capital level equal to or exceeding 8% of the bank's total assets as calculated in accordance with Part 325 of the FDIC rules and regulations ("Part 325"), 12 C.F.R. Part 325 during the period in which the Memorandum was in effect. In the event such ratio is less than 8% as of June 30 or December 31 of each calendar year the Memorandum is in effect, the bank is required within 30 days thereof to submit to the regulators a plan for the augmentation of the bank's capital accounts. Also, unless prior written consent is received from the regulators, CIB — Chicago agreed to restrict its loan growth to no more than 2% during any consecutive three-month period and suspend the declaration or payment of dividends without regulatory approval. For additional information relative to the Memorandum, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Regulatory Matters" and Note 15 — Stockholders' Equity in Item 8 of this Form 10-K.

The Memorandum was superceded by a joint Cease and Desist Order entered into by CIB — Chicago with the FDIC and DBRE with an effective date of May 29, 2004. Pursuant to the Cease and Desist Order, CIB — Chicago is required to maintain a Tier 1 capital level equal to or exceeding 8% of the bank's total assets as calculated in accordance with Part 325 of the FDIC rules and regulations ("Part 325"), 12 C.F.R. Part 325. The Order further required CIB — Chicago to submit a plan within 60 days of the date of the required determination to increase its capital ratio to 8%. If it is below such threshold, CIB — Chicago would be required to prepare and submit to the regulators a plan to raise CIB — Chicago's capital ratio to 8%. Central Illinois Bank, Marine — Wisconsin and CIB — Indiana entered into similar orders with the FDIC and their applicable state banking regulators and CIB Marine entered into a Written Agreement providing for similar terms with the Federal Reserve Bank, each effective May 29, 2004. On August 19, 2004, Citrus Bank entered into a similar written agreement with the OCC. In April 2005, the Cease and Desist Orders at CIB — Indiana and Marine — Wisconsin were released and replaced with Memoranda of Understanding, which were entered into in March 2005, and Central Illinois Bank, Marine — Wisconsin and CIB — Indiana entered into Memorandum of Understandings with the FDIC and their state banking regulators as a result of deficiencies related to information technology. For additional information relative to the Cease and Desist Orders and Written Agreement, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Regulatory Matters" and Note 15 — Stockholders' Equity in Item 8 of this Form 10-K.

Liability for Bank Subsidiaries

Under current Federal Reserve Board policy, a bank holding company is expected to act as a source of financial and managerial strength to each of its subsidiary banks and to maintain resources adequate to support each subsidiary bank. This support may be required at times when the bank holding company may not have the resources to provide it. In addition, Section 55 of the National Bank Act permits the OCC to order the pro rata assessment of a stockholder of a national bank whose capital has become impaired. If a stockholder, like CIB Marine, failed within three months, to pay that assessment, the OCC could order the sale of the stockholder's stock to cover the deficiency. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank would be assumed by the bankruptcy trustee and entitled to priority of payment.

Any depository institution insured by the FDIC can be held liable for any loss incurred, or reasonably expected to be incurred, by the FDIC in connection with:

- the "default" of a commonly controlled FDIC insured depository institution, or
- any assistance provided by the FDIC to a commonly controlled FDIC insured depository institution "in danger of default."

"Default" is generally defined as the appointment of a conservator or receiver and "in danger of default" is generally defined as the existence of certain conditions indicating that default is likely to occur in the absence of regulatory assistance. All of CIB Marine's subsidiary banks are FDIC insured depository institutions and could be liable to the FDIC if it were to suffer a loss in connection with any one of them. This liability would be subordinated in right of payment to deposit liabilities, secured obligations, any other general debt or senior liability and any obligation subordinated to depositors or other general creditors, other than obligations owed to all affiliates of the depository institutions, subject to certain exceptions.

Also, if default occurred with respect to a CIB Marine subsidiary bank, any capital loans to that bank from CIB Marine would be subordinate in right of payment to the bank's depositors and certain of its other obligations. At December 31, 2003, CIB Marine did not have any capital loans to any of its subsidiary banks.

Safety and Soundness Guidelines

The federal banking agencies have adopted guidelines to assist in identifying and addressing potential safety and soundness concerns before capital becomes impaired. The guidelines establish operational and managerial standards relating to internal controls, information systems, and internal audit systems; loan documentation; credit underwriting; interest rate exposure; asset growth and asset quality; and compensation, fees, and benefits. In addition, the federal banking agencies have adopted safety and soundness guidelines for asset quality and for evaluating and monitoring earnings to ensure that earnings are sufficient for the maintenance of adequate capital and reserves.

Prompt Corrective Action

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") requires the federal banking regulators to take prompt corrective action in respect to FDIC insured depository institutions that do not meet minimum capital requirements. FDICIA establishes five capital tiers: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized." A depository institution's capital tier depends upon how its capital levels compare to various relevant capital measures and certain other factors established by regulation. Under applicable regulations, an FDIC insured bank is defined as well capitalized if it maintains a leverage ratio or Tier 1 capital to quarterly average total assets of at least 5%, a total capital ratio or qualifying total capital to risk-weighted assets, including certain off-balance sheet items, of at least 10% and a Tier 1 capital ratio or Tier 1 capital to risk-weighted assets of at least 6% and is not otherwise in a "troubled condition" as specified by its appropriate federal regulatory agency.

A bank is generally considered to be adequately capitalized if it is not defined as well capitalized but meets all of its minimum capital requirements: a leverage ratio of 4% or greater (or 3% or greater if it receives the highest composite examination rating by its examiners, subject to appropriate federal banking agency guidelines); a total capital ratio of 8% or greater; and a Tier 1 Capital Ratio of 4% or greater. A bank will be considered undercapitalized if it fails to meet any minimum required measure, significantly undercapitalized if it is significantly below such measure and critically undercapitalized if it maintains a level of tangible equity capital equal to or less than 2% of total assets. A bank may be reclassified to be in a capitalization category that is next below that indicated by its actual capital position if it receives a less than satisfactory examination rating by its examiners with respect to its assets, management, earning, or liquidity that has not been corrected, or it is determined that the bank is in an unsafe or unsound condition or engages in an unsafe or unsound practice. The federal banking agencies, however, may not treat a significantly undercapitalized institution as critically undercapitalized unless its capital ratio actually warrants such treatment.

FDICIA generally prohibits a depository institution from making any capital distribution, including payment of dividends or paying any management fee to its holding company, if the depository institution would thereafter be undercapitalized. Undercapitalized depository institutions are subject to growth limitations and are required to submit a capital restoration plan to become adequately capitalized. If a depository institution fails to submit an acceptable plan, it is treated as if it is significantly undercapitalized.

Under FDICIA, a bank that is not well capitalized is generally prohibited from accepting or renewing brokered deposits and offering interest rates on deposits significantly higher than the prevailing rate in its normal market area or nationally depending upon where the deposits are solicited; in addition, "pass-through" insurance coverage may not be available for certain employee benefit accounts.

A number of additional requirements and restrictions may apply to significantly undercapitalized depository institutions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets and cessation of receipt of deposits from correspondent banks. Critically undercapitalized depository institutions may be restricted from making payments of principal and interest on subordinated debt and are subject to appointment of a receiver or conservator.

At December 31, 2003, pursuant to FDIC guidelines in 12 C.F.R. Part 325, CIB — Indiana, Marine FSB and Citrus Bank were categorized as well capitalized. Central Illinois Bank and Marine — Wisconsin were categorized as adequately capitalized, and CIB — Chicago was categorized as significantly undercapitalized, under the regulatory framework for prompt corrective action. In the second quarter of 2004, CIB — Chicago submitted to the FDIC a capital restoration plan which was accepted by the FDIC on August 9, 2004, and subsequently amended by CIB — Chicago to provide for the sale of the bank to restore its capital.

In addition to measures taken under the prompt corrective action provisions, banking organizations may be subject to potential enforcement actions by the federal banking agencies for unsafe or unsound practices in conducting their business for violations of any law, rule, regulation, or any condition imposed in writing by the agency or any written agreement with the agency. These enforcement actions may include the appointment of a conservator or receiver for a bank, the issuance of a cease and desist order that can be judicially enforced, the termination of a bank's deposit insurance, the imposition of civil money penalties, the issuance of directives to increase capital, the issuance of formal and informal agreements, the issuance of removal and prohibition orders against officers, directors and other institution-affiliated parties, and the enforcement of such actions through injunctions or restraining orders based upon a judicial determination that the agency would be harmed if equitable relief was not granted. Finally, pursuant to an interagency agreement, the FDIC may examine without the express permission of the institution's primary regulator any institution that has a substandard regulatory examination score or is considered undercapitalized.

Dividend Restrictions

The Federal Reserve Board's policy regarding dividends is that a bank holding company should not declare or pay a cash dividend which would impose undue pressure on the capital of its subsidiary banks or would be funded only through borrowing or other arrangements that might adversely affect a bank holding company's financial position. The Federal Reserve Board believes that a bank holding company should not initiate or continue cash dividends on its common stock unless its net income is sufficient to fully fund each dividend and its prospective rate of earnings retention appears consistent with its capital needs, asset quality and overall financial condition.

CIB Marine's ability to pay any dividends to its shareholders depends in large part on the ability of CIB Marine's subsidiary banks to pay it dividends. Federal law prohibits the payment of any dividends that would cause a bank to become undercapitalized. The ability of state chartered commercial banks to pay dividends is also subject to restrictions primarily under the banking laws of the state under which the bank is organized. In the case of CIB Marine's state chartered banks, the laws of Illinois, Indiana and Wisconsin are applicable. The ability of Marine FSB to pay dividends is subject to OTS regulations applicable to federal savings banks. The ability of Citrus Bank to pay dividends is subject to OCC regulations applicable to national banks. In addition, the Federal Reserve Board and the bank's regulators have the authority to prohibit CIB Marine and its subsidiary banks from paying dividends, depending upon CIB Marine's and the banks' financial condition, if such payment is deemed to constitute an unsafe or unsound practice.

Under Illinois law, a bank may generally pay dividends without the approval of the DBRE as long as the amount of the dividend does not exceed net profits then on hand, after first deducting from net profits the bank's losses and bad debts, and subject to certain additional requirements of the DBRE.

Under Wisconsin law, a bank that meets its regulatory capital requirement may declare dividends based upon undivided profits in an amount the board of directors considers expedient if the board has made provisions for the payment of all expenses, losses, reserves, taxes and interest accrued or due from the bank prior to declaring the dividend from undivided profits. If the bank has declared and paid dividends in either of the two immediately preceding years that exceeded net income for either of those two years, the bank may not declare or pay any dividend in the current year that exceeds year-to-date net income without the written consent of the Division of Banking.

Under Indiana law, a bank may pay dividends without the approval of the Indiana Department of Financial Institutions so long as its capital is unimpaired. In any event, dividends may not exceed undivided profits on hand, less losses, bad debts, certain depreciation and other expenses.

Under regulations of the OTS, the ability of a federal savings association to pay cash dividends and make other capital distributions is subject to certain limitations. An institution that desires to make a capital distribution may be required to file a notice or an application with the OTS 30 days prior to the proposed declaration of the dividend or approval of the proposed capital distribution by the board of directors of the association. Whether an association needs to file a notice or an application is relevant because the OTS may disapprove a notice or deny an application if it determines that the association will be undercapitalized, significantly undercapitalized or critically undercapitalized following the capital distribution, the distribution raises safety and soundness concerns or the distribution violates a prohibition contained in any statute, regulation, agreement between the association and the OTS or the FDIC, or a condition imposed on the association in an OTS approved application or notice. If neither the association nor its proposed capital distribution meet any of the criteria for filing a notice or an application, then the association does not need to file a notice or application with the OTS before making a capital contribution.

An association is required to file an application for a proposed capital distribution if it is not eligible for expedited treatment. An association is eligible for expedited treatment if it has a composite rating of 1 or 2, a satisfactory CRA rating or better, a compliance rating of 1 or 2, meets all of its capital requirements and has not been notified by supervisory personnel that it is a problem association or an association in troubled condition. Even if an association qualifies for expedited treatment, it must still file an application if the total amount of all of the capital distributions, including the proposed capital distribution by the association during the applicable calendar year, exceeds the association's net income for that year to date plus the association's retained net income for the preceding two years, or following the proposed capital distribution the association would not be adequately capitalized or the proposed capital distribution would violate a prohibition contained in any applicable statute, regulation or agreement between the association and the OTS or the FDIC, or violate a condition imposed on the association in an OTS-approved application or notice. The OTS defines capital categories, including "well capitalized" and "adequately capitalized" generally the same way as the other federal banking regulators.

An association is required to file a notice for a proposed capital distribution if it is not required to file an application for the distribution and following the proposed capital distribution, it would not be well capitalized or the proposed capital distribution would reduce the amount of, or retire any part of, the association's common or preferred stock or retire, with some exceptions, any part of debt instruments such as notes or debentures included in capital, or the association is a subsidiary of a savings and loan holding company.

Under regulations of the OCC, a national bank may pay dividends without the approval of the OCC if the total of all dividends, including the proposed dividend, declared by the bank in any calendar year do not exceed the bank's net income of that year to date plus the retained net income of the preceding two years, less any transfers to capital surplus. However, a national bank may not pay a dividend if the bank would be undercapitalized after the dividend payment is made. The OCC's prior approval is required for payment of dividends exceeding the limitations described above or where the dividend is to be paid in a form other than cash.

In 2003 a total of $22.3 million in dividends were paid to CIB Marine by its bank and nonbank subsidiaries. As of December 31, 2003, there was no stockholders' equity at the subsidiary banks that was available for payment of dividends to CIB Marine without approval by the applicable regulatory authorities. For additional information regarding the Memorandum, Cease and Desist Orders and Written Agreement, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Regulatory Matters" and Note 15 — Stockholders' Equity in Item 8 of this Form 10-K.

Federal Deposit Insurance

As FDIC-insured institutions, each of CIB Marine's subsidiary banks are required to pay deposit insurance premiums based on the risk each poses to the FDIC insurance funds. The FDIC has the authority to raise or lower assessment rates on insured deposits in order to achieve certain designated reserve ratios in the insurance funds and to impose special additional assessments. The FDIC has adopted a premium rate schedule, which provides for an assessment range of 0% to 0.27% of domestic deposits, depending on the capital category and supervisory category to which it is assigned. The FDIC may increase or decrease the assessment rate schedule on a semi-annual basis. The FDIC is also authorized to terminate an institution's deposit insurance upon a finding by the FDIC that the institution's financial condition is unsafe or unsound or that the institution has engaged in unsafe or unsound practices or has violated any applicable rule, regulation, order or condition enacted or imposed by the institution's regulatory agency. The termination of deposit insurance for CIB Marine's banks would have a material adverse effect on CIB Marine. In addition to its insurance assessment, each insured institution is subject to quarterly debt service assessments in connection with bonds issued by the government corporation that financed the federal savings and loan bailout. As of December 31, 2003, the banks' assessment rate was 0%, and the quarterly debt service assessment rate was 0.0152%. During the first quarter of 2004, the assessment rates for Central Illinois Bank, Marine — Wisconsin and CIB — Indiana were increased to 0.10% and CIB — Chicago was increased to 0.27%. Additionally, the quarterly debt service assessment rate for all banks was increased to 0.0154%. For further information on these assessments, see Subsequent Events — FDIC Premiums in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K.

Restrictions on Affiliate Transactions

Transactions between CIB Marine, its subsidiary banks and its nonbank subsidiaries are subject to a number of restrictions. Federal law imposes restrictions and limitations on CIB Marine's subsidiary banks from making extensions of credit to, or the issuance of a guarantee or letter of credit on behalf of, CIB Marine or other affiliates, the purchase of, or investment in, stock or other securities thereof, the taking of such securities as collateral for loans, and the purchase of assets of CIB Marine or other affiliates. Such restrictions and limitations prevent CIB Marine or other affiliates from borrowing from the subsidiary banks unless the loans are secured by marketable obligations of designated amounts. Further, such secured loans and investments by the subsidiary banks to or in CIB Marine or to or in any other affiliate are limited, individually, to 10% of the respective subsidiary bank's capital, allowance for loan losses and surplus, and such secured loans are limited in the aggregate to 20% of the respective subsidiary bank's capital, allowance for loan losses and surplus. All such transactions must be on terms that are no less favorable to the bank subsidiary than those that would be available from nonaffiliated third parties. Moreover, some state banking laws, like those in Illinois, impose restrictions on affiliate transactions similar to those imposed by federal law. Certain of CIB Marine's subsidiary banks have engaged in transactions with affiliates, including the making of loans to purchase CIB Marine stock. In connection with the cease and desist orders issued against CIB Marine's bank subsidiaries (see "Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations — Regulatory Matters"), CIB Marine's two Illinois bank subsidiaries were cited by the bank regulators for failure to comply with federal restrictions (and CIB — Chicago also was cited for failure to comply with the Illinois restrictions) on transactions with affiliates relating to lending transactions involving the stock of CIB Marine. See Note 2 — Restatement of 2002 and 2001 — Receivables from Sale of Stock in Item 8 of this Form 10-K. Federal Reserve Board policies also forbid the payment by bank subsidiaries of management fees which are unreasonable in amount or exceed the fair market value of the services rendered or, if no market exists, actual costs plus a reasonable profit.

Certain of the subsidiary banks had $9.4 million of loans outstanding to Canron Corporation at December 31, 2003. As Canron was acquired as a result of debt previously contracted, it is not subject to the restrictions on affiliate transactions for a period of two years, unless extended, which period may be extended up to an additional three years.

At December 31, 2003, CIB Marine's subsidiary banks had $22.7 million in outstanding principal balances on loans secured or partially secured by CIB Marine stock. Specific reserves on these loans were $0.1 million.

The restrictions on loans to directors, executive officers, principal stockholders and their related interests (collectively referred to herein as "insiders") contained in the Federal Reserve Act and Regulation O apply to all federally insured institutions. These restrictions include limits on loans to one borrower and conditions that must be met before such a loan can be made. There is also an aggregate limitation on all loans to insiders and their related interests. These loans cannot exceed the institution's total unimpaired capital and surplus, and the FDIC may determine that a lesser amount is appropriate. Insiders are subject to enforcement actions for knowingly accepting loans in violation of applicable restrictions. Regulation O institutions are not subject to the prohibitions of the Sarbanes-Oxley Act of 2002 on certain loans to insiders.

Qualified Thrift Lender

The Home Owners' Loan Act ("HOLA") requires savings associations such as Marine FSB to meet a qualified thrift lender ("QTL") test. To meet the QTL test, an association's "Qualified Thrift Investments" must total at least 65% of "portfolio assets." Under OTS regulations, portfolio assets are defined as total assets less intangibles, property used by a savings association in its business and liquid investments in an amount not exceeding 20% of assets. Qualified Thrift Investments generally consist of residential housing, small business, credit card and educational loans, and loans for personal, family and household purposes. A savings association that does not meet the QTL test must either convert to a bank charter or comply with the following restrictions on its operations:

- the association may not engage in any new activity or make any new investment, directly or indirectly, unless such activity or investment is permissible for a national bank;
- the branching powers of the association shall be restricted to those of a national bank;
- the institution shall not be eligible to obtain any advances from its FHLB; and
- payment of dividends by the association shall be subject to the rules regarding payment of dividends by a national bank.

Upon the expiration of three years from the date the association ceases to be a QTL, it must cease any activity and not retain any investment not permissible for a national bank and immediately repay any outstanding FHLB advances subject to safety and soundness considerations.

Community Reinvestment Act and Fair Lending

CIB Marine's subsidiary banks are subject to the Community Reinvestment Act ("CRA") and various fair lending requirements and reporting obligations. The CRA generally requires federal banking agencies to evaluate whether financial institutions are meeting the credit needs of its local communities, including low- and moderate-income neighborhoods and to rate such institutions and publicly disclose such ratings. State and federal agencies also examine financial institutions compliance with fair lending laws. A bank may be subject to substantial penalties and corrective measures for a violation of certain fair lending laws. Federal banking agencies are also authorized to take compliance with such laws and a bank's CRA rating into consideration when regulating and supervising other activities of a bank holding company and its banks, including expansionary activities. As of the date of its most recent examination, each of CIB Marine's subsidiary banks had a CRA rating of at least satisfactory.

Compliance with Consumer Protection Laws

CIB Marine's subsidiary banks are subject to many federal consumer protection statutes and regulations including the CRA, Truth in Lending Act, Truth in Savings Act, Equal Credit Opportunity Act, Fair Housing Act, Real Estate Settlement Procedures Act and Home Mortgage Disclosure Act. Among other things, these acts:

- require banks to meet the credit needs of their communities;
- require banks to disclose credit terms in meaningful and consistent ways;
- prohibit discrimination against an applicant in any consumer or business credit transaction;
- prohibit discrimination in housing-related lending activities;
- require banks to collect and report applicant and borrower data regarding loans for home purchases or improvement projects;
- require lenders to provide borrowers with information regarding the nature and cost of real estate settlements;
- prohibit certain lending practices and limit escrow account amounts with respect to real estate transactions; and
- prescribe possible penalties for violations of the requirements of consumer protection statutes and regulations.

Control Acquisitions

The Change in Bank Control Act prohibits a person or group of persons from acquiring "control" of a bank holding company unless the Federal Reserve Board has been notified and has not objected to the transaction. Under a rebuttable presumption established by the Federal Reserve Board, the acquisition of 10% or more of a class of voting stock of a bank holding company with a class of securities registered under Section 12 of the Securities Exchange Act of 1934 (the "Exchange Act"), such as CIB Marine, would, under the circumstances set forth in the presumption, constitute acquisition of control of CIB Marine.

In addition, any company is required to obtain the approval of the Federal Reserve Board under the BHCA before acquiring 25% (5% in the case of the acquirer that is a bank holding company) or more of the outstanding common stock of CIB Marine, or otherwise obtaining control or a "controlling influence" over CIB Marine or its banking subsidiaries.

USA Patriot Act of 2001

The USA Patriot Act of 2001 and its implementing regulations ("Patriot Act") were enacted and implemented for the purpose of strengthening the ability of the U.S. Government to intercept and obstruct terrorism by, among others, increasing the power of the U.S. government to obtain access to information and to investigate a broad range of criminal activities. The Patriot Act expanded the definition of money laundering to include terrorism, terrorism support and foreign corruption, and increases the civil and criminal penalties for money laundering offenses. The Patriot Act further applies certain anti-money laundering measures to United States bank accounts of foreign persons; prohibits financial institutions from establishing, maintaining, administering or managing a correspondent account with a foreign shell bank; provides for certain forfeitures of funds deposited in United States interbank accounts by foreign banks; provides the Department of Treasury with regulatory authority to ensure that certain accounts are not used to hide the identity of customers transferring funds and to impose additional reporting requirements with respect to money laundering activities; provides standards for verifying customer identification at account opening; and sets forth rules to promote cooperation among financial institutions, regulators and law enforcement entities in identifying parties that may be involved in terrorism or money laundering. The potential impact of the Patriot Act on financial institutions of all kinds is significant and wide ranging. Regulatory authorities have increased compliance monitoring activities and have levied significant fines and sanctions on many firms in the financial industry. No fines or sanctions have been levied on CIB Marine.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 ("Sarbanes") addresses corporate governance and accounting oversight matters. Sarbanes requires the creation of a five member oversight board appointed by the SEC that is to set standards for accountants and have investigative and disciplinary powers; prohibits accounting firms from providing various forms of service to public audit clients, such as certain consulting services; requires accounting firms to rotate partners working with public clients every five years; expands disclosure of corporate operations and internal controls; requires certification of financial statements by the CEO and the Chief Financial Officer of public companies; increases penalties and forfeitures for financial crimes or failing to report events having a material affect on the financial statements or operations of a public company; and enhances controls on and reporting of insider trading.

1934 Exchange Act

CIB Marine's stock is registered with the Securities and Exchange Commission ("SEC"). Under the Exchange Act, CIB Marine is subject to the information, reporting, proxy solicitation, insider trading, corporate governance and other requirements and restrictions of the Exchange Act.

Future Legislation

Various legislation is from time to time introduced in Congress and state legislatures with respect to the regulation of financial institutions. Such legislation may change the banking statutes and the operating environment of CIB Marine and its banking subsidiaries in substantial and unpredictable ways. CIB Marine cannot determine the ultimate effect that potential legislation, or implementing regulations, if enacted, would have upon the financial condition or results of operations of CIB Marine or its banking subsidiaries.

AVAILABLE INFORMATION

CIB Marine files various reports with the Securities and Exchange Commission. The reports include the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended. CIB Marine makes all SEC filings available without charge to the public on its web site at http://www.cibmarine.com as soon as reasonably practical after filed.

FORWARD LOOKING STATEMENTS

CIB Marine has made statements in this Annual Report on Form 10-K and documents that are incorporated by reference 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," "will be," "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, which 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. Potential risks and uncertainties that may affect CIB Marine's operations, performance, development and business results include the following:

- Adverse changes in CIB Marine's loan and investment portfolios;
- Changes in the financial condition or operating results of one or more borrowers or related groups of borrowers or borrowers within a single industry or small geographic region where CIB Marine has a concentration of credit extended to those borrowers or related groups or to borrowers within that single industry or small geographic region;
- CIB Marine's ability to maintain adequate capital;
- CIB Marine's ability to operate profitably;
- CIB Marine's ability to comply with regulatory orders and agreements;
- The costs and effects of outstanding and/or potential litigation and of unexpected or adverse outcomes in such litigations;
- CIB Marine's ability to bring current its delinquent filings of periodic reports with the Securities and Exchange Commission and other regulators;
- CIB Marine's ability to submit a timely filing of its federal and state income tax returns;
- CIB Marine's ability to attract and retain key personnel;
- CIB Marine's ability to attract and retain core deposits;
- Adverse changes in business conditions in the banking industry generally and in the markets in which CIB Marine operates;
- Changes in the legislative and regulatory environment which adversely affect CIB Marine;
- Changes in accounting policies and practices;

- Changes in interest rates and changes in monetary and fiscal policies which could negatively affect net interest margins, asset valuations and expense expectations;
- Increased competition from other financial and nonfinancial institutions;
- Adverse changes in the valuation of assets held for disposal and/or additional losses resulting from operations or disposition thereof;
- The competitive impact of technological advances in the banking industry; and
- Other risks set forth from time to time in CIB Marine's filings with the Securities and Exchange Commission.

These risks and uncertainties should be considered in evaluating forward-looking statements, and undue reliance should not be placed on such statements. CIB Marine does not assume any obligation to update or revise any forward-looking statements subsequent to the date on which they are made, whether as a result of new information, future events or otherwise.

ITEM 2. *PROPERTIES*

The following table provides information relating to the material real properties owned or leased by CIB Marine and its subsidiaries as of December 31, 2003. CIB Marine's subsidiary banks lease or sublease office space to CIB Marine and to its nonbank subsidiaries.

Location	Owned or Leased	Date Opened or Acquired
SUBSIDIARY BANKS(1):		
CENTRAL ILLINOIS BANK FACILITIES		
Sidney, Illinois	Owned	09/87
Champaign, Illinois	Owned	09/88
Urbana, Illinois	Owned	03/90
Arrowsmith, Illinois	Owned	10/91
Champaign, Illinois (Midtown)	Owned	04/94
Rantoul, Illinois	Leased	11/94
Monticello, Illinois	Leased	05/95
Danville, Illinois	Owned	08/95
Decatur, Illinois	Leased	10/95
Arthur, Illinois	Owned	10/96
Morton, Illinois	Leased	10/96
Peoria, Illinois	Leased	09/97
East Peoria, Illinois	Owned	10/97
Springfield, Illinois	Leased	04/99
Lincoln, Illinois	Owned	04/00
Bloomington, Illinois	Owned	10/00
Peoria, Illinois (Knoxville)	Leased	12/01
Peoria, Illinois (Grand Prairie)	Leased	04/03

Location	Owned or Leased	Date Opened or Acquired
CIB-CHICAGO FACILITIES(2)		
Hillside, Illinois	Leased	06/94
Willow Springs, Illinois	Owned	07/96
Niles, Illinois	Leased	08/96
Elk Grove Village, Illinois	Owned	10/96
Chicago, Illinois	Leased	10/96
Bolingbrook, Illinois	Leased	02/97
Elmhurst, Illinois	Leased	06/98
Gurnee, Illinois	Leased	07/98
Mount Prospect, Illinois	Owned	03/99
Arlington Heights, Illinois	Owned	03/99
Northbrook, Illinois	Leased	04/99
Zion, Illinois	Owned	09/99
Frankfort, Illinois	Leased	01/00
Palos Heights, Illinois	Leased	11/02
Harwood Heights, Illinois	Leased	04/03
Deerfield, Illinois	Leased	06/03
MARINE-WISCONSIN FACILITIES		
Cedarburg, Wisconsin	Owned	09/97
Grafton, Wisconsin	Owned	09/97
Pewaukee, Wisconsin	Leased	02/98
Wauwatosa, Wisconsin	Leased	05/98
Milwaukee, Wisconsin	Leased	04/99
Franklin, Wisconsin	Leased	08/00
Brookfield, Wisconsin	Leased	09/01
CIB-INDIANA FACILITIES		
Indianapolis, Indiana (Fox Road)	Leased	03/98
Indianapolis, Indiana (Emerson Way)	Leased	09/98
Indianapolis, Indiana (Monument Circle)	Leased	04/99
Indianapolis, Indiana (Rockville Road)	Owned	03/00
Carmel, Indiana	Leased	08/00
MARINE FSB FACILITIES		
Omaha, Nebraska	Leased	11/99
Scottsdale, Arizona	Leased	10/01
Henderson, Nevada	Leased	01/02
CITRUS BANK FACILITIES		
Vero Beach, Florida	Owned	04/90
Sebastian, Florida	Owned	02/93
Barefoot Bay, Florida	Owned	09/96
North Miami Beach, Florida	Leased	12/01
Sebring, Florida	Leased	01/02
Biscayne Bay, Florida	Leased	04/03
Coral Gables, Florida	Leased	04/03
Boca Raton, Florida	Leased	04/03

Location	Owned or Leased	Date Opened or Acquired
NONBANK SUBSIDIARIES:		
MICR, INC.		
Mukilteo, Washington	Leased	10/00
MORTGAGE SERVICES, INC.(3)		
Waukesha, Wisconsin	Leased	12/02
CIB MARINE BANCSHARES, INC.		
Champaign, Illinois	Leased	10/99

(1) CIB Marine's subsidiary banks are in the process of evaluating the effectiveness of their respective branch networks, which may result in the sale or closure of certain of these branches. See Branch Activities in Note 27 — Subsequent Events for further information.

(2) CIB Marine sold CIB — Chicago in November 2004.

(3) CIB Marine sold the operations of Mortgage Services, Inc. and its Comcor division in the third quarter of 2004.

The following table provides information relating to the material real properties owned or leased by companies held for disposal by CIB Marine at December 31, 2003.

Location	Owned or Leased	Date Opened or Acquired	Date Sold or Lease Terminated
CANRON CORPORATION			
Rexdale, Ontario	Owned	10/02	4/05
Conklin, New York	Owned	10/02	2/04
New York, New York	Leased	10/02	1/04
Regina, Saskatchewan	Owned	10/02	9/04
Edmonton, Alberta	Leased	10/02	1/04
Piscataway, New Jersey	Leased	10/02	1/04

None of the properties owned by CIB Marine or its subsidiaries are subject to encumbrances material to the operations of CIB Marine and its subsidiaries. CIB Marine considers the conditions of its properties to be generally good and adequate for the current needs of the businesses of it and its subsidiaries.

ITEM 3. *LEGAL PROCEEDINGS*

Material pending litigation, other than that of a routine nature in the ordinary course of business, is as follows:

In August 2003, Keith Burchett, a shareholder of CIB Marine and a borrower of CIB — Chicago, commenced an action in the Circuit Court of Cook County, Illinois, against CIB Marine, Central Illinois Bank, CIB — Chicago and two of their now former directors and/or officers for damages arising out of alleged fraudulent misrepresentations relative to the financial condition of Canron and its principal shareholder by defendants to induce the plaintiff to borrow money from CIB — Chicago and make a $0.5 million investment in Canron. Plaintiff asserts claims for fraud and shareholder remedies. The shareholder remedies action alleges the defendants' violations of lending regulations caused a decline in the plaintiff's investment in CIB Marine. Plaintiff seeks an unspecified amount of compensatory and punitive damages, requests an order requiring CIB Marine and the banks to repurchase his CIB Marine shares of stock at fair value, and other forms of relief. While the outcome of these claims cannot be determined at this time, CIB Marine intends to vigorously defend this action. Central Illinois Bank has been removed as a defendant in subsequent amended complaints filed by the plaintiff. On November 30, 2004, CIB Marine sold CIB — Chicago.

In June 2004, Central Illinois Bank ("CIB") commenced an action in the Circuit Court of the Sixth Judicial Circuit, Champaign County, Illinois, against John C. Hadley and Mary Lydia Hadley, CIB Marine's largest individual shareholders, for damages arising out of the Hadleys' default in December 2003 of certain loan obligations (the "State Litigation") and subsequently obtained a confession of judgment. The loans approximate $9.0 million and are secured by CIB Marine stock and the accounts receivable, inventory, equipment and other personal property of the borrowers and their restaurant supply and coin businesses. In December 2004, the Hadleys consented to the entry of an order for relief under Chapter 11 of the Bankruptcy Code pending in the United States Bankruptcy Court for the Central District of Illinois (the "Bankruptcy Case"). In August 2004, and prior to the bankruptcy consent orders, the Hadleys filed a motion to vacate the confession of judgment in the State Litigation and sought leave to file a proposed counterclaim to recover $35.0 million in actual damages and punitive damages for the alleged loss or substitution by CIB of certain rare coins and collectibles which the Hadleys allege were pledged to CIB as collateral. The Hadleys' motion remains pending in the State Litigation, which has been stayed by the pendency of the Bankruptcy Case. CIB intends to vigorously defend the counterclaim if it is pursued. The ultimate outcome of the counterclaim cannot be determined at this time. CIB has filed a motion to modify the automatic stay to permit CIB to proceed with the State Litigation and to foreclose on its collateral if the Hadleys do not provide adequate protection.

In June 2004, John C. Ruedi, a former employee of CIB Marine, filed an action against CIB Marine, "Central Illinois Bancorp, Inc." and KPMG LLP in the Circuit Court of the Sixth Judicial District, Champaign County, Illinois for rescission or damages, including punitive damages, in connection with plaintiff's October 1, 2002 exercise of options issued by CIB Marine to acquire 36,688 shares of CIB Marine common stock at various exercise prices. Plaintiff claims that but for CIB Marine's and Central Illinois Bancorp, Inc.'s alleged fraudulent concealment of material facts regarding the financial condition of CIB Marine and KPMG's alleged professional negligence he would not have exercised his options. Plaintiff also seeks to recover from Central Illinois Bancorp, Inc. and CIB Marine in excess of $40,000 allegedly due Plaintiff pursuant to a purported memorandum providing for the payment of an incentive to Plaintiff. The claim against KPMG LLP was subsequently dismissed and in March 2005 Plaintiff amended his complaint to add the former President and CEO of CIB Marine, KPMG LLP and the KPMG LLP partner in charge of CIB Marine's audit as defendants based upon claims of alleged fraudulent concealment (as to the former President and CEO of CIB Marine) and professional negligence (as to KPMG and the partner in charge of CIB Marine's audit). CIB Marine filed a motion to dismiss several of Plaintiff's claims and answered the others denying liability. That motion to dismiss was denied and CIB Marine answered the remaining counts against it, denying liability. Plaintiff filed a motion for summary judgment seeking recovery of $40,000 from CIB Marine on his incentive payment claim. This motion has been denied. Plaintiff has voluntarily dismissed his claims against both KPMG LLP and the partner in charge of CIB Marine's audit. All discovery has been stayed in this action by an order of the federal court in the Dennis Lewis case described later in this section. While the ultimate outcome of these claims cannot be determined at this time, CIB Marine intends to vigorously defend the action.

In November 2004, CIB — Chicago and/or Marine — Wisconsin commenced three lawsuits in Illinois against Miss Mimi Corporation, Gerard M. Jacobs and T. Benjamin Jennings for damages arising out of the defendants' default of certain loan obligations. The bank claims damages of approximately $15.3 million. In December 2004, the defendants filed a counterclaim against CIB — Chicago, CIB Marine and certain of its current and former directors and officers for damages arising out of alleged fraudulent misrepresentations relative to defendants' purchase of CIB Marine stock from one of CIB Marine's largest borrowers at the time, and breach of fiduciary duties. Defendants seek compensatory damages in excess of $0.5 million and punitive damages of $2.0 million on the fraud claim, and compensatory damages of $2.5 million and punitive damages of $5.0 million on the breach of fiduciary duties claim. CIB Marine intends to vigorously defend this action. The ultimate outcome of this action cannot be determined at this time. On November 30, 2004, CIB Marine sold CIB — Chicago.

On June 3, 2005, a first consolidated complaint was filed by Dennis Lewis, a shareholder, and various other alleged shareholders of CIB Marine in the United States District Court for the Central District of Illinois, Urbana Division, against CIB Marine, certain of its current and former officers and directors, and KPMG LLP. The filing consolidated two actions that had been filed in January 2005: one filed by Lewis in the United States District Court for the Central District of Illinois, Urbana Division and another filed in the United States District Court for the Central District of Illinois, Peoria Division by Elaine Sollberger, a purported shareholder, whose claims were voluntarily dismissed in connection with the consolidation, and have not been reasserted in the consolidated complaint. Plaintiffs seek to maintain the action as a class action on behalf of all persons who purchased common stock of CIB Marine between April 12, 1999, and April 12, 2004, claiming violations of Section 10(b) of the Securities Exchange Act and Rule 10b-5 thereunder by CIB Marine and other defendants and liability of certain defendants other than CIB Marine and KPMG under Section 20(a) of the Securities Exchange Act as controlling persons. The gravamen of the complaint is that the financial condition of CIB Marine was overstated with the result that members of the purported class acquired their CIB Marine stock at inflated prices. All defendants have moved to dismiss the action on various grounds. As a result of the filing of these motions, all discovery in this action is automatically stayed. The court has granted the motion of CIB Marine and several other defendants to transfer the action to the United States District Court for the Eastern District of Wisconsin, sitting in Milwaukee, Wisconsin. CIB Marine intends to vigorously contest class action certification and defend this action. The ultimate outcome of this action cannot be determined at this time.

In April 2005, James Fasano and Thomas Arundel, shareholders of CIB Marine and borrowers of CIB — Chicago, commenced an action in the Circuit Court of Cook County, Illinois, against CIB Marine, CIB — Chicago and two of their now former directors and/or officers for damages arising out of alleged fraudulent misrepresentations relative to the financial condition of Canron and its principal shareholder to induce the plaintiffs to borrow $0.5 million from CIB — Chicago and invest it in Canron. Plaintiffs assert claims for fraud and shareholder remedies. The shareholder remedies action alleges the defendants' violations of lending regulations caused a decline in the plaintiffs' investment in CIB Marine. Plaintiffs seek an unspecified amount of compensatory and punitive damages, request an order requiring CIB Marine and the bank to repurchase their CIB Marine shares of stock at fair value, and other forms of relief. While the outcome of these claims cannot be determined at this time, CIB Marine intends to vigorously defend this action. On November 30, 2004, CIB Marine sold CIB — Chicago.

ITEM 4. *SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS*

CIB Marine did not submit any matters to a vote of its shareholders during the fourth quarter of fiscal year 2003.

PART II

ITEM 5. *MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS*

There is no established public trading market for CIB Marine's common stock. As of September 30, 2005, there were approximately 1,598 holders of record of CIB Marine's common stock.

CIB Marine has not paid cash dividends on its common stock. As a result of recent losses, CIB Marine does not currently have any intentions to pay a cash dividend. Further, CIB Marine is restricted by the regulators from paying cash dividends. Restrictions on CIB Marine's ability to pay dividends and the ability of its subsidiaries to transfer funds to it for the payment of dividends are discussed under Item 1, "Business — Supervision and Regulation — Dividend Restrictions" and also Note 15 — Stockholders' Equity to the consolidated financial statements. CIB Marine will periodically evaluate its financial position to determine whether to pay cash dividends in the future.

ITEM 6. *SELECTED FINANCIAL DATA*

The following table sets forth CIB Marine's selected consolidated financial data. The following information should be read in conjunction with the consolidated financial statements, including the related notes, and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" presented elsewhere herein. The statements of operations data for the years ended December 31, 2002 and 2001 and the financial condition as of December 31, 2002, 2001, 2000 and 1999, and all related share, financial ratios and other data have been restated. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Restatement" and Note 2 — Restatement of 2002 and 2001 Consolidated Financial Statements in Item 8 of this Form 10-K for further information.

Selected Consolidated Financial Data

	At or For the Year Ended December 31,				
	2003	2002	2001	2000	1999
	(As restated) (Dollars in thousands, except share and per share data)				
Selected Statements of Operations Data					
Interest and dividend income	$ 189,557	$ 204,001	$ 203,005	$ 190,565	$ 122,300
Interest expense	86,185	97,335	115,723	112,722	64,712
Net interest income	103,372	106,666	87,282	77,843	57,588
Provision for credit losses	160,593	46,510	14,395	9,454	6,785
Net interest income (loss) after provision for credit losses	(57,221)	60,156	72,887	68,389	50,803
Noninterest income(1)	18,931	16,533	17,619	7,767	5,594
Noninterest expense	95,551	64,484	51,377	44,510	35,888
Income (loss) from continuing operations before income taxes	(133,841)	12,205	39,129	31,646	20,509
Income tax expense (benefit)	(3,148)	2,596	13,400	10,975	7,250
Income (loss) from continuing operations	(130,693)	9,609	25,729	20,671	13,259
Discontinued operations					
Pre-tax loss from discontinued operations	(5,937)	(650)	—	—	—
Income tax expense	1,018	152	—	—	—
Loss from discontinued operations	(6,955)	(802)	—	—	—
Net income (loss)	$ (137,648)	$ 8,807	$ 25,729	$ 20,671	$ 13,259
Common Share Data					
Earnings (loss) per Share					
Basic					
Income (loss) from continuing operations	$ (7.15)	$ 0.53	$ 1.45	$ 1.19	$ 0.80
Discontinued operations	(0.38)	(0.05)	—	—	—
Net income (loss)	$ (7.53)	$ 0.48	$ 1.45	$ 1.19	$ 0.80
Diluted					
Income (loss) from continuing operations	$ (7.15)	$ 0.52	$ 1.42	$ 1.17	$ 0.79
Discontinued operations	(0.38)	(0.05)	—	—	—
Net income (loss)	$ (7.53)	$ 0.47	$ 1.42	$ 1.17	$ 0.79
Dividends	—	—	—	—	—
Book value per share	$ 5.94	$ 13.52	$ 12.86	$ 11.30	$ 9.60
Weighted average shares outstanding — basic	18,286,550	18,167,379	17,751,752	17,381,478	16,528,981
Weighted average shares outstanding — diluted	18,286,550	18,547,515	18,083,013	17,622,964	16,741,410

	At or For the Year Ended December 31,				
	2003	2002	2001	2000	1999
	(As restated) (Dollars in thousands, except share and per share data)				
Financial Condition Data					
Total assets	$ 3,186,237	$ 3,650,705	$ 2,942,018	$ 2,459,298	$ 1,907,067
Loans	2,360,041	2,704,006	2,382,045	1,826,135	1,450,871
Allowance for loan losses	(109,872)	(65,122)	(35,855)	(23,988)	(16,214)
Securities	637,356	516,744	420,507	506,600	368,134
Deposits	2,821,218	2,848,404	2,269,710	2,038,093	1,607,547
Borrowings, including junior subordinated debentures and guaranteed trust preferred securities	200,734	494,086	421,870	204,779	123,206
Stockholders' equity	108,523	247,563	229,825	198,714	163,871
Financial Ratios and Other Data					
Performance Ratios:					
Net interest margin(2)	3.12%	3.43%	3.44%	3.73%	3.95%
Net interest spread(3)	2.81	3.03	2.84	3.05	3.27
Noninterest income to average assets(4)	0.54	0.41	0.51	0.35	0.36
Noninterest expense to average assets	2.74	1.99	1.94	2.02	2.33
Efficiency ratio(5)	76.95	52.86	50.08	51.02	55.88
Return on average assets(6)	(3.94)	0.27	0.97	0.94	0.86
Return on average equity(7)	(63.02)	3.57	11.89	11.53	8.78
Asset Quality Ratios:					
Nonaccrual, restructured and 90 days or more past due and still accruing loans to total loans	6.58%	1.80%	1.62%	1.00%	0.61%
Nonperforming assets and 90 days or more past due and still accruing loans to total assets	6.15	1.43	1.42	0.81	0.52
Allowance for loan losses to total loans	4.66	2.41	1.51	1.31	1.12
Allowance for loan losses to nonaccrual, restructured and 90 days or more past due and still accruing loans	70.72	134.09	93.16	130.71	183.67
Net charge-offs to average loans	3.81	0.64	0.12	0.10	0.15
Capital Ratios:					
Total equity to total assets	3.41%	6.78%	7.81%	8.08%	8.59%
Total risk-based capital ratio	7.19	10.01	10.37	10.48	10.04
Tier 1 risk-based capital ratio	5.03	8.75	9.12	9.40	9.08
Leverage capital ratio	4.23	8.30	9.01	8.69	8.75
Other Data:					
Number of employees (full-time equivalent) (8)	898	844	685	612	551
Number of banking facilities	57	52	49	45	41

(1) Noninterest income includes pre-tax gains on investment securities of \$3.1 million for the year ended December 31, 2002, \$4.0 million for the year ended December 31, 2001, \$0.03 million for the year ended December 31, 2000 and a de minimis amount for the year ended December 31, 1999. There were no gains or losses on securities for the year ended December 31, 2003.

(2) Net interest margin is the ratio of net interest income, on a tax-equivalent basis, to average interest-earning assets.

(3) Net interest spread is the yield on average interest-earning assets less the rate on average interest-bearing liabilities.

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

(5) The efficiency ratio is noninterest expense divided by the sum of net interest income, on a tax-equivalent basis, plus noninterest income excluding gains and losses on securities.

(6) Return on average assets is net income divided by average total assets.

(7) Return on average equity is net income divided by average common equity.

(8) Does not include employees of companies held for disposal of 49 in 2003, 914 in 2002, 40 in 2001 and 42 in 2000.

ITEM 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

CRITICAL ACCOUNTING POLICIES

The financial condition and results of operations presented in the consolidated financial statements, accompanying notes to the consolidated financial statements, selected financial data appearing elsewhere within this report, and management's discussion and analysis are dependent upon CIB Marine's accounting policies. The selection and application of these accounting policies involve judgments about matters that affect the amounts reported in the financial statements and accompanying notes.

Presented below are discussions of those accounting policies that management believes are the most important ("Critical Accounting Policies") to the portrayal and understanding of CIB Marine's financial condition and results of operations. These Critical Accounting Policies require management's most difficult, subjective and complex judgments about matters that are inherently uncertain. These estimates are based on information available as of the date of the financial statements; accordingly, as this information changes, the financial statements could reflect different estimates or judgments. Certain policies inherently have a greater reliance on the use of estimates and as such have a greater possibility of producing results that could be materially different than originally reported. See also Note 1 — Summary of Significant Accounting Policies in Item 8 of this Form 10-K.

Allowance for Loan Losses

CIB Marine monitors and maintains an allowance for loan losses to absorb an estimate of probable losses inherent in the loan portfolio. CIB Marine maintains policies and procedures that address the systems of controls over the following areas of the allowance: the systematic methodology used to determine the appropriate level of the allowance to provide assurances they are maintained in accordance with GAAP; the accounting policies for loan charge-offs and recoveries; the assessment and measurement of impairment in the loan portfolio; and the loan grading system.

CIB Marine evaluates certain commercial loans individually for impairment as required by Statement of Financial Accounting Standard ("SFAS") No. 114, *Accounting by Creditors for Impairment of a Loan,* and SFAS No. 118, *Accounting by Creditors for Impairment of a Loan — Income Recognition and Disclosures.* Loans evaluated individually for impairment include nonaccrual loans, loans past due 90 days or more and still accruing, restructured loans and other loans selected by management. The evaluations are based upon discounted expected cash flows from the loan or collateral valuations and all other known relevant information. If the evaluation shows that a loan is individually impaired, then a specific reserve is established for the amount of impairment. Loans, including all residential real estate, home equity and consumer loans which are not evaluated individually are assessed for impairment under SFAS No. 5, *Accounting for Contingencies* ("SFAS 5") with groups of loans that have similar characteristics.

For loans which are not individually evaluated, CIB Marine makes estimates of losses for groups of loans as required by SFAS 5. Loans are grouped by similar characteristics, including the type of loan, the assigned loan grade and the general collateral type. A loss rate reflecting the expected losses inherent in a group of loans is derived based upon estimates of expected default and loss rates for the group of loans in part based upon CIB Marine's loss history and related migration analysis. The resulting estimate of losses for groups of loans are adjusted for relevant environmental factors and other conditions, including: borrower and industry concentrations; levels and trends in delinquencies, charge-offs and recoveries; changes in underwriting standards and risk selection; level of experience and ability of lending management; national and local economic conditions; and off-balance sheet positions.

The amount of estimated impairment for individually evaluated loans and the estimate of losses for groups of loans is added together for a total estimate of loan losses. This estimate of losses is compared to the allowance for loan losses of CIB Marine as of the evaluation date, and if the estimate of losses is greater than the allowance, an additional provision to the allowance would be made. If the estimate of losses is less than the allowance, the degree to which the allowance exceeds the estimate is evaluated to determine whether the allowance falls outside of a range of estimates. If the estimate of losses is below the range of reasonable estimates, the allowance would be reduced by way of a credit to the provision for loan losses. CIB Marine recognizes the inherent imprecision in estimates of losses due to various uncertainties and variability related to the factors used, and therefore a reasonable range around the estimate of losses is derived and used to ascertain whether the allowance is too high. If different assumptions or conditions were to prevail and it is determined that the allowance is not adequate to absorb the new estimate of probable losses, an additional provision for loan losses would be made, which amount may be material to the consolidated financial statements.

During 2003, CIB Marine's policies and procedures over the determination of the allowance for loan losses were not effective.

a) CIB Marine's policies and procedures to identify credit downgrades on a timely basis and establish suitable loan workout plans were not effectively followed;

b) CIB Marine lacked adequate credit procedures to analyze borrowers' global cash flow; and

c) CIB Marine lacked adequate procedures to monitor loan collateral and valuation on collateral dependent loans.

As a result of these internal control deficiencies, pertinent information was not identified, captured and communicated in a form and timeframe that enabled CIB Marine to analyze the appropriateness of the allowance for loan losses. Consequently, CIB Marine's allowance for loan losses was materially understated in previously issued consolidated financial statements for the fiscal quarters ended March 31 and June 30, 2003 and the years ended December 31, 2002 and 2001. These consolidated financial statements have been restated to reflect the correction of the aforementioned errors.

Other Investments

Investments in limited partnerships and other equity investments which are not readily marketable are accounted for using the equity method when CIB Marine's ownership is at least 3% in a limited partnership and 20% in a corporation, but less than 51%. Investments not accounted for under the equity method are accounted for using the cost method. All other investments are periodically evaluated for impairments. If an investment is impaired, a loss is recognized. To determine whether an investment is impaired CIB Marine looks to previous transactions, if any, and the investee's financial condition. During 2003, CIB Marine recognized $2.0 million of impairment losses on other investments. If different assumptions or conditions were to prevail, the carrying value of these investments may need to be further reduced and a loss recorded. At December 31, 2003 and 2002, other investments totaled $9.6 million and $10.0 million, respectively, all of which are illiquid.

Assets of Companies Held for Sale or Disposal

Companies, and/or the operations of companies, which have been acquired through loan collection activities and held for sale or disposal are initially valued at the lower of cost or fair market value based upon independent valuations less estimated selling costs. The valuations of such businesses are allocated to the assets and liabilities of the businesses. The asset groups are then periodically evaluated for impairment as required under Financial Accounting Standards Board ("FASB") Statement No. 144, based upon the estimated undiscounted cash flows of the asset group. If the estimated undiscounted cash flows of the asset group are not sufficient to recover the carrying value of the asset group, then the fair value of the asset group is determined using a discounted cash flow approach. If the fair value of the asset group is less than the carrying amount, a loss is recognized. Should future estimated cash flows be reduced or if applicable discount rates increase, then the carrying value of the asset groups may need to be reduced and a loss recorded. Once a company meets the accounting criteria of held for sale, the net assets are carried at the fair value less estimated selling costs. At December 31, 2003 and 2002, the net carrying amount of companies held for disposal was $11.7 million and $36.7 million, respectively.

Income Taxes

CIB Marine recognizes expense for federal and state income taxes currently payable as well as for deferred federal and state taxes for estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the consolidated balance sheets, as well as loss carryforwards and tax credit carryforwards. Realization of deferred tax assets is dependent upon CIB Marine generating sufficient taxable income in either the carryforward or carryback periods to cover net operating losses generated by the reversal of temporary differences. A valuation allowance is provided by way of a charge to income tax expense if it is determined that it is not more likely than not that some portion or all of the deferred tax asset will be realized. If different assumptions and conditions were to prevail, the valuation allowance may not be adequate to absorb unrealized deferred taxes and the amount of income taxes payable may need to be adjusted by way of a charge or credit to expense. Furthermore, income tax returns are subject to audit by the IRS, state taxing authorities, and foreign government taxing authorities. Income tax expense for current and prior periods is subject to adjustment based upon the outcome of such audits. CIB Marine believes it has adequately accrued for all probable income taxes payable and provided valuation allowances for deferred tax assets where it has been determined to be not more likely than not that such assets are realizable. Accrual of income taxes payable and valuation allowances against deferred tax assets are estimates subject to change based upon the outcome of future events.

CIB Marine has entered into tax allocation agreements with its subsidiary entities included in the consolidated US Federal and unitary and combined state income tax returns, including US operations of companies held for sale or disposal. These agreements govern the timing and amount of income tax payments required by the various entities.

Due to the significant losses incurred in 2003 and the expectation of additional losses in 2004, management has determined that it is not more likely than not that net deferred tax assets from continuing operations of $49.7 million at December 31, 2003 will be realized. Therefore, a valuation allowance of $48.8 million has been established for continuing operations.

INTRODUCTION

The following is a discussion and analysis of CIB Marine's consolidated financial condition as of December 31, 2003 and 2002, and its changes in financial condition and results of operations for the three years ended December 31, 2003, 2002 and 2001. References in the discussion below to "CIB Marine" include CIB Marine's subsidiaries unless otherwise specified.

On September 17, 2001, CIB Marine acquired Citrus Financial Services, Inc., including its banking subsidiary, Citrus Bank, N.A., through a merger transaction. The merger was accounted for as a pooling of interests and the consolidated financial statements for all prior periods have been restated to include the financial information of Citrus Financial as if CIB Marine and Citrus Financial had always been combined. This discussion and analysis should be read in conjunction with the consolidated financial statements and Notes contained in Item 8 of this Form 10-K.

RESTATEMENT

The consolidated statements of operations and the consolidated statements of cash flows as presented for the years ended December 31, 2002 and 2001, and the consolidated balance sheets as of December 31, 2002 and December 31, 2001 have been restated to reflect the following:

Loan and Other Credit Losses

In the third quarter of 2003, CIB Marine began a comprehensive review of the adequacy of its allowance for loan losses in response to deterioration in the credit quality of the Company's loan portfolio, including a significant increase in nonperforming loans, which was noted by the Company's banking regulators at certain subsidiary banks. A Special Review Committee of the Board was formed to further review these items and engaged outside advisors to conduct an independent review of loan related matters. As a result of this comprehensive review, the Company identified errors in the timing of loan downgrades. The consolidated financial statements for 2002 and 2001 have been restated to reflect loan downgrades in the appropriate periods. The impact of these restatement adjustments was an increase in Provision for credit losses of $10.8 million and $1.7 million in 2002 and 2001, respectively, and an increase in the Allowance for loan losses of $12.8 million and $1.8 million in 2002 and 2001, respectively.

Interest Income — Loans

In addition, errors were also identified in the timing of when loans were classified as nonperforming which resulted in loans not being placed on nonaccrual status in the correct reporting period. The consolidated financial statements for 2002 and 2001 have been restated to reflect loans being placed on nonaccrual status in the appropriate periods. The impact of these restatement adjustments was a reduction in Interest income — loans of $0.2 million and $0.1 million in 2002 and 2001, respectively, and a corresponding reduction in Net loans.

Income Tax Expense

The consolidated financial statements for 2002 and 2001 have also been restated to reflect the income tax effect of the above restatement adjustments. The effect of these restatement adjustments was a reduction in income tax expense on income from continuing operations of $4.2 million and $0.6 million in 2002 and 2001, respectively.

Receivables from Sale of Stock

During the regular 2003 regulatory examination, it was noted that certain of the Company's subsidiary banks had originated loans, the proceeds of which were used to purchase stock of the Company. Loans originated by CIB Marine's subsidiary banks to purchase CIB Marine stock should have been accounted for as a reduction in Stockholders' Equity unless the loan had been repaid prior to the issuance of the financial statements or the loan had been adequately collateralized, exclusive of the value of CIB Marine stock pledged as collateral, if any. The consolidated financial statements for 2002 and 2001 have been restated to reduce loans to purchase CIB Marine stock (as described above) and report those loans as a contra-equity account entitled "Receivables from sale of stock". The effect of these restatement adjustments was a reduction of Loans and a corresponding reduction of Stockholders' Equity of $7.9 million and $7.4 million as of December 31, 2002 and 2001, respectively, and a reduction of Stockholders' Equity of $5.1 million as of December 31, 2000. See Note 15 — Stockholders' Equity — Receivables from Sale of Stock for further information.

Reclassification of Securities and Adjustment to Accumulated Other Comprehensive Income

During the fourth quarter of 2004, CIB Marine determined that it no longer had the intent to hold to maturity its tax exempt securities classified as held to maturity. In the first nine months of 2005, CIB Marine sold $9.3 million of these securities at a gain of $0.4 million. As a result of a material contradiction related to management's previous assertion regarding its intent and ability to hold securities to maturity, CIB Marine determined the consolidated financial statements should be restated for all years presented to reclassify all held to maturity securities to available for sale. The effect of this restatement is to increase available for sale securities by $72.8 million and $98.7 million, and decrease held to maturity securities by $70.1 million and $96.6 million, at December 31, 2002 and 2001, respectively. The effect of this restatement also resulted in an increase in accumulated other comprehensive income and total Stockholders' Equity of $1.7 million, $1.3 million and $0.4 million as of December 31, 2002, 2001 and 2000, respectively, for the net unrealized gains on the reclassified securities. The difference in the increase in available for sale securities and the increase in accumulated other comprehensive income as of December 31, 2002 and 2001, is the deferred income tax effect on the net unrealized gain on securities of $1.0 million and $0.8 million, at December 31, 2002 and 2001, respectively, which resulted in a decrease in net deferred tax assets included in other assets at December 31, 2002 and an increase in deferred tax liabilities included in other liabilities at December 31, 2001.

The cumulative impact of the above restatements is a decrease of net income of $6.8 million and $1.2 million for the years ended December 31, 2002 and 2001, respectively, and a decrease in Stockholders' Equity of $14.2 million and $7.3 million as of December 31, 2002 and 2001, respectively. See Note 2 — Restatement of 2002 and 2001 Consolidated Financial Statements in Item 8 of this Form 10-K for further information.

OVERVIEW

CIB Marine had a net loss of $137.6 million in 2003 and net income of $8.8 million in 2002 and $25.7 million in 2001. Total assets at December 31, 2003 were $3.2 billion, which represented a 12.7% decrease from total assets of $3.7 billion at December 31, 2002. Total assets increased 24.1% during 2002, from $2.9 billion at December 31, 2001.

In 2003, CIB Marine commenced a comprehensive review of the adequacy of its allowance for loan losses. This review resulted from regular examinations at certain of CIB Marine's subsidiary banks by banking regulators and a deterioration in the credit quality of the loan portfolio, including a significant increase in nonperforming loans. External resources were employed to assist in the review of the loan portfolio and to investigate other loan related matters. See "Subsequent Events — Independent Review and Investigation" for further information. As a result of CIB Marine's review process, CIB Marine increased its loan loss allowance and recognized an impairment loss of all goodwill relating to certain of its bank subsidiaries. These losses, and the related tax effects, significantly contributed to the net losses for 2003. In order to improve the financial strength of CIB Marine, including its liquidity and capital, CIB Marine directed its focus beginning in 2003 to improving the credit quality of its loan portfolio and enhancing its lending, credit and management culture. The reduction in assets from 2002 to 2003 is primarily a result of a reduction in loans, loans held for sale, and assets of companies held for disposal, and the write-off of goodwill. The reduction in loans was primarily due to loan collections and charge-offs, and a reduction in new loan originations resulting from CIB Marine's focus on improving credit quality.

In January 2003, CIB — Chicago entered into a Memorandum of Understanding with the DBRE and the FDIC. In May 2004, CIB — Chicago, Central Illinois Bank, Marine — Wisconsin and CIB — Indiana entered into Cease and Desist Orders with banking regulators. In May 2004, CIB Marine entered into a Written Agreement with the Federal Reserve Bank of Chicago. In August 2004, Citrus Bank entered into a Written Agreement with the Office of the Comptroller of the Currency. Among other items, the Orders and Agreements require minimum capital levels, correction of loan administration deficiencies and a reduction in credit concentrations and problem credits, and place restrictions on loan growth, total asset growth, and dividend payments from subsidiary banks to CIB Marine. In April 2005, Central Illinois Bank, Marine — Wisconsin and CIB — Indiana each entered into a Memorandum of Understanding with the FDIC and their applicable state banking regulator with respect to information technology. In April 2005, the Cease and Desist Orders at Marine — Wisconsin and CIB — Indiana were each released and replaced with Memoranda of Understanding which were entered into in March 2005. See "Regulatory Matters" for further information.

Beginning in the second half of 2003 and continuing into 2004, CIB Marine took steps to improve credit quality, capital and liquidity. Several changes occurred in the senior management of CIB Marine and its subsidiaries; actions were taken to improve the credit underwriting procedures; steps were taken to increase the overall quality of its credit portfolio; and additional expense control measures were implemented.

At December 31, 2003, CIB — Chicago was significantly undercapitalized as a result of significant deterioration in credit quality and credit losses. During 2004, CIB Marine explored a number of alternatives to improve capital and strengthen the organization, including the sale of CIB — Chicago and other of its banking subsidiaries. On November 30, 2004, CIB Marine sold CIB — Chicago. A portion of the proceeds were used to pay off CIB Marine's outstanding balance on its line of credit and infuse capital into Central Illinois Bank, allowing the bank to meet its regulatory capital requirements. As a result of this sale, CIB Marine's total assets at December 31, 2004 were significantly less than total assets at December 31, 2003. CIB Marine also sold the assets of CIB Marine Commercial Finance, LLC and Mortgage Services, Inc. during 2004. See Note 27 — Subsequent Events in Item 8 of this Form 10-K for further information.

RESULTS OF OPERATIONS

Net Income

CIB Marine's net loss was $137.6 million in 2003 compared to net income of $8.8 million in 2002. The decrease in net income in 2003 was primarily attributable to a $114.1 million increase in the provision for credit losses, a $48.7 million tax expense to reduce net deferred tax assets, a $31.1 million increase in noninterest expense, including a $14.4 million impairment loss on goodwill and other intangibles, and a $6.2 million increase in losses from discontinued operations, partially offset by an $5.7 million reduction in income taxes from continuing operations. Loss from discontinued operations, which increased from $0.8 million during 2002 to $7.0 million in 2003, is comprised of the consolidated operating and impairment losses of CIB Construction, including its Canron subsidiary.

The increase in the provision for credit losses in 2003 was the result of an increase in the net loan charge-offs, which were $101.1 million, and additional provisions as a result of the deterioration in the quality of the loan portfolio, including an increase in the level of nonperforming loans. The majority of the increase in noninterest expense was attributable to a $14.4 million impairment loss on goodwill and customer base intangibles, a $7.2 million increase in compensation and employee benefits and a $5.4 million loss related to the impairment and sale of equity investments and foreclosed properties. The increased loss from discontinued operations was driven by a $4.7 million impairment loss.

The effective tax (benefit) rate from continuing operations for 2003 was (2.4%) as compared to a tax provision rate of 21.3% for 2002 and 34.2% for 2001. The 2003 change in the effective tax rate was mainly due to a provision for a valuation allowance for deferred tax assets. Due to the significant losses in 2003 and the expectation of additional losses in 2004, CIB Marine determined that it was not more likely than not that the net deferred tax assets at December 31, 2003 would be realized in their entirety. Therefore, in 2003, a valuation allowance of $48.7 million was provided by way of a charge to tax expense to reduce the net deferred tax assets.

Net Interest Income

Net interest income is the most significant component of CIB Marine's earnings. Net interest income is the difference between interest earned on interest-earning assets and interest paid on deposits and other borrowed funds. Net interest margin is this difference expressed as a percentage of average interest-earning assets. The amount of CIB Marine's net interest income is affected by several factors, including interest rates and the volume and relative mix of interest-earning assets and interest-bearing liabilities. Although CIB Marine can control certain of these factors, others, such as the general level of credit demand, fiscal policy and Federal Reserve Board monetary policy, are beyond CIB Marine's control.

The following table sets forth information regarding average balances, interest income, or interest expense, and the average rates earned or paid for each of CIB Marine's major asset, liability and stockholders' equity categories. Interest income is expressed on a tax-equivalent basis in order to compare the effective yield on earning assets. This means that the interest income on tax-exempt loans and tax-exempt securities has been adjusted to reflect the income tax savings at a federal income tax rate of 35% provided by these tax-exempt assets for the years ended December 31, 2003, 2002 and 2001. In the future, CIB Marine may not realize all of the tax benefits associated with these tax-exempt assets due to the substantial losses incurred in 2003. See Note 22 — Income Taxes to the consolidated financial statements for additional information.

	Year Ended December 31,								
	2003			2002			2001		
	Average Balance	Interest Earned/Paid	Average Yield/Cost	Average Balance	Interest Earned/Paid	Average Yield/Cost	Average Balance	Interest Earned/Paid	Average Yield/Cost
					(As restated)			(As restated)	
					(Dollars in thousands)				
ASSETS									
Interest-earning Assets (TE):									
Securities:									
Taxable	$ 509,944	$ 13,622	2.67%	$ 425,602	$ 18,284	4.30%	$ 387,623	$23,026	5.94%
Tax-exempt(1)	61,646	3,411	5.53	61,270	3,910	6.38	59,841	4,372	7.31
Total Securities	571,590	17,033	2.98	486,872	22,194	4.56	447,464	27,398	6.12
Loans(2,3):									
Commercial	764,251	46,076	6.03	805,009	52,960	6.58	716,469	57,798	8.07
Commercial real estate	1,834,966	118,272	6.45	1,707,594	122,056	7.15	1,297,281	110,837	8.54
Consumer	52,463	3,295	6.28	61,291	4,029	6.57	69,025	5,652	8.19
Total loans	2,651,680	167,643	6.32	2,573,894	179,045	6.96	2,082,775	174,287	8.37
Federal funds sold	35,775	466	1.30	28,654	539	1.88	26,720	1,121	4.20
Loans held for sale	117,962	6,281	5.32	72,062	4,137	5.74	27,756	1,919	6.91
Total interest-earning assets(1)	3,377,007	191,423	5.67	3,161,482	205,915	6.51	2,584,715	204,725	7.92
Noninterest-earning Assets:									
Cash and due from banks	51,078			36,892			19,150		
Premises and equipment	29,343			27,979			25,837		
Allowance for loan losses	(94,243)			(46,191)			(28,923)		
Receivables from sale of stock	(7,242)			(7,814)			(6,283)		
Accrued interest receivable and other assets	137,012			67,722			52,825		
Total noninterest-earning assets	115,948			78,588			62,606		
Total Assets	$3,492,955			$3,240,070			$2,647,321		
LIABILITIES AND STOCKHOLDERS' EQUITY									
Interest-bearing liabilities:									
Deposits:									
Interest-bearing demand deposits	$ 70,731	$ 742	1.05%	$ 57,831	$ 590	1.02%	$ 53,670	$ 1,061	1.98%
Money market	427,919	6,993	1.63	285,178	5,829	2.04	245,754	8,797	3.58
Other savings deposits	245,781	4,326	1.76	124,189	2,936	2.36	45,893	1,210	2.64
Time deposits(4)	1,953,816	64,316	3.29	1,960,349	76,129	3.88	1,615,016	89,536	5.54
Total interest-bearing deposits	2,698,247	76,377	2.83	2,427,547	85,484	3.52	1,960,333	100,604	5.13
Borrowings — short-term	212,363	3,449	1.62	274,490	5,958	2.17	223,369	8,462	3.79
Borrowings — long-term(4)	46,771	1,161	2.48	46,396	1,370	2.95	57,301	2,633	4.60

	Year Ended December 31,								
	2003			2002			2001		
	Average Balance	Interest Earned/Paid	Average Yield/Cost	Average Balance	Interest Earned/Paid	Average Yield/Cost	Average Balance	Interest Earned/Paid	Average Yield/Cost
					(As restated)			(As restated)	
					(Dollars in thousands)				
Junior subordinated debentures and guaranteed trust preferred securities	60,005	5,198	8.66	45,260	4,523	9.99	37,863	4,024	10.63
Total borrowed funds	319,139	9,808	3.07	366,146	11,851	3.24	318,533	15,119	4.75
Total interest-bearing liabilities	3,017,386	86,185	2.86	2,793,693	97,335	3.48	2,278,866	115,723	5.08
Noninterest-bearing Liabilities:									
Noninterest-bearing demand deposits	206,815			173,080			132,731		
Accrued Interest and other liabilities	50,329			26,366			19,322		
Total noninterest-bearing liabilities	257,144			199,446			152,053		
Stockholders' Equity	218,425			246,931			216,402		
Total liabilities and stockholders' equity	$3,492,955			$3,240,070			$2,647,321		
Net interest income and net interest spread (1,5)		$105,238	2.81%		$108,580	3.03%		$89,002	2.84%
Net interest-earning assets	$ 359,621			$ 367,789			$ 305,849		
Net interest margin (1,6)			3.12%			3.43%			3.44%
Ratio of average interest-earning assets to average interest-bearing liabilities	1.12			1.13			1.13		

(1) Tax-equivalent basis of 35%.

(2) Loan balance totals include nonaccrual loans.

(3) Interest earned on loans include amortized loan fees of $10.0 million, $9.1 million and $8.6 million for the years ended December 31, 2003, 2002 and 2001, respectively.

(4) Interest amounts include the effects of derivatives entered into for interest rate risk management and accounted for as fair value hedges.

(5) Net interest rate spread is the difference between the average rates on interest-earning assets and interest-bearing liabilities.

(6) Net interest margin is the ratio of net interest income, on a tax-equivalent basis, to average interest-earning assets.

Net interest income, on a tax-equivalent basis, decreased $3.4 million, or 3.1%, from $108.6 million in 2002 to $105.2 million in 2003. This decrease was primarily the result of an 84 basis point decline in the yield on average interest-earning assets offset by an increase in the balance of average earning assets and a decline in the average cost of borrowings. Net interest income on a tax-equivalent basis increased $19.6 million, or 22.0%, during 2002 from $89.0 million in 2001. This increase was primarily the result of a 22.3% increase in average interest-earning assets and a decline in the average cost of borrowings.

The following table presents an analysis of changes in net interest income, on a tax-equivalent basis, resulting from changes in average volumes of interest-earning assets and interest-bearing liabilities and average rates earned and paid.

	Year Ended December 30, 2003 Compared to Year Ended December 31, 2002 (as restated) (2)				Year Ended December 30, 2002 (as restated) Compared to Year Ended December 30, 2001 (as restated) (2)			
	Volume	Rate	Total	% Change	Volume	Rate	Total	% Change
	(Dollars in thousands)							
Interest Income (1)								
Securities — taxable	$ 3,152	$ (7,814)	$ (4,662)	(25.50)%	$ 2,093	$ (6,835)	$ (4,742)	(20.59)%
Securities — tax-exempt	24	(523)	(499)	(12.76)	102	(564)	(462)	(10.57)
Total Securities	3,176	(8,337)	(5,161)	(23.25)	2,195	(7,399)	(5,204)	(18.99)
Commercial	(2,596)	(4,288)	(6,884)	(13.00)	6,614	(11,452)	(4,838)	(8.37)
Commercial real estate	8,719	(12,503)	(3,784)	(3.10)	31,279	(20,060)	11,219	10.12
Consumer	(560)	(174)	(734)	(18.22)	(588)	(1,035)	(1,623)	(28.72)
Total Loans (including fees)	5,563	(16,965)	(11,402)	(6.37)	37,305	(32,547)	4,758	2.73
Federal funds sold	116	(189)	(73)	(13.54)	76	(658)	(582)	(51.92)
Loans held for sale	2,463	(319)	2,144	51.82	2,594	(376)	2,218	115.58
Total Interest Income (1)	11,318	(25,810)	(14,492)	(7.04)	42,170	(40,980)	1,190	0.58
Interest Expense								
Interest-bearing demand deposits	134	18	152	25.76	77	(548)	(471)	(44.39)
Money market	2,500	(1,336)	1,164	19.97	1,246	(4,214)	(2,968)	(33.74)
Other savings deposits	2,292	(902)	1,390	47.34	1,863	(137)	1,726	142.64
Time deposits	(253)	(11,560)	(11,813)	(15.52)	16,756	(30,163)	(13,407)	(14.97)
Total Deposits	4,673	(13,780)	(9,107)	(10.65)	19,942	(35,062)	(15,120)	(15.03)
Borrowings — short-term	(1,188)	(1,321)	(2,509)	(42.11)	1,648	(4,152)	(2,504)	(29.59)
Borrowings — long-term	11	(220)	(209)	(15.26)	(439)	(824)	(1,263)	(47.97)
Junior subordinated debentures and guaranteed trust preferred securities	1,334	(659)	675	14.92	750	(251)	499	12.40
Total Borrowed Funds	157	(2,200)	(2,043)	(17.24)	1,959	(5,227)	(3,268)	(21.62)
Total Interest Expense	4,830	(15,980)	(11,150)	(11.46)	21,901	(40,289)	(18,388)	(15.89)
Net Interest Income (1)	$ 6,488	$ (9,830)	$ (3,342)	(3.08)%	$20,269	$ (691)	$ 19,578	22.00%

(1) Tax-equivalent basis of 35%.

(2) Variances which were not specifically attributable to volume or rate have been allocated proportionally between volume and rate using absolute values as a basis for the allocation. Nonaccruing loans were included in the average balances used in determining yields.

Interest Income

Total interest income, on a tax-equivalent basis, decreased $14.5 million, or 7.0%, from $205.9 million in 2002 to $191.4 million in 2003. The decrease was the result of an 84 basis point decrease in the yield on average interest-earning assets, partially offset by an increase in the average balance of interest-earning assets. Interest income on loans decreased 6.4% due to a 64 basis point decrease in the loan yield and the increase in nonaccrual loans. Interest income on securities declined 23.3% due to lower yields, partially offset by higher investment balances which were increased to offset liquidity risk. Interest income on loans held for sale increased 51.8% due to higher average balances.

Total interest income, on a tax-equivalent basis, increased $1.2 million, or 0.6%, during 2002 from $204.7 million in 2001. The increase was the result of a 22.3% increase in average interest-earning assets, partially offset by a 141 basis point reduction in the yield on average earning assets. Interest income on loans increased 2.7% due to increased average loan balances, partially offset by lower loan yields. Interest income on securities declined by 19.0% due to lower yields, partially offset by an increase in the average balance of securities. Interest income on loans held for sale increased 115.6% due to the higher average balances.

Interest Expense

Total interest expense decreased $11.1 million, or 11.5%, from $97.3 million in 2002, to $86.2 million in 2003. This reduction was primarily the result of a 62 basis point decline in the rate paid on total interest-bearing liabilities partially offset by an increase in the average balance of interest-bearing liabilities. Interest expense on deposits decreased 10.7% due to lower interest rates paid, partially offset by an increase in average deposit balances. Interest expense on borrowed funds declined 17.2%, primarily as a result of a reduction in the rate paid on borrowed funds and a decrease in the average amount of borrowed funds outstanding.

Total interest expense decreased $18.4 million, or 15.9%, during 2002, from $115.7 million in 2001. This reduction was primarily the result of a 160 basis point decline in the rate paid on total interest-bearing liabilities partially offset by an increase in the average balance of interest-bearing liabilities. Interest expense on deposits declined by 15.0% due to lower rates, partially offset by an increase in average deposit balances. Interest expense on borrowed funds decreased 21.6% primarily as a result of lower interest rates paid offset by an increase in the average amount of borrowed funds outstanding.

Net Interest Margin/Net Interest Spread

CIB Marine's net interest spread decreased by 22 basis points in 2003, and the net interest margin decreased by 31 basis points. This decrease was primarily the result of the rate earned on interest-earning assets declining more rapidly than the rate paid on interest-bearing liabilities. This was the result of rising nonaccrual loans, the interest rate environment and CIB Marine's liquidity and market risk activities. To reduce liquidity risk, management increased the percentage of shorter term but lower yielding liquid assets to total earning assets, and reduced lower cost, shorter term borrowings while increasing longer life, but higher yielding deposits.

CIB Marine's net interest spread increased by 19 basis points in 2002 from 2001. This increase was primarily the result of interest-bearing liabilities repricing downward more rapidly than interest earning assets in a declining rate environment. The net interest margin was decreased by one basis point in 2002 from the previous year.

Provision for Credit Losses

As a result of regular examinations at certain of CIB Marine's subsidiary banks and a deterioration in the credit quality of the loan portfolio, including a significant increase in nonperforming loans, CIB Marine significantly increased its provision for credit losses. The provision for credit losses, which represents provision for loan losses and losses on unfunded commitments and standby letters of credit, was $160.6 million for the year ended December 31, 2003, as compared to $46.5 million in 2002 and $14.4 million in 2001. The increase in the provision was driven by the deteriorating quality of the credit portfolio including an increase in nonaccrual loans from $39.0 million as of December 31, 2002 to $152.1 million as of December 31, 2003 and an increase in net charge-offs from $16.4 million in 2002 to $101.1 million in 2003, and was concentrated within a relatively small number of borrowing relationships. Sixteen relationships accounted for $110.8 million, or 76% of the total provision for loan losses in 2003 and one of these relationships accounted for $39.5 million, or 27.1%. Additionally, increased loss rate percentages applied in 2003 represented approximately $12.1 million, or 10.5% of the increase in provision for loan losses from 2002 to 2003 and an increase in the loss provision for unfunded commitments and standby letters of credit accounted for $13.7 million, or 11.3% of the increase.

The increase in the provision in 2002 over 2001 was the result of increased net charge-offs, nonperforming loans and loans 90 days or more past due and still accruing, and growth of the loan portfolio. See, "Allowance for Loan Losses" and "Nonperforming Assets and Loans 90 Days or More Past Due and Still Accruing" for further discussion.

Noninterest Income

Noninterest income increased $2.4 million, or 14.5%, from $16.5 million in 2002 to $18.9 million in 2003. The increase was primarily due to additional mortgage banking revenue, partially offset by a decrease in gains on sales of securities. In 2003, CIB Marine did not sell any of its securities portfolio, and as a result, there were no gains on sales recognized during 2003 compared to a $3.1 million gain in 2002.

Net mortgage banking revenue increased $4.5 million, or 90.8%, from $5.0 million in 2002 to $9.5 million in 2003. The increase in net mortgage banking revenue was due primarily to an increase in the origination and sale of residential mortgage loans, resulting from a relatively low interest rate environment and the expansion of CIB Marine's mortgage operations. CIB Marine subsequently sold the assets of its mortgage banking subsidiary in the last half of 2004. See Note 3 — Business Combinations in Item 8 of this Form 10-K for further information. The increase in other income of $1.3 million was primarily due to an increase in the equity income of a limited partnership and royalty fees received by CIB Marine Information Services, Inc. from third parties.

Noninterest income decreased $1.1 million, or 6.2%, during 2002, from $17.6 million in 2001. Gains on the sale of investment securities decreased $0.9 million in 2002, from $4.0 million in 2001. CIB Marine repositioned its securities portfolio during 2002, including the sales of securities during market rate decreases, in order to promote long-term earnings. Loan fees decreased $0.4 million, or 11.2%, from $3.7 million in 2001. Net mortgage banking revenue decreased $0.2 million, or 4.3%, from $5.2 million in 2001 to $5.0 million in 2002.

Noninterest Expense

Total noninterest expense increased $31.1 million, or 48.2%, from $64.5 million in 2002, to $95.6 million in 2003. The increase was primarily the result of the recognition of impairment losses on goodwill and other intangibles and other assets, an increase in compensation and employee benefits expense and additional expenses related to problem credits and foreclosed properties, partially offset by a reduction in litigation settlements.

- Impairment of goodwill and other intangible assets was $14.4 million as a result of annual impairment testing during 2003. Goodwill of $8.7 million, representing the unamortized balance, related to the acquisition of CIB — Chicago, and goodwill of $3.5 million and $2.0 million associated with the acquisition of CIB Marine Commercial Finance, LLC and MICR, respectively, was considered impaired. In addition, CIB Marine recognized a $0.2 million impairment loss on customer-based intangibles of CIB Marine Commercial Finance, LLC.

- During 2003, losses related to the impairment and sale of assets increased $5.3 million. The increase was primarily due to a $3.3 million write down of value on four foreclosed properties, a $1.2 million market value loss relating to the unconsolidated interest CIB Marine has in a closely held information services company and a $0.7 million market value loss on equity in a limited liability company which was subsequently sold in 2004 for a $0.2 million loss.

- Compensation and employee benefits expense is the largest component of noninterest expense and represented 47.8% of total noninterest expense for 2003 compared to 59.8% for 2002. Compensation and employee benefits expense increased $7.2 million, or 18.5%, from $38.5 million in 2002 to $45.7 million in 2003. The increase in compensation and employee benefits is the result of a number of factors, including the hiring of personnel to staff the new banking facilities, expansion of mortgage banking operations, the hiring of additional management personnel, and increases in the salaries of existing personnel. The total number of full-time equivalent employees, excluding companies held for disposal, increased 6.4% from 844 at December 31, 2002 to 898 at December 31, 2003. The net operating results of MICR, including its compensation expense, is included in other noninterest income.

- Litigation expense decreased $1.7 million from $1.8 million in 2002 to $0.1 million in 2003. The 2002 expense was mainly due to the settlement of two lawsuits related to CIB Marine's commercial lending business. Professional services increased $1.1 million from $2.9 million in 2002 to $4.0 million 2003 as a result of additional accounting, legal and consulting fees primarily related to the previously mentioned problems in the loan portfolio.

- Other noninterest expense increased $3.8 million, or 32.0%, from $11.8 million in 2002 to $15.6 million in 2003. The majority of the increase related to loan collection expenses, which increased $1.6 million, and additional foreclosed property expenses. The $1.1 million increase in foreclosed property expenses was largely due to real estate taxes on several large properties acquired in 2003. See the discussion of "Nonperforming Assets and Loans 90 days or More Past Due and Still Accruing" for further information.

During 2002, total noninterest expense increased $13.1 million, or 25.5%, from $51.4 million in 2001. The increase was primarily attributable to CIB Marine's growth, including internal growth, the opening of new banking facilities and the extension of its mortgage operations, and increased legal and collection fees related to problem credits and litigation settlements.

- Compensation and employee benefits expense increased $7.4 million in 2002, or 23.9%, from $31.1 million in 2001 to $38.5 million in 2002. The increase in compensation and employee benefits is the result of the hiring of personnel to staff new banking facilities, expansion of mortgage banking operations, the hiring of additional management personnel, and increases in the salaries of existing personnel. As a result of CIB Marine's growth, the total number of full-time equivalent employees, excluding companies held for disposal, increased 23.2% from 685 at December 31, 2001 to 844 at December 31, 2002.

- Equipment and occupancy expenses increased $1.2 million, or 13.9% from $8.2 million in 2001 to $9.4 million in 2002. The increases in these expenditures were primarily attributable to the addition of banking facilities and the purchase of new software systems and equipment.

- Professional services expense increased $1.0 million or 53.8%, from $1.9 million in 2001 to $2.9 million in 2002. This increase was primarily the result of additional legal expenses related to loan collection services.

- Litigation settlements expense was $1.8 million during 2002. The majority of this expense related to the settlement of two separate, but related lawsuits, which arose from CIB Marine's commercial lending business. Litigation settlements expense was $0.1 million in 2001.

- Merger-related charges of $0.5 million were incurred during 2001 relating to the acquisition of Citrus Financial. These merger-related charges included asset write downs, contract cancellations, and professional fees. CIB Marine did not incur any merger-related charges in 2002.

- Other noninterest expense increased $2.3 million, or 24.3%, from $9.5 million in 2001 to $11.8 million in 2002. The increases in other noninterest expense were primarily the result of increased expenses related to loan collection, an increase in losses resulting from CIB Marine's equity ownership in low-income housing partnerships, increased travel expenses, FDIC and state assessments on deposit accounts, postage and delivery expenses, and supplies expense. These increases were partially offset by an $0.8 million decrease in the amortization of intangibles from $1.3 million in 2001 to $0.5 million in 2002. This decrease was primarily the result of the adoption of SFAS 142 and SFAS 147, which eliminated the amortization of certain intangible assets. See Note 8 to the consolidated financial statements for additional information.

Income Taxes

CIB Marine provides for income taxes currently payable or currently refundable, and for income taxes payable or receivable in the future. Deferred taxes arise from temporary differences between financial statement and income tax reporting of assets and liabilities. The effective tax rates from continuing operations for the years ended December 31, 2003, 2002, and 2001 were (2.4%), 21.3% and 34.2%, respectively. Included in income tax benefit for 2003 is $14.7 million for taxes paid in prior periods which are now recoverable due to the carryback of net operating losses in 2003. A valuation allowance of $48.7 million was provided in 2003 to reduce the net deferred tax benefits, including benefits related to net operating loss carryforwards, to $0.9 million. The decrease in the effective tax rate in 2002 was primarily due to lower income before taxes, the increase in the percentage of tax-exempt municipal interest as compared to pre-tax income, lower state income tax expense and low-income housing tax credits.

FINANCIAL CONDITION

Overview

At December 31, 2003, CIB Marine had total assets of $3.2 billion, a decrease of $464.5 million, or 12.7% from $3.7 billion at December 31, 2002. Based on substantial deterioration in credit quality in the loan portfolio during 2003, including significant increases in nonperforming loans, and the adverse results of the regulatory examinations at certain of CIB Marine's subsidiary banks, CIB Marine began a review of its lending practices and policies. The scope of the review included a re-evaluation of the adequacy of its allowance for loan losses and other loan-related matters. See "Subsequent Events-Independent Review and Investigation" for further information. External resources were employed to assist in the review of the loan portfolio and to investigate other loan-related matters. As a result of CIB Marine's review process, CIB Marine recorded a loan loss provision of $145.9 million and net loans charged-off of $101.1 million during 2003 resulting in an increase in the allowance for loan losses of $44.8 million. Upon considering the results of the comprehensive review of the adequacy of the allowance for loan losses which was concluded in August 2005 and the results of the independent investigation, CIB Marine also determined that it would be necessary to restate its previously issued consolidated financial statements for the years ended December 31, 1999 through 2002 and the quarters ended March 31 and June 30, 2003. See Item 6, Selected Financial Data and Note 2 to consolidated financial statements — Restatement of 2002 and 2001.

Loans Held for Sale

Loans held for sale, which comprise primarily residential first mortgage loans, decreased $212.8 million from $229.5 million at December 31, 2002 to $16.7 million at December 31, 2003. This decrease was due to a decline in the volume of loans in the market place at that time and steps CIB Marine instituted to decrease the number of days the loans were held prior to sale. CIB Marine originated $0.5 billion, purchased $1.6 billion and sold $2.3 billion of loans held for sale in 2003, as compared to $356.8 million, $901.0 million and $1.1 billion, respectively in 2002. The supply of loans purchased increased primarily due to the lower mortgage rates, which caused higher levels of refinancing activity in 2003.

Securities

CIB Marine seeks to manage its investment portfolio in a manner that promotes the achievement of its liquidity goals, optimizes after-tax net income, provides collateral to secure borrowings, assists CIB Marine in meeting various regulatory requirements and is consistent with its market risk policies. CIB Marine manages the maturity structure of the investment portfolio to provide a stream of cash flows to complement liquidity risk management, market risk management and to promote long-term earnings.

The carrying value and tax-equivalent yield of CIB Marine's securities are set forth in the following table.

	Year Ended December 31,					
	2003		2002		2001	
	Amount	Yield to Maturity	Amount	Yield to Maturity	Amount	Yield to Maturity
			(Dollars in thousands)			
Available For Sale						
U.S. Treasuries	$ 20,070	1.35%	$ 10,024	2.53%	$ 15,013	5.89%
U.S. government agencies	291,000	2.03	145,185	3.18	111,072	5.64
States and political subdivisions	56,816	5.43	62,585	5.97	62,156	6.98
Other notes and bonds	1,050	6.27	1,050	6.83	1,050	6.83
Commercial paper	7,369	1.46	8,300	1.77	6,999	2.30
Mortgage-backed securities	247,736	3.26	271,750	4.03	210,534	5.90
Federal Home Loan Bank and Federal Reserve Bank stock	11,131	6.40	10,394	5.97	6,575	5.78
Total Securities Before Market Value Adjustment	635,172	2.87%	509,288	4.01%	413,399	5.93%
Available for sale market value adjustment	2,184		7,456		7,108	
Total Securities	$637,356		$516,744		$420,507	

Total securities outstanding at December 31, 2003, were $637.3 million, an increase of $120.6 million, or 23.3%, from $516.7 million at December 31, 2002. The increase in the securities portfolio was due primarily to CIB Marine's strategy to maintain an appropriate level of liquid assets in order to mitigate the increased level of liquidity risk. The ratio of total securities to total assets was 20.0%, 14.2%, and 14.3% at December 31, 2003, 2002 and 2001, respectively.

At December 31, 2003, 49.0% of the portfolio consisted of U.S. Treasuries and government agency securities, as compared to 30.5% at December 31, 2002. The increase in the level of U.S. Treasuries and government agency securities is primarily a result of CIB Marine's desire to change the portfolio mix based on market and liquidity risk management strategies. Mortgage-backed securities represented 39.0% of the portfolio at December 31, 2003 as compared to 53.4% at December 31, 2002. The decrease in the level of mortgage-backed securities is a result of high rates of prepayments and CIB Marine's decision not to reinvest in these securities. Obligations of states and political subdivisions of states represented 8.9% of the portfolio at December 31, 2003, as compared to 12.3% at December 31, 2002. Most of these obligations were general obligations of states or political subdivisions of states in which CIB Marine's subsidiaries are located. Commercial paper accounted for 1.2% of the portfolio at December 31, 2003 and 1.6% of the portfolio in 2002.

Securities classified as available for sale are those that CIB Marine has not classified as held to maturity or as trading securities. CIB Marine has not maintained any securities for trading purposes or classified as held for maturity. CIB Marine may sell securities classified as available for sale if it believes the sale is necessary for liquidity, asset/liability management or other reasons. Securities available for sale are reported at fair value, with unrealized gains and losses, net of taxes, included as a separate component of accumulated other comprehensive income in equity.

During the fourth quarter of 2004, CIB Marine determined that it no longer had the intent to hold to maturity its tax exempt securities classified as held to maturity. In the first nine months of 2005, CIB Marine sold $9.3 million of these securities at a gain of $0.4 million. As a result of a material contradiction related to management's previous assertion regarding its intent and ability to hold securities to maturity, CIB Marine determined the consolidated financial statements should be restated for all years presented to reclassify all held to maturity securities to available for sale. The effect of this restatement is to increase available for sale securities by $72.8 million and $98.7 million, and decrease held to maturity securities by $70.1 million and

$96.6 million, at December 31, 2002 and 2001, respectively. The effect of this restatement also resulted in an increase in accumulated other comprehensive income and total Stockholders' Equity of $1.7 million, $1.3 million and $0.4 million as of December 31, 2002, 2001 and 2000, respectively, for the net unrealized gains on the reclassified securities. The difference in the increase in available for sale securities and the increase in accumulated other comprehensive income as of December 31, 2002 and 2001, is the deferred income tax effect on the net unrealized gain on securities of $1.0 million and $0.8 million, at December 31, 2002 and 2001, respectively, which resulted in a decrease in net deferred tax assets included in other assets at December 31, 2002 and an increase in deferred tax liabilities included in other liabilities at December 31, 2001

Based on its evaluation of individual securities, CIB Marine has determined it has no securities in its portfolio which are other than temporarily impaired.

The following table presents the maturities and weighted average yields of securities as of December 31, 2003.

	December 31, 2003									
	1 Year and Less		1 to 5 Years		5 to 10 Years		Over 10 Years			
	Balance	Yield to Maturity	Balance	Yield to Maturity	Balance	Yield to Maturity	Balance	Yield to Maturity	Total Balance	Yield to Maturity
	(Dollars in thousands)									
Available for Sale										
U.S. Treasuries	$ 10,042	1.30%	$ 10,028	1.41%	$ —	—%	$ —	—%	$ 20,070	1.35%
U.S. government agencies	87,375	1.95	191,477	1.90	3,026	2.22	9,122	5.51	291,000	2.03
Obligations of states and political subdivisions	20,831	2.87	21,956	6.51	10,692	7.44	3,337	7.82	56,816	5.43
Other notes and bonds	450	7.21	400	5.17	200	6.37	—	—	1,050	6.27
Commercial paper	7,369	1.46	—	—	—	—	—	—	7,369	1.46
Mortgage-backed securities	—	—	20,222	3.56	69,848	3.31	157,666	3.21	247,736	3.26
Federal Home Loan Bank and Federal Reserve Bank stock	—	—	—	—	—	—	11,131	6.40	11,131	6.40
Total securities before market value adjustment	$126,067	2.04%	$240,083	2.44%	$83,766	3.81%	$181,256	3.60%	$635,172	2.87%
Available for sale market value adjustment (FAS 115)									2,184	
Total Securities									$637,356	

Loans

General. CIB Marine offers a broad range of loan products, including commercial loans, commercial real estate loans, commercial and residential real estate construction loans, residential real estate loans, and various types of consumer loans. CIB Marine's underwriting standards, as contained within its loan policy, are based on the general assumption that the primary source of repayment should be the regular operating cash flows and the secondary source should be the liquidation and disposition of collateral. Exceptions to this policy are permitted with the approval of the loan committee and exceptions to the policy have, in the past, been approved by the loan committee.

Loans, net of the allowance for loan losses, were $2.3 billion at December 31, 2003, a decrease of $388.7 million, or 14.7%, from $2.6 billion at December 31, 2002, and represented 70.6% and 72.3% of CIB Marine's total assets at December 31, 2003 and December 31, 2002, respectively. A significant amount of the decrease in the loan portfolio occurred in the commercial and commercial real estate construction balances which decreased 23.8% and 29.2% respectively, from December 31, 2002 to December 31, 2003. The total of all commercial categories, including factored receivables, represented 95.9% of gross loans at December 31, 2003 compared to 96.1% at December 31, 2002. The 2003 decrease was mainly due to

CIB Marine's shift in focus from business development to improving the asset quality of the portfolio, including loan charge-offs and reductions in credit concentrations.

In 2002, the loan portfolio, net of allowance for loan losses, grew $292.7 million from $2.3 billion at December 31, 2001. The increase in loans was consistent with CIB Marine's business strategy to focus on establishing banking relationships with small to medium-sized businesses.

The following table sets forth a summary of CIB Marine's loan portfolio by category for each of the periods indicated. The data for each category is presented in terms of total dollars outstanding and as a percentage of the total loans outstanding.

	December 31,									
	2003		2002		2001		2000		1999	
	Balance	%	Balance	%	Balance	%	Balance	%	Balance	%
			(As restated)		(As restated) (Dollars in thousands)		(As restated)		(As restated)	
Commercial	$ 708,252	29.9%	$ 928,992	34.3%	$ 913,962	38.2%	$ 626,270	34.2%	$ 577,051	39.7%
Factored receivables	11,447	0.5	6,780	0.2	N/A	N/A	N/A	N/A	N/A	N/A
Commercial real estate	1,184,542	50.1	1,157,136	42.7	975,904	40.8	855,390	46.8	585,386	40.2
Commercial real estate construction	363,822	15.4	513,804	18.9	394,081	16.5	282,000	15.4	214,251	14.7
Residential real estate	85,893	3.6	91,577	3.4	92,022	3.9	36,508	2.0	52,161	3.6
Home equity loans	12,272	0.5	15,100	0.6	12,728	0.5	16,364	0.9	10,395	0.7
Consumer loans	3,554	0.2	6,032	0.2	8,469	0.4	18,852	1.0	20,016	1.4
Receivables from sale of stock	(5,208)	(0.2)	(7,937)	(0.3)	(7,437)	(0.3)	(5,096)	(0.3)	(4,710)	(0.3)
Gross loans	2,364,574	100.0%	2,711,484	100.0%	2,389,729	100.0%	1,830,288	100.0%	1,454,550	100.0%
Deferred loan fees	(4,533)		(7,478)		(7,684)		(4,153)		(3,679)	
Total loans	2,360,041		2,704,006		2,382,045		1,826,135		1,450,871	
Allowance for loan losses	(109,872)		(65,122)		(35,855)		(23,988)		(16,214)	
Net loans	$2,250,169		$2,638,884		$2,346,190		$1,802,147		$1,434,657	

Commercial Loans. At December 31, 2003, commercial loans totaled $708.3 million, a decrease of $220.7 million, or 23.8%, from the prior year end and represented 29.9% of gross loans. Commercial loans increased $15.0 million, or 1.6%, during 2002. Commercial loans consist of loans to small and medium-sized businesses in a wide variety of industries, including wholesalers, manufacturers and business service companies. CIB Marine provides a broad range of commercial loans, including lines of credit for working capital purposes, accounts receivable and inventory financing, and term notes for the acquisition of equipment and for other purposes. In general, commercial loans are collateralized by inventory, accounts receivable, equipment, real estate and other commercial assets, and may be supported by other credit enhancements, such as personal and corporate guarantees on these borrowings. When warranted by the overall financial condition of the borrower, loans may also be made on an unsecured basis. Terms of commercial loans generally range from one to five years, and the majority of these loans have floating interest rates.

Factoring Receivables. In August 2002, CIB Marine acquired through CIB Marine Commercial Finance, LLC certain of the assets of a business engaged in the factoring of receivables. This company provided financing to smaller businesses that need more rapid cash flow from their receivables. Advances are secured by the receivables and other assets of the customer, and are made to the customer with recourse. At December 31, 2003, the total balance of the receivables from factoring was $11.4 million compared to $6.8 million at December 31, 2002. In June 2004, CIB Marine sold the assets of CIB Marine Commercial Finance, LLC. The company was dissolved in November 2004.

Commercial Real Estate Loans. At December 31, 2003, commercial real estate loans increased $27.4 million, or 2.4%, from the prior year end and represented 50.1% of gross loans. Commercial real estate loans increased $181.2 million, or 18.6%, during 2002. Commercial real estate loans are made to finance commercial properties such as office buildings, multi-family residences, motels, strip malls, warehouses and other commercial properties for which CIB Marine primarily holds real property as collateral. CIB Marine may also require other credit enhancements, such as personal and corporate guarantees, on these borrowings. Commercial real estate loans are made at both fixed and variable interest rates with terms generally ranging from one to five years. CIB Marine's underwriting standards generally require that a commercial real estate loan not exceed 80% of the appraised value of the property securing the loan.

Commercial Real Estate Construction Loans. At December 31, 2003, commercial real estate construction loans totaled $363.8 million, a decrease of $150.0 million, or 29.2%, over the prior year end and represented 15.4% of gross loans. Commercial real estate construction loans increased $119.7 million, or 30.4%, during 2002. Commercial real estate construction loans include loans for the construction of office buildings, multi-family residences, motels, strip malls, warehouses, and other commercial real estate projects. Before approving a construction loan, CIB Marine generally requires that permanent financing for the project be approved by CIB Marine or a nonaffiliated third party lender. These loans are typically secured by the real estate on which the project is being constructed, and generally require that the principal amount of the loan be no more than the lesser of 80% of the projects appraised value upon completion or 100% of the estimated construction costs. CIB Marine may also require other credit enhancements, such as personal and corporate guarantees, on these borrowings. Generally, site inspections and various affidavits and statements are required before a draw on the loan is disbursed. Real estate construction loans are made at both fixed and variable rates and generally are for a term of 12 to 18 months.

Residential Real Estate Loans. At December 31, 2003, residential mortgage loans, which are not held for sale totaled $85.9 million and represented 3.6% of gross loans, as compared to $91.6 million and 3.4%, respectively, at December 31, 2002. Residential mortgage loans held in CIB Marine's portfolio are made with both floating and fixed interest rates and terms of one to 30 years.

Home Equity and Consumer Loans. CIB Marine also offers a variety of other types of consumer loans, including installment, home equity, and credit card loans. These consumer loans totaled $15.8 million at December 31, 2003 and represented 0.7% of gross loans, as compared to $21.1 million and 0.8%, respectively, at December 31, 2002.

Leveraged Financing. CIB Marine has also provided leveraged financing, including mezzanine loans, to certain of its borrowers through CIB Marine Capital. Typically, the collateral coverage on these loans is insufficient to secure a senior debt position. These loans are generally commercial, commercial real estate or commercial construction loans. Mezzanine loans are, by their nature, inherently riskier than senior debt position loans. These loans are typically secured by a junior position on some or all of the assets of the borrower. CIB Marine may have also required other credit enhancements, such as personal and corporate guarantees, on these borrowings. At December 31, 2003, CIB Marine Capital had approximately $19.0 million in mezzanine loans outstanding which are included in the applicable loan categories. The additional inherent risk on these loans is taken into consideration in establishing the allowance for loan losses which was $5.4 million at December 31, 2003. During the fourth quarter of 2003, CIB Marine Capital ceased to offer new loans and began the winding down of its affairs, including the sale and collection of outstanding loans. CIB Marine does not expect the mezzanine loan portfolio will represent a significant portion of the total loan portfolio in the future.

Receivables from Sale of Stock. CIB Marine's subsidiary banks have made loans to borrowers to purchase CIB Marine stock in private placement offerings from CIB Marine or from other shareholders. Loans originated by CIB Marine's subsidiary banks to purchase CIB Marine stock that are not sufficiently collateralized by assets other than CIB Marine stock are accounted for as a reduction of stockholders' equity unless the loan has been repaid prior to the issuance of the financial statements. Such loans are recorded as Receivables from sale of stock (a contra-equity account) and totaled $5.2 million in 2003, $7.9 million in 2002, and $7.4 million in 2001. Interest earned on these loans was $0.3 million in 2003 and $0.5 million in 2002 and 2001 and is included in "Interest and Dividend Income-Loans."

Loan Maturities. The following table sets forth the maturity distribution and interest rate sensitivity of selected loan categories as of December 31, 2003. Maturities are based upon contractual terms of the underlying loans.

	1 Year and Less	1 to 5 Years	Over 5 Years	Total
	(Dollars in thousands)			
Commercial	$ 452,252	$ 227,547	$ 28,453	$ 708,252
Factored receivables	10,813	634	—	11,447
Commercial real estate	440,354	639,822	104,366	1,184,542
Commercial real estate construction	260,244	102,121	1,457	363,822
Residential real estate	30,632	45,570	9,691	85,893
Home equity loans	1,642	10,593	37	12,272
Consumer loans	1,799	1,559	196	3,554
Receivables from sale of stock	(5,208)	—	—	(5,208)
Total gross loans	$1,192,528	$1,027,846	$144,200	$2,364,574
Sensitivity to Changes in Interest Rates				
Fixed rates	207,742	435,524	38,498	681,764
Variable rates	984,786	592,322	105,702	1,682,810
Total gross loans	$1,192,528	$1,027,846	$144,200	$2,364,574

Credit Concentrations

At December 31, 2003, CIB Marine had fifteen secured borrowing relationships (loans to one borrower or a related group of borrowers) that exceeded 25% of stockholders' equity as compared to four such relationships at December 31, 2002. The increase in the number of concentrations is largely due to a significant decrease in stockholders' equity, which resulted in a lower threshold for determining credit concentrations. The total outstanding commitments at December 31, 2003, including lines of credit not fully drawn, on these relationships ranged from 26% to 83% of equity and from 1% to 4% of total loans. The principal drawn and outstanding on these relationships ranged from $27.8 million to $85.1 million and the aggregate balance outstanding on these fifteen relationships was $585.1 million. Five of these relationships included loans that were on nonaccrual status and impaired. The outstanding balance of the nonaccrual or impaired loans within these five relationships at December 31, 2003 was $74.9 million and the specific allowance for loss provided on these loans was $16.9 million. See further discussion of these loans under "Nonperforming Assets and Loans 90 Days or More Past Due and Still Accruing". The majority of loans within four of these five relationships were at CIB — Chicago, which was sold in November 2004. See Note 27 — Subsequent Events to the consolidated financial statements in Item 8 of this Form 10-K. At December 31, 2004, the remaining loans within these five relationships that were on nonaccrual status and/or impaired was $10.3 million and had specific reserves of $1.8 million.

At December 31, 2003, CIB Marine also had credit relationships within ten industries or industry groups that exceeded 25% of its stockholders' equity.

INDUSTRY	December 31, 2003 Outstanding Balance	2003 % of Loans	2003 % of Stockholders' Equity	2002 Outstanding Balance	2002 % of Loans (As restated)	2002 % of Stockholders' Equity
	(Dollars in millions)					
Commercial Real Estate Developers	$527.3	22%	486%	$595.7	22%	241%
Residential Real Estate Developers	465.7	20	429	665.8	25	269
Motel and Hotel	217.1	9	200	214.6	8	87
Manufacturing	184.8	8	170	213.5	8	86
Nursing/Convalescent Home	133.2	6	123	146.3	5	59
Health Care Facility	120.6	5	111	116.0	4	47
Retail Trade	100.6	4	93	117.4	4	47
Finance and Insurance	58.2	2	54	161.0	6	65
Administrative, Support, Waste Management and Remediation Services	46.0	2	42	46.5	2	19
Arts, Entertainment and Recreation	40.1	2	37	23.7	1	10

Credit Procedures and Review

In order to manage credit risk and the growth of the loan portfolio, CIB Marine has developed, implemented and periodically updates various policies and procedures, including a comprehensive loan policy, and has established various loan committees. The loan policy establishes underwriting standards, a loan approval process, loan officer lending limits, loan pricing guidelines, a credit rating system, delinquency monitoring procedures, credit collection procedures and a comprehensive loan review system. The loan underwriting, approval and review processes are designed to protect asset quality by assuring that credit requests are independently reviewed on at least two different levels, and to promote uniform lending standards among CIB Marine and its subsidiaries.

Loan Underwriting. The underwriting standards contained within CIB Marine's loan policy address various aspects of the lending function, including an analysis of a borrower's ability to repay, collateral requirements, loan-to-value ratios, appraisals and personal guarantees. CIB Marine's underwriting standards are based on the assumption that the principal source of repayment should be the regular operating cash flows of the borrower and the secondary source should be the liquidation and disposition of collateral. The extent to which collateral is required for a loan is determined by the loan policy and management's assessment of the creditworthiness of the borrower. The amount and type of collateral required varies, but may include real estate, marketable securities, deposits held in financial institutions, accounts receivable, equipment and inventory. CIB Marine may also require personal and corporate guarantees when deemed necessary. Collateral values are monitored on a regular basis to ensure that they are maintained at an adequate level. CIB Marine obtains and updates appraisals on collateral when management believes they are necessary and as required by applicable laws or regulations.

Loan Approval. The approval process for a loan depends upon the size of the prospective borrowing relationship. Depending on size, new loans and modifications or renewals of existing loans are generally approved by the individual lending officer or approved or ratified by the applicable loan committee each of which has authority to approve loans under certain circumstances. Generally, each small loan committee is comprised of various officers of CIB Marine and the applicable subsidiary, and approves loans where the borrowing relationship is greater than $0.1 million, but less than or equal to $1.0 million. Each large loan committee is comprised of various officers and outside directors of CIB Marine and/or the applicable subsidiary, and approves loans where the borrowing relationship is greater than $1.0 million. During 2003, CIB Marine made a number of changes to its loan approval process. In February 2003, the Board created an Executive Loan Committee. The Executive Loan Committee reviews all new loans and extensions, renewals or modifications of existing loans to a borrower, or related group of borrowers, which are individually or in the aggregate, including existing credits to such borrower or related group of borrowers, equal to or greater than $15.0 million, which threshold was further reduced to $10.0 million in January 2004. In April 2004, the Board reaffirmed its commitment to limiting credit relationships to no more than $25.0 million, except under certain circumstances, and set internal goals to reduce then existing industry and borrower concentrations to no more than $100.0 million and $65.0 million, respectively. In October 2003, the loan policy was amended to prohibit any new or additional loans secured by CIB Marine stock. CIB Marine's President and CEO and/or the Chief Credit Officer have veto authority over any loan and do not have any individual loan approval authority except that the Chief Credit Officer has lending authority with respect to work out credits. CIB Marine believes that these new procedures will strengthen its underwriting processes and provide additional controls to monitor and evaluate credit concentrations.

Loan Review. CIB Marine's loan review function is responsible for assessing the credit quality of the loan portfolio, establishing and monitoring adherence to underwriting standards and promptly identifying loans with potential credit exposure. Loan reviews are conducted on a regular basis as established by the loan policy. These analyses are completed annually, or more frequently if warranted, and include a comprehensive assessment of collateral and debt service ability at both CIB Marine and other creditors. These analyses also include an evaluation of geographic, industry and other credit risks. In general, all loans of $1.0 million or greater and 70% of loans between $0.2 million and $1.0 million are reviewed on an annual basis, or more frequently when management believes additional reviews are necessary. In 2003, the loan review function began reporting directly to the Board of Directors and a corporate loan review manager was hired. In 2004, CIB Marine outsourced its loan review function.

Loans with identified weaknesses are monitored on an on-going basis by management, the applicable subsidiary's Board of Directors. CIB Marine also improved the monitoring of risk rating procedures through the establishment of an Early Identification/Warning process, which enhances the prompt identification, evaluation, and monitoring of weak credits. CIB Marine also implemented a loan grade certification program requiring a periodic assessment and certification by individual lenders of portfolio risk ratings.

Allowance for Loan Losses

CIB Marine monitors and maintains an allowance for loan losses to absorb an estimate of probable losses inherent in the loan portfolio. At December 31, 2003, the allowance for loan losses was $109.9 million, or 4.7%, of total loans, compared to $65.1 million, or 2.4% of total loans, at December 31, 2002. The allowance is increased by the amount of provision for loan losses and recoveries of previously charged-off loans, and is decreased by the amount of loans charged-off. Total charge-offs for 2003 were $103.1 million, while recoveries were $2.0 million, as compared to $17.5 million and $1.1 million, respectively, for 2002. The increase in the allowance was primarily due to the deteriorating quality of the credit portfolio which was concentrated within a relatively small number of borrowing relationships and the increased loss rate percentages applied to 2003. Although CIB Marine believes that the allowance for loan losses is adequate to absorb probable losses on existing loans that may become uncollectible, there can be no assurance that the allowance will prove sufficient to cover actual loan losses in the future. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the quality of loans and the adequacy of the allowance for loan losses and may require CIB Marine to make additional provisions to the allowance or may downgrade loan ratings, which may result in additional provisions to the allowance based upon their judgments about information available to them at the time of their examinations. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Regulatory Matters" and Note 15 — Stockholders' Equity in Item 8 of this Form 10-K.

During 2003, CIB Marine charged-off $103.1 million in loans. Fifteen borrowing relationships (loans to one borrower or a related group of borrowers) accounted for $83.2 million, or 80.7% of the total charge-offs and two of the fifteen borrowing relationships accounted for $54.0 million or 52.4% of the total charge-offs.

One of the two borrowing relationships had $45.7 million of charged-off loans, of which $41.7 million related to the outstanding balance on loans obtained to convert a commercial office building into condominiums. In the fourth quarter of 2003, the outstanding balances on the loans within this borrowing relationship were charged-off and the commercial property securing the majority of these loans was acquired by CIB Marine through a Deed in Lieu of Foreclosure. See the foreclosed property section for further discussion of this acquired property. The second largest charge-off to a related group of borrowers was for $8.3 million and was for commercial construction loans, the proceeds of which were used to construct two waste-to-energy electric plants in Central Illinois. In the first quarter of 2003, the borrower filed for bankruptcy and with CIB Marine's consent, and that of the bankruptcy trustee, the equipment at the various locations was sold. Due to potential environmental liabilities associated with the property, CIB Marine did not foreclose on the property and in the third quarter of 2003, the remaining balances on the loans in this borrowing relationship were charged-off.

The following table summarizes changes in the allowance for loan losses for each of the periods indicated.

	Years Ended December 31,				
	2003	2002 (As restated)	2001 (As restated)	2000 (As restated)	1999 (As restated)
	(Dollars in thousands)				
Balance at Beginning of Year	$ 65,122	$ 35,855	$ 23,988	$ 16,214	$ 11,118
Loans charged-off:					
Commercial:					
Commercial	(31,011)	(14,443)	(1,893)	(930)	(1,280)
Factored receivables	(95)	—	—	—	—
Commercial Real Estate:					
Commercial real estate	(18,115)	(2,752)	(660)	(470)	(191)
Commercial real estate construction	(53,668)	—	(100)	—	(36)
Consumer:					
Residential real estate	(153)	(79)	(74)	(152)	—
Home equity	—	(70)	—	—	—
Consumer	(97)	(155)	(272)	(372)	(351)
Total Charged-Off	(103,139)	(17,499)	(2,999)	(1,924)	(1,858)
Recoveries of loans charged-off:					
Commercial:					
Commercial	1,830	757	357	59	60
Factored receivables	4	—	—	—	25
Commercial Real Estate:					
Commercial real estate	155	294	39	20	—
Commercial real estate construction	—	—	—	—	46
Consumer:					
Residential real estate	3	20	16	—	9
Home equity	—	6	—	—	—
Consumer	51	57	59	165	29
Total Recoveries	2,043	1,134	471	244	169
Net Loans Charged-Off	(101,096)	(16,365)	(2,528)	(1,680)	(1,689)
Allowance acquired	—	122	—	—	—
Provision for loan losses	145,846	45,510	14,395	9,454	6,785
Balance at End of Year	$ 109,872	$ 65,122	$ 35,855	$ 23,988	$ 16,214

	Years Ended December 31,				
	2003	2002	2001	2000	1999
		(As restated)	(As restated)	(As restated)	(As restated)
	(Dollars in thousands)				
Ratios					
Allowance for loan losses to total loans	4.66%	2.41%	1.51%	1.31%	1.12%
Allowance for loan losses to nonaccrual, restructured and 90 days or more past due and still accruing loans	70.72	134.09	93.16	130.71	183.67
Net charge-offs to average loans:					
Commercial	3.83	1.70	0.21	0.15	0.25
Commercial real estate	3.90	0.14	0.06	0.04	0.03
Consumer	0.36	0.36	0.39	0.51	0.41
Total loans	3.81	0.64	0.12	0.10	0.15
Ratio of recoveries to loans charged-off	1.98	6.48	15.71	12.67	9.10
Total loans	$2,360,041	$2,704,006	$2,382,045	$1,826,135	$1,450,871
Average total loans	2,651,680	2,573,894	2,082,775	1,664,246	1,161,876

The following table sets forth CIB Marine's allocation of the allowance for loan losses by type of loan as of the dates indicated.

	December 31,									
	2003		2002		2001		2000		1999	
	Allowance Amount	% of Loans in Each Category	Allowance Amount	% of Loans in Each Category	Allowance Amount	% of Loans in Each Category	Allowance Amount	% of Loans in Each Category	Allowance Amount	% of Loans in Each Category
			(As restated)		(As restated)		(As restated)		(As restated)	
	(Dollars in thousands)									
Commercial	$ 48,504	6.85%	$25,937	2.78%	$16,631	1.82%	$ 8,742	1.40%	$ 7,383	1.28%
Factored receivables	355	3.10	237	3.50	—	—	—	—	—	—
Commercial real estate	48,813	4.12	22,658	1.97	11,918	1.22	8,616	1.01	3,486	0.60
Commercial real estate construction	9,456	2.60	11,012	2.14	3,981	1.01	2,006	0.71	1,186	0.55
Residential real estate	2,027	2.36	3,802	4.15	1,541	1.67	317	0.87	332	0.64
Home equity loans	104	0.84	225	1.49	213	1.67	142	0.87	66	0.64
Consumer loans	47	1.32	160	2.65	232	2.74	212	1.12	222	1.11
Unallocated	566	—	1,091	—	1,339	—	3,953	—	3,539	—
Total Allowance	$109,872	4.66%	$65,122	2.41%	$35,855	1.51%	$23,988	1.31%	$16,214	1.12%

Nonperforming Assets and Loans 90 Days or More Past Due and Still Accruing

The level of nonperforming assets is an important element in assessing CIB Marine's asset quality and the associated risk in its loan portfolio. Nonperforming assets include nonaccrual loans, restructured loans and foreclosed property. Loans are placed on nonaccrual status when CIB Marine determines that it is probable that principal and interest amounts will not be collected according to the terms of the loan documentation. A loan is classified as restructured when a concession is granted to a borrower for economic or legal reasons related to the borrower's financial difficulties that would not otherwise be considered. CIB Marine may restructure the loan by modifying the terms to reduce or defer cash payments required by the borrower, reduce the interest rate below current market rates for new debt with similar risk, reduce the face amount of the debt, or reduce the accrued interest. Foreclosed property represents properties acquired by CIB Marine as a result of loan defaults by customers.

The following table summarizes the composition of CIB Marine's nonperforming assets, loans 90 days or more past due and still accruing, and related asset quality ratios as of the dates indicated.

	December 31,				
	2003	2002 (As restated)	2001 (As restated)	2000 (As restated)	1999 (As restated)
	(Dollars in thousands)				
Nonperforming Assets					
Nonaccrual loans:					
Commercial	$ 58,161	17,329	$ 20,026	$ 2,391	$ 1,465
Factored receivables	—	—	—	—	—
Commercial real estate	77,960	15,507	15,678	12,682	798
Commercial real estate construction	13,310	5,221	—	—	180
Residential real estate	2,622	756	610	586	654
Home equity loans	—	100	220	—	—
Consumer loans	11	45	110	93	362
Total Nonaccrual Loans	152,064	38,958	36,644	15,752	3,459
Foreclosed property	40,715	3,678	3,168	1,626	1,099
Restructured loans	2,946	3,210	309	1,505	1,853
Total Nonperforming Assets	$ 195,725	$ 45,846	$ 40,121	$ 18,883	$ 6,411
Loans 90 days or More Past Due and Still Accruing					
Commercial	—	$ 3,022	$ 758	$ 235	$ 1,092
Factored receivables	—	—	—	—	—
Commercial real estate	352	2,292	195	20	1,421
Commercial real estate construction	—	—	152	—	850
Residential real estate	—	1,076	408	797	126
Home equity loans	—	—	—	—	—
Consumer loans	7	6	22	43	27
Total Loans 90 Days or More Past Due and Still Accruing	$ 359	$ 6,396	$ 1,535	$ 1,095	$ 3,516
Allowance for loan losses	$ 109,872	$ 65,122	$ 35,855	$ 23,988	$ 16,214
Loans at end of period	$2,360,041	$2,704,006	$2,382,045	$1,826,135	$1,450,871

	December 31,				
	2003	2002 (As restated)	2001 (As restated)	2000 (As restated)	1999 (As restated)
Ratios					
Nonaccrual loans to total loans	6.44%	1.44%	1.54%	0.86%	0.24%
Foreclosed properties to total assets	1.28	0.10	0.11	0.07	0.06
Nonperforming assets to total assets	6.14	1.26	1.36	0.77	0.34
Nonaccrual, restructured and 90 days or more past due and still accruing loans to total loans	6.58	1.80	1.62	1.00	0.61
Nonperforming assets and 90 days or more past due and still accruing loans to total assets	6.15	1.43	1.42	0.81	0.52

As a result of deterioration in the quality of the credit portfolio, nonaccrual loans increased $113.1 million, or 290.3%, from $39.0 million at December 31, 2002 to $152.1 million at December 31, 2003. Total nonaccrual loans increased $2.3 million, or 6.3%, during 2002 from $36.6 million at December 31, 2001. The ratio of nonaccrual loans to total loans was 6.44%, 1.44%, and 1.54% at December 31, 2003, 2002 and 2001, respectively. Foregone interest on nonaccrual loans reduced interest income by $10.7 million in 2003, $3.3 million in 2002 and $2.4 million in 2001.

At December 31, 2003, $129.3 million, or 85.0% of nonaccrual loans consisted of the following fifteen lending relationships:

- Commercial real estate and construction loans totaling $20.4 million to related borrowers secured primarily by second mortgages on condominium development projects in Chicago. Subsequent to 2003, CIB Marine moved from a second to a first lien position on the secured properties when the first lien holder was paid in full through loan collateral sales. CIB Marine also received $2.5 million in payments due to loan collateral sales. Additionally, CIB Marine received payments of $1.2 million on loans within this borrowing relationship and charged-off $0.2 million. In 2004, due to the borrower being in default with the first lien holder, CIB Marine funded and charged-off a $5.0 million letter of credit on commercial retail space associated with one project within this borrowing relationship. The loss on the letter of credit had been fully accrued for in 2003. As a result of the sale of CIB — Chicago, total outstanding balances owed to CIB Marine with respect to this relationship totaled $2.7 million, all of which were classified as nonaccrual.

- Commercial loans totaling $20.2 million to related borrowers secured by a first lien on business assets and intellectual property. The loans were transferred to nonaccrual in the fourth quarter of 2003. Specific reserves in the amount of $9.4 million were allocated by December 31, 2003. In 2004, additional reserves were specifically allocated in the amount of $0.2 million and certain of the loans were charged down by $5.0 million based on new collateral appraisals. While CIB Marine believes that the value of the collateral securing the obligation approximates the amount owed, CIB Marine cannot provide assurances that the value will be maintained or that there will be no further losses with respect to this relationship.

- Commercial and commercial real estate loans totaling $15.0 million to related borrowers secured by first mortgages on multi-family development projects. At December 31, 2003, there were specific reserves of $0.2 million allocated to these loans. During 2003, CIB Marine charged-off $1.5 million of loans related to this borrowing relationship. Subsequent to December 31, 2003, CIB Marine sold one loan for $12.5 million and charged-off $0.2 million. As a result of the sale of CIB — Chicago, CIB Marine does not have any outstanding balances with respect to this relationship.

- Commercial and commercial real estate loans totaling $12.8 million to related borrowers secured by closely held stock and a first lien mortgage on multi-family zoned undeveloped land. At December 31, 2003, there were specific reserves of $0.4 million allocated to these loans. During 2004, CIB Marine charged-off $6.8 million with respect to this relationship. As a result of the sale of CIB — Chicago, CIB Marine does not have any outstanding balances with respect to this relationship.

- Commercial real estate loans totaling $11.1 million to related borrowers secured by first mortgages on a housing project and the adjacent land. During the third quarter of 2004, the properties were sold, $1.0 million was charged-off and the balance was repaid.

- Commercial real estate loan in the amount of $8.0 million to a borrower secured by a first mortgage on a tenanted office building. The property was sold in the second quarter of 2004 resulting in a full payoff of the loan and a $0.2 million recovery on a related note that had been charged-off in 2003.

- Commercial and commercial real estate loans totaling $8.0 million to a borrower secured by all business assets and a first mortgage on three commercial real estate properties. A specific reserve in the amount of $3.1 million was allocated to the loans in the third quarter of 2003. During 2004, $4.4 million was charged-off based on updated collateral valuations obtained in 2004. While CIB Marine believes that the value of the collateral securing the obligation approximates the amount owed, CIB Marine cannot provide assurances that the value will be maintained or that there will be no further losses with respect to this relationship.

- Two commercial real estate loans in the aggregate amount of $6.5 million to related borrowers secured by first mortgages on development projects relating to an office building and a condo conversion. These loans were sold in the second quarter of 2004.
- Commercial and commercial real estate loans in the total amount of $6.0 million to related borrowers secured by business assets and a first mortgage on a hotel. During 2003, CIB Marine charged-off $1.0 million of loans related to this borrowing relationship. At December 31, 2003, the amount of specific reserves relating to loans within this relationship was $0.3 million. During 2004, the loan was repaid in full and the $1.0 million charge-off was recovered.
- Commercial real estate loan in the amount of $4.2 million secured by a first mortgage on a restaurant property. During 2003, $3.0 million was charged-off, and in the third quarter of 2004 the remaining balance was paid in full.
- Commercial real estate construction loans totaling $3.9 million to a borrower secured by a first mortgage on a condominium development project. At December 31, 2003, there were specific reserves of $0.1 million allocated to these loans. During 2004, CIB Marine charged-off $0.5 million with respect to this relationship. As a result of the sale of CIB — Chicago, CIB Marine does not have any outstanding balances with respect to this relationship.
- Commercial real estate construction loan in the amount of $3.5 million to a borrower secured by a first mortgage on a residential property. Specific reserves in the amount of $0.3 million were allocated to this loan in 2003 based on a current appraisal. The loan is in process of foreclosure. While CIB Marine believes that the value of the collateral securing the obligation approximates the amount owed, CIB Marine cannot provide assurances that the value will be maintained or that there will be no further losses with respect to this relationship.
- Commercial loans to related borrowers in the amount of $3.4 million secured by business assets and privately held stock. In the first quarter of 2004, CIB Marine charged-off $0.8 million and the borrowers repaid the loans in full.
- Commercial loans in the amount of $3.2 million to related borrowers secured by first priority security interests in business assets and a second mortgage on residential real estate. The business was liquidated in the fourth quarter of 2004 resulting in a pay down of $1.2 million and a charge-off totaling $1.0 million. CIB Marine is commencing foreclosure on the residential real estate. At December 31, 2004, CIB Marine had a $0.4 million specific reserve with respect to this relationship. While CIB Marine believes that the value of the collateral securing the obligation approximates the amount owed, CIB Marine cannot provide assurances that the value will be maintained or that there will be no further losses with respect to this relationship.
- Commercial real estate loans aggregating $3.1 million to a borrower secured by a first mortgage. The loans were transferred to nonaccrual in December 2003. The borrower repaid the loans in full during the second quarter of 2004.

Foreclosed properties were $40.7 million at December 31, 2003 and consisted of nine commercial properties, six of which were acquired during 2003. At December 31, 2002, foreclosed properties were $3.7 million and consisted of seven properties. All foreclosed properties were held for sale. At December 31, 2003, $36.2 million or 88.9% of foreclosed properties consisted of the following:

- Commercial office building located in Illinois which had a balance of $25.2 million at December 31, 2003 and was subject to a $26.7 million first mortgage held by a nonaffiliated financial institution. It was being converted into residential condominiums and was acquired through a Deed in Lieu of Foreclosure Settlement Agreement ("DIL") from a borrower who was in default on its obligation. CIB — Chicago held the second position on the property. During 2003, CIB Marine charged-off $41.7 million of loans secured by the second position and recognized a $1.5 million impairment loss on the foreclosed property. Pursuant to the DIL Agreement, CIB Marine acquired the property subject to the first lien held by an outside financial institution ("Lender") and assumed the borrower's financial obligation relating to that first lien. The assumed financial obligation is reported as an outstanding nonrecourse mortgage note payable and had a balance of $26.7 million at December 31, 2003. Under the terms of the assumption, CIB Marine's liability to the Lender for payment on the assumed obligation was limited to monies received through the liquidation of the acquired collateral. In the second quarter of 2004, CIB — Chicago transferred its interest in the acquired property to the Lender in return for the forgiveness of the assumed mortgage note payable. The decision was made after exhaustive efforts to sell the property proved carrying the property was not economically feasible. The transfer of interest in the acquired property to the Lender in return for the forgiveness of the assumed mortgage note payable resulted in no additional gain or loss. During 2004, CIB Marine recognized $1.4 million in expenses related to the carrying costs of this property and $0.7 million of interest expense on the mortgage note payable.

- Parking structure located in Illinois which had a balance of $8.8 million at December 31, 2003. The property was sold in June 2004 resulting in a $0.6 million loss.

- Condominium development project located in Illinois which had a balance of $2.2 million at December 31, 2003. CIB — Chicago acquired the property through foreclosure. As a result of the sale of CIB — Chicago on November 30, 2004, CIB Marine no longer owns this property.

Restructured loans were $2.9 million at December 31, 2003 and consisted of two loans to the same borrower. These loans were classified as restructured in the first quarter of 2002. At December 31, 2003, a specific reserve of $0.9 million was allocated to these loans. One loan, a commercial loan with a balance of $1.3 million at December 31, 2003 was charged-off in full during the fourth quarter of 2004. The second loan, a commercial real estate loan with a balance of $1.6 million at December 31, 2003 is current as to all payments in accordance with the restructured loan agreement. While CIB Marine believes that the value of the property securing the obligation approximates the amount owed, it cannot provide assurances that the value will be maintained or that there will not be losses with respect to this relationship.

Loans that were 90 days or more past due and still accruing decreased $6.0 million from $6.4 million at December 31, 2002 to $0.4 million at December 31, 2003. The majority of this decrease was due to payoffs in 2003 on three lending relationships which had an aggregate outstanding balance of $4.7 million at December 31, 2002. Accrued interest on loans 90 days or more past due and still accruing as of December 31, 2002 was $0.1 million. There was no accrued interest due on these loans as of December 31, 2003.

Regulatory Matters

On January 30, 2003, CIB — Chicago entered into a Memorandum of Understanding (the "Memorandum") with the Division of Banks and Real Estate of the Illinois Department of Financial and Professional Regulation (the "DBRE") and the FDIC. The Memorandum was entered into as a result of a deterioration in the credit quality of the loan portfolio, the level of concentrations of credit, and weaknesses in the credit administration process identified during the DBRE's regular examination of CIB — Chicago, which commenced on August 31, 2002.

Pursuant to the Memorandum, CIB — Chicago agreed to take certain actions to correct the deficiencies noted within the examination report. In addition, during the period in which the Memorandum was in effect, the bank agreed to maintain a Tier 1 capital level equal to or exceeding 8% of the bank's total assets as calculated in accordance with Part 325 of the FDIC rules and regulations ("Part 325"), 12 C.F.R. Part 325. In the event such ratio is less than 8% as of June 30 or December 31 of each calendar year the Memorandum was in effect, the bank was required within 30 days thereof to submit to the regulators a plan for the augmentation of the bank's capital accounts. Also, unless prior written consent is received from the regulators, the bank agreed to restrict its loan growth to no more than 2% during any consecutive three-month period and suspend the declaration or payment of dividends without regulatory approval.

Subsequently, in May 2004, CIB — Chicago, Central Illinois Bank, Marine — Wisconsin and CIB — Indiana entered into Cease and Desist Orders with banking regulators. The Memorandum was released as a result of entering into the Cease and Desist Order. CIB Marine sold CIB — Chicago in November 2004. In May 2004, CIB Marine entered into a Written Agreement with the Federal Reserve Bank of Chicago. The Orders and Agreements impose certain restrictions and reporting requirements on CIB Marine and such subsidiary banks and require various actions to be taken. The items include, among others:

- Maintenance of minimum capital levels;
- Restrictions on dividend payments and redemption of shares of CIB Marine without regulatory approval;
- Limitations on asset and loan growth;
- Adoption of a comprehensive plan to improve earnings;
- Development of a plan to reduce concentrations of credit and loan relationships classified as substandard or doubtful;
- Development of a system to correct loan administration deficiencies; and
- Development of a plan to correct and prevent violations of banking laws and regulations related to affiliate transactions.

These regulatory Orders and Agreements were filed with the SEC on June 1, 2004. In August 2004, Citrus Bank entered into a Written Agreement with the OCC, the provisions of which are similar to the Cease and Desist Orders. The Written Agreement was filed with the SEC on August 23, 2004. In April 2005, the Cease and Desist Orders at Marine — Wisconsin and CIB — Indiana were each released and replaced with a Memorandum of Understanding, which were entered into in March 2005, as a result of improvements at such banks. Pursuant to the Memoranda, the banks have agreed to maintain minimum capital levels, correct loan administration deficiencies, reduce credit concentrations and problem credits, and not to declare or pay cash dividends without regulatory approval.

In April 2005, Central Illinois Bank, Marine — Wisconsin and CIB — Indiana each entered into a Memorandum of Understanding with the FDIC and its applicable state banking regulators as a result of deficiencies in internal controls in the area of information technology. The banks agreed to take certain actions to document and fully implement its information security program, exercise appropriate diligence in overseeing arrangements with service providers and assess, develop and implement certain security standards and procedures.

Management believes that CIB Marine, Central Illinois Bank, Marine — Wisconsin, CIB — Indiana and Citrus Bank have complied with the majority of the provisions of their respective Orders and Agreements and are in the process of complying with the remaining provisions.

Companies Held For Disposal

CIB Construction

CIB Marine acquired Canron, a steel fabrication and erection company, in October 2002 as a result of loan collection activities from a borrower pursuant to a Settlement Order entered in the Bankruptcy Court and subsequently transferred its interest in Canron to CIB Construction. During the third quarter of 2003, the Boards of Directors of CIB Marine and of Canron authorized management to cease operating Canron and commence the liquidation of Canron's assets. During 2003, Canron sold the Western Canada, Western United States and Mexico operations of the company, sold or closed certain of its other facilities and reduced its work force from 874 to 8 full-time equivalent employees. The net after-tax loss for 2003 was $7.0 million including $4.7 million of impairment losses recorded.

The following table summarizes the composition of CIB Construction's consolidated balance sheets. The December 31, 2003 balance sheet reflects current expectations of liquidation values:

	December 31, 2003	December 31, 2002
	(Dollars in thousands)	
Assets:		
Cash on deposit at CIB Marine	$ 2,407	$ 332
Accounts receivable	12,807	33,610
Inventories and contracts in progress	1,438	7,629
Other current assets	—	4,195
Current assets	16,652	45,766
Deferred tax asset	—	4,269
Property and equipment, net	12,312	17,026
Total assets	$28,964	$67,061
Liabilities and Stockholder's Equity:		
Current portion of loans payable to CIB Marine and its affiliates	$11,625	$ 3,921
Income tax payable	1,074	3,104
Other liabilities	13,623	31,127
Current liabilities	26,322	38,152
Loans payable to CIB Marine and its affiliates	—	22,272
Loans payable to nonaffiliated banks	2,137	1,814
Total liabilities	28,459	62,238
Stockholder's equity	505	4,823
Total liabilities and stockholder's equity	$28,964	$67,061

CIB Construction and its subsidiaries are classified as companies held for disposal and their gross assets and liabilities are reported separately on the consolidated balance sheet as assets and liabilities of companies held for disposal. Intercompany loan and cash balances and interest income and expense between CIB Construction and its subsidiaries and CIB Marine have been eliminated from the totals shown on the consolidated financial statements. The consolidated net loss associated with CIB Construction is presented as discontinued operations in CIB Marine's statement of operations.

MICR, Inc.

In 2000, CIB Marine acquired and/or assumed through MICR, Inc. ("MICR"), a wholly-owned subsidiary of CIB — Chicago, the business and certain assets and liabilities of a manufacturer of payment processing systems. The business was acquired from a borrower, who was in default of its obligations, in lieu of foreclosure or other legal action. The principal business of this manufacturer, which operates under the name Maverick International, is the design, development, assembly, distribution and servicing of magnetic ink character recognition check encoders and related embedded software for small and medium-sized financial institutions, as well as to large retailers and independent remittance processors. At the time MICR was acquired, it was valued at fair value based on an independent appraisal. Due to the regulatory requirement to sell or dispose of MICR, its assets and liabilities are classified as companies held for disposal in 2003, 2002 and 2001. The pre-tax income for MICR was $1.1 million, $1.2 million and $1.2 million for the periods ended December 31, 2003, 2002, and 2001, respectively. In 2003, CIB Marine obtained updated valuation information and as a result recognized in noninterest expense an impairment loss of $2 million on its investment in MICR.

Other Assets

The following table summarizes the composition of CIB Marine's other assets:

	December 31, 2003	2002 (As restated)	2001 (As restated)
	(Dollars in thousands)		
Prepaid expenses	$ 1,616	$ 1,293	$ 1,179
Accounts receivable	1,531	551	1,247
Fair value of derivatives	3,945	8,022	4,870
Trust preferred securities underwriting fee, net of amortization	1,500	1,555	1,150
Investment in trust preferred securities	2,310	—	—
Other investments	9,572	9,999	6,376
Deferred taxes	911	9,405	—
Income tax receivable	25,926	3,853	—
Other	402	324	313
	$47,713	$35,002	$15,135

Other assets increased $12.7 million or 36.3%, from $35.0 million at December 31, 2002 to $47.7 million at December 31, 2003. The majority of this increase was the result of an increase in income tax refunds receivable due to the overpayment of estimated taxes in 2003 and the carryback of 2003 net operating losses to recover taxes paid in prior years. A valuation allowance has been established to reduce net deferred tax assets at December 31, 2003 to $0.9 million.

Other investments include the following:

- Investments in various affordable housing partnerships. The carrying value of these investments was $5.7 million at December 31, 2003, $4.2 million at December 31, 2002 and $1.1 million at December 31, 2001. CIB Marine has engaged in these transactions to provide additional qualified investments under the CRA and to receive related income tax credits. The partnerships provide affordable housing to low income residents within CIB Marine's markets and other locations.

- Interests in three limited partnerships. The carrying value of these investments was $2.2 million, $3.0 million and $2.6 million at December 31, 2003, 2002, and 2001 respectively. The limited partnership interests were deemed impaired at December 31, 2003 and an impairment loss of $0.7 million was recorded in "write down and losses on assets". There were no impairment losses in 2002 or 2001. Equity income recorded on the limited partnerships was $1.0 million in 2003, $0.3 million in 2002, and $0.1 million in 2001. In the first quarter of 2004, these investments were sold and a $0.2 million loss was realized.

- Interests in two companies operating as small business investment companies under the Small Business Investment Act of 1958, as amended. CIB Marine committed to a $1.1 million investment in these companies and as of December 31, 2003 has invested $0.9 million. The carrying value of these investments is at cost less other than temporary impairment which was estimated to be $0.8 million, $0.6 million and $0.5 million at December 31, 2003, 2002 and 2001, respectively. The asset was deemed impaired at December 31, 2002 and an impairment loss of $0.1 million was recorded. There were no impairment losses in 2003 or 2001.

- 240,770 shares of the common stock of a closely held information services company, which represents less than a 5% interest in the company. The amount of this investment is carried at cost less other than temporary impairment, which was estimated to be $0.5 million at December 31, 2003 and $1.7 million at December 31, 2002 and 2001. During 2003, the asset was deemed impaired, and an impairment loss of $1.2 million was recorded in "write down and losses on assets." There were no impairment losses in 2002 or 2001.

- 5,167 shares at December 31, 2003 and 12,500 shares at December 31, 2002 and 2001 of common stock in a closely-held bank holding company. During 2003, CIB Marine sold 7,333 shares for an amount equal to the recorded investment. The investment represents less than a 5% interest in the company, and the amount of this investment is carried at cost less other than temporary impairment, which was estimated to be $0.1 million at December 31, 2003 and $0.2 million at December 31, 2002 and 2001. In the third quarter of 2004, the 5,167 remaining shares were sold for a gain of $13 thousand.

Deposits

Average total deposits increased 11.7% to $2.9 billion in 2003, as compared to $2.6 billion in 2002. The ratio of average deposits to average earning assets was 86.0% in 2003, 82.3% in 2002 and 81.0% in 2001.

The following table sets forth the average amount of, and average rate paid on, deposit categories for the periods indicated.

	Year Ended December 31,								
	2003			2002			2001		
	Average Balance	% of Total Deposits	Average Rate	Average Balance	% of Total Deposits	Average Rate	Average Balance	% of Total Deposits	Average Rate
	(Dollars in thousands)								
Interest-bearing demand	$ 70,731	2.43%	1.05%	$ 57,831	2.22%	1.02%	$ 53,670	2.57%	1.98%
Money market	427,919	14.73	1.63	285,178	10.96	2.04	245,754	11.74	3.58
Other savings	245,781	8.46	1.76	124,189	4.78	2.36	45,893	2.19	2.64
Time deposits	1,953,816	67.26	3.29	1,960,349	75.38	3.88	1,615,016	77.16	5.54
Total interest-bearing deposits	2,698,247	92.88	2.83	2,427,547	93.34	3.52	1,960,333	93.66	5.13
Noninterest-bearing	206,815	7.12	—	173,080	6.66	—	132,731	6.34	—
Total deposits	$2,905,062	100.00%	2.62%	$2,600,627	100.00%	3.29%	$2,093,064	100.00%	4.81%

Average interest-bearing deposits as a percentage of average total deposits was 92.9% in 2003, 93.3% in 2002, and 93.7% in 2001. Time deposits represent the largest component of interest-bearing deposit liabilities. The percentage of average time deposits to average total interest-bearing deposits was 72.4% in 2003, 80.8% in 2002, and 82.4% in 2001. While declining, these percentages reflect CIB Marine's significant reliance on time deposits as a source of funding.

Average time deposits declined $6.5 million, or 0.3%, in 2003; while average savings accounts increased $121.6 million, or 97.9%, and average money market accounts increased $142.7 million, or 50.1%. Average noninterest bearing demand deposits increased by $33.7 million, or 19.5%, in 2003. The increase in average deposits is partially due to economic conditions as funds moved to lower risk investments, and the relationship banking activity actively pursued by CIB Marine during most of 2003. During 2003, the economic conditions favored liquid accounts that paid competitive rates. This, combined with CIB Marine's active campaign to increase core deposits, resulted in a decrease in time deposits while increasing demand, money market and savings deposits.

Total time deposits of $100,000 or more, including brokered deposits, were $617.2 million or 33.6% of total time deposits at December 31, 2003, $724.2 million, or 36.0%, of total time deposits at December 31, 2002, and $629.4 million, or 35.8%, at December 31, 2001. Brokered time deposits were $183.0 million, or 10.0% of total time deposits and 6.5% of total deposits at December 31, 2003, and $222.8 million, or 11.1% of total time deposits and 7.8% of total deposits at December 31, 2002. CIB Marine issues brokered time deposits periodically to meet short-term funding needs and/or when their related costs are at or below those being offered on other deposits.

The following table provides information on the maturity distribution of time deposits of $100,000 or more.

	December 31, 2003
	(Dollars in thousands)
Maturity	
3 months or less	$118,333
Over 3 through 6 months	122,122
Over 6 through 12 months	108,962
Over 12 months	267,772
	$617,189

Borrowings

CIB Marine also uses various types of borrowings to meet liquidity needs, fund asset growth and/or when the pricing on these borrowings is more favorable than deposits.

During the first half of 2003 and during 2004, some of the borrowing sources customarily utilized by CIB Marine were restricted or unavailable due to noncompliance with debt covenants and the inability to provide audited consolidated financial statements. Various federal funds purchased became available only after CIB Marine pledged fixed income investment securities, the Federal Home Loan Bank of Chicago restricted borrowing term availability, and derivative counterparties increased collateral requirements. Brokered deposits became available only after a waiver was obtained from the FDIC, and three of CIB Marine's subsidiary banks were required to pledge investment securities before they were allowed access to the Federal Reserve discount window.

The following table sets forth information regarding selected categories of borrowings as of the dates indicated.

	As of December 31,								
	2003			2002			2001		
	Balance	Avg Rate	% of Total Borrowings	Balance	Avg Rate	% of Total Borrowings	Balance	Avg Rate	% of Total Borrowings
	(Dollars in thousands)								
Short-Term Borrowings									
Fed funds purchased	$ 9,332	1.00%	4.65%	$203,430	1.23%	41.17%	$232,119	1.51%	55.02%
Securities sold under repurchase agreements	12,635	1.15	6.29	39,757	1.47	8.05	29,649	1.77	7.03
Revolving lines of credit	30,848	3.75	15.37	36,685	3.09	7.43	24,985	3.62	5.92
Federal Home Loan Bank — short term	—	—	—	100,500	2.20	20.34	27,325	2.04	6.48
Commercial paper	—	—	—	4,436	2.04	0.90	4,677	2.26	1.11
Treasury, tax and loan note	13,099	0.73	6.53	2,137	0.99	0.43	1,128	1.51	0.27
Mortgage note payable(1)	26,687	10.00	13.29	—	—	—	—	—	—
Total Short-Term Borrowings	92,601	4.49	46.13	386,945	1.69	78.32	319,883	1.75	75.83

	As of December 31,								
	2003			2002			2001		
	Balance	Avg Rate	% of Total Borrowings	Balance	Avg Rate	% of Total Borrowings	Balance	Avg Rate	% of Total Borrowings
	(Dollars in thousands)								
Long-Term Borrowings									
Federal Home Loan Bank — long-term	42,247	6.20	21.04	42,060	6.19	8.51	59,452	5.98	14.09
Fair value adjustment related to hedge accounting	4,029	(3.63)	2.01	5,081	(3.33)	1.03	2,535	(2.05)	0.60
Total Long-Term FHLB Borrowings	46,276	2.57	23.05	47,141	2.86	9.54	61,987	3.93	14.69
Junior subordinated debentures/ guaranteed trust preferred securities	61,857	8.58	30.82	60,000	8.74	12.14	40,000	10.52	9.48
Total Long-Term Borrowings	108,133	6.01	53.87	107,141	6.15	21.68	101,987	6.51	24.17
Total Borrowings	$200,734	5.31%	100.00%	$494,086	2.66%	100.00%	$421,870	2.90%	100.00%

(1) Mortgage note assumed on foreclosed property.

Total borrowings decreased $293.4 million in 2003 to $200.7 million at December 31, 2003 from $494.1 million at December 31, 2002, representing 6.5% and 14.2% of earning assets, respectively. The majority of the decrease was due to a $194.1 million reduction in fed funds purchased and a $100.5 million reduction in short-term Federal Home Loan Bank borrowings. These reductions were driven by liquidity management activity and reduced funding needs of the subsidiary banks. Total borrowings were $494.1 million and $421.9 million at December 31, 2002 and 2001, respectively, representing 14.2% and 14.7% of earning assets. CIB Marine increased its utilization of short and long-term borrowings during 2002 in order to meet its funding needs when the terms on these products were as, or more favorable than, other types of funding.

At December 31, 2003, CIB Marine had two revolving lines of credit with a total outstanding balance of $30.8 million. CIB Marine had a $28.0 million revolving line of credit at December 31, 2003 with a nonaffiliated commercial bank collateralized by the common stock of all of its banking subsidiaries. As of December 31, 2003, 2002 and 2001 outstanding balances on this line of credit were $23.6 million, $32.4 million and $25.0 million, respectively. These funds were used to provide capital support for the growth of the subsidiary banks, acquire branches and for working capital. At December 31, 2003, CIB Marine was not in compliance with the capital requirement debt covenant of this revolving line of credit agreement. In the fourth quarter of 2004, CIB Marine repaid this loan in full from proceeds on the sale of its bank subsidiary, CIB — Chicago. From September 10, 2004 through December 31, 2004, CIB Marine also had an additional $5.0 million demand revolving line of credit with this same nonaffiliated commercial bank. This line was never drawn on and was allowed to expire per the terms of the credit agreement on its original maturity date. On March 27, 2003, CIB Marine cancelled its $7.0 million revolving line of credit, which at that date had a zero balance. CIB Marine's factoring subsidiary had a $12.0 million revolving line of credit to support its operating needs. At December 31, 2003 and 2002, the outstanding balances on this line were $7.2 million and $4.3 million, respectively. In 2004, the net assets of this subsidiary were sold, and the line of credit was assumed by the purchaser with no recourse to CIB Marine.

Junior Subordinated Debentures and Guaranteed Trust Preferred Securities

CIB Marine has formed four statutory business trusts ("Trusts") for the purpose of issuing trust preferred securities and investing the proceeds thereof in junior subordinated debentures of CIB Marine. The trust preferred securities are fully and unconditionally guaranteed by CIB Marine. The Trusts used the proceeds from issuing trust preferred securities and the issuance of its common securities to CIB Marine to purchase the junior subordinated debentures. Interest on the junior subordinated debentures and distributions on the trust preferred securities are payable either quarterly or semi-annually in arrears. Pursuant to its 2004 Written Agreement with the Federal Reserve Bank, CIB Marine is not permitted to pay any interest on the trust preferred securities without prior approval of the Federal Reserve Board. See "Regulatory Matters" for further discussion. CIB Marine has the right, at any time, as long as there are no continuing events of default, to defer payments of interest on the junior subordinated debentures for consecutive periods not exceeding 20 consecutive quarters; but not beyond the stated maturity of the junior subordinated debentures. CIB Marine has elected to defer all interest payments starting in 2004. Throughout the deferral period, interest on the debentures continues to accrue. In addition, interest also accrues on all interest that was not paid when due, compounded quarterly or semi-annually. During the deferral period, CIB Marine may not pay any dividends or distributions on, or redeem, purchase, or acquire or make liquidation payment on its stock, or make any payment on principal, interest or premium, or redeem any similar debt securities of CIB Marine, subject to limitations. At December 31, 2004 and September 30, 2005, approximately $5.5 million and $11.2 million, respectively, in interest payments were deferred, though the amounts payable continue to accrue as interest expense. The trust preferred securities are subject to mandatory redemption, in whole or in part, upon repayment of the junior subordinated debentures at maturity or their earlier redemption. The trust preferred securities qualify as regulatory capital for CIB Marine subject to regulatory limitations. At December 31, 2003, approximately $35 million of the $60 million trust preferred securities qualified as Tier 1 capital and the remaining $25 million qualified as Tier 2 capital. In connection with the sale of CIB — Chicago, CIB Marine pledged the stock of Central Illinois Bank to the purchaser to secure certain indemnification obligations with respect to CIB Marine's trust preferred securities. No claims have been made by the purchaser related to this indemnification obligation.

Prior to December 31, 2003, the Trusts were consolidated in CIB Marine's financial statements, with the trust preferred securities issued by the Trusts reflected on CIB Marine's balance sheet. The balances of these trust preferred securities were $60.0 million and $40.0 million at December 31, 2002 and 2001, respectively. Upon the implementation of FASB Interpretation Number 46 ("FIN No. 46"), as revised in December 2003, the Trusts are no longer consolidated in CIB Marine's financial statements. As a consequence, in 2003, CIB Marine reports its junior subordinated debentures issued to the Trusts as liabilities and reports its investment in the Trusts as investment in unconsolidated subsidiaries. The effect of the implementation of FIN No. 46 on CIB Marine's consolidated statement of financial condition was to increase investment in unconsolidated subsidiaries, net of amounts due to unconsolidated subsidiaries by $1.9 million, decrease trust preferred securities by $60.0 million and increase junior subordinated debentures by $61.9 million. See Note 13 — Long-Term Borrowing to the consolidated financial statements in Item 8 of this Form 10-K for further information on junior subordinated debentures and guaranteed trust preferred securities.

In September 2002, CIB Marine issued $20.0 million in guaranteed trust preferred securities at a variable rate of interest based upon the three-month LIBOR plus 3.40%. The interest rate was 5.19% at December 31, 2003. The securities are mandatorily redeemable upon their maturity on September 27, 2032 and are callable beginning September 30, 2007 at par value. Issuance costs of $0.5 million were incurred in connection with these securities. CIB Marine used the net proceeds of $19.5 million for general corporate purposes.

In February 2001, CIB Marine issued $15.0 million in guaranteed trust preferred securities at a fixed rate of 10.20% per annum. The securities are mandatorily redeemable upon their maturity on February 22, 2031, and are callable beginning February 22, 2011, at a premium, which declines ratably to par by February 22, 2021. Issuance costs of $0.5 million were incurred in connection with these securities. CIB Marine used the net proceeds of $14.5 million for general corporate purposes.

In September 2000, CIB Marine issued $15.0 million in guaranteed trust preferred securities at a fixed rate of 10.60% per annum. The securities are mandatorily redeemable upon their maturity on September 7, 2030, and are callable beginning September 7, 2010, at a premium, which declines ratably to par by September 7, 2020. Issuance costs of $0.5 million were incurred in connection with these securities. CIB Marine used the net proceeds of $14.5 million for general corporate purposes.

In March 2000, CIB Marine issued $10.0 million in guaranteed trust preferred securities at a fixed rate of 10.88% per annum. The securities are mandatorily redeemable upon their maturity on March 8, 2030, and are callable beginning March 8, 2010, at a premium, which declines ratably to par by March 8, 2020. Issuance costs of $0.3 million were incurred in connection with these securities. CIB Marine used the net proceeds of $9.7 million for general corporate purposes.

New Accounting Pronouncements

See Note 1 — Summary of Significant Accounting Policies to the consolidated financial statements in Item 8 of this Form 10-K.

Liquidity

The objective of liquidity risk management is to ensure that CIB Marine has adequate funding capacity to fund commitments to extend credit, deposit account withdrawals, maturities of borrowings, and other obligations in a timely manner. CIB Marine's Asset/Liability Management Committee actively manages CIB Marine's liquidity position by estimating, measuring, and monitoring its sources and uses of funds. CIB Marine's sources of funding and liquidity include both asset and liability components. CIB Marine's funding requirements are primarily met by the inflow of funds from deposits, loan repayments and investment maturities. CIB Marine also makes use of noncore funding sources in a manner consistent with its liquidity, funding and market risk policies. Noncore funding sources are used to meet funding needs and/or when the pricing and continued availability of these sources presents lower funding cost opportunities. Short-term noncore funding sources utilized by CIB Marine include federal funds purchased, securities sold under agreements to repurchase, Eurodollar deposits, short-term borrowings from the Federal Home Loan Bank, and short-term brokered and negotiable time deposits. CIB Marine also has established borrowing lines with the Federal Reserve Bank and nonaffiliated banks. Long-term funding sources, other than core deposits, include long-term brokered and negotiable time deposits and long-term borrowings from the Federal Home Loan Bank. Additional sources of liquidity include cash and cash equivalents, federal funds sold, sales of loans held for sale, and the sale of securities.

During the second half of 2003 and during 2004, some of the borrowing sources customarily utilized by CIB Marine were restricted or unavailable due to noncompliance with certain asset quality, earnings and capital maintenance debt covenants and the inability to provide audited consolidated financial statements. Federal funds borrowings by certain CIB Marine subsidiary banks were discontinued or were contingent on subsidiary bank pledges of fixed income investment securities, the Federal Home Loan Bank of Chicago restricted lending terms, and derivative counterparties increased collateral requirements. Brokered deposits became available only after a waiver was obtained from the FDIC for some of the subsidiary banks and were restricted from use at CIB — Chicago. Brokered deposits were restricted by FDIC rules and regulations at the subsidiary banks which were defined as less than well capitalized due to either lower levels of capital or due to the regulatory issuance of Cease and Desist Orders or formal written agreements. Where eligible, the FDIC granted permissible waivers at the subsidiary banks, making the banks eligible to accept, renew or roll over brokered deposits. See Note 15 — Stockholders' Equity in Item 8 of this Form 10-K. All of CIB Marine's subsidiary banks were moved from Primary to Secondary credit status and restricted from daylight overdraft activity at their respective Federal Reserve banks. Additionally, pursuant to a Written Agreement between CIB Marine and the Federal Reserve Bank, CIB Marine must obtain Federal Reserve Bank approval before incurring additional borrowings or debt. Pursuant to regulatory agreements consented to by certain CIB Marine bank subsidiaries, the subsidiaries must obtain regulatory approval before paying cash dividends. These restrictions could potentially impact liquidity. In the fourth quarter of 2004, CIB Marine sold its bank subsidiary, CIB — Chicago, and used a portion of the proceeds to payoff its revolving line of credit with a nonaffiliated bank. This line of credit is no longer available. Further, it is expected that the proceeds from this sale will allow CIB Marine to meet its short-term liquidity needs.

The following discussion should be read in conjunction with the statements of cash flows for 2003, 2002 and 2001 contained in Item 8 of this Form 10-K.

Net cash provided by operating activities was $270.3 million in 2003, compared to net cash used in operating activities of $155.0 million in 2002, and net cash provided by operating activities of $21.1 million in 2001. Loans held for sale activity drove the changes in cash related to operating activity from 2002 to 2003 and from 2001 to 2002. In 2003, net operating funds provided by loans held for sale was $210.8 million, while net operating funds used in this activity was $191.9 million in 2002.

Net cash provided by investing activities was $102.7 million in 2003, compared to net cash used in investing activities of $466.0 million and $464.5 million in 2002 and 2001, respectively. The increase in cash provided by investing activities in 2003 was primarily due to a reduction of the overall loan portfolio, partially offset by an increase in cash used to fund securities activity. This was a result of management repositioning the Company in order to strengthen its liquidity, capital and asset quality. The cash provided by net lending activities was $192.9 million and was primarily due to CIB Marine's reallocation of resources during the last half of 2003 from building new client relationships to improving the quality of its lending portfolio. The decrease in cash used for investing activities in 2002 compared to 2001 was due to lower loan growth partially offset by increased net securities funding. The net increase in loans represented the largest portion of cash used in investing activities for the periods 2002 and 2001. The net increase in loans was $338.0 million and $552.4 million, in 2002 and 2001, respectively.

Net cash used in financing activities was $346.6 million in 2003, as compared to net cash provided by financing activities of $655.9 million and $449.7 million in 2002 and 2001, respectively. The decrease in short-term borrowings was the primary source of net cash used in financing activities in 2003. To reduce the liquidity risk exposure at CIB Marine, and with the decline of the balance of loans held for sale, the level of short-term borrowings was reduced and a greater reliance was placed on the deposit base for funding. Deposit growth was the primary source of net cash provided by financing activities in both 2002 and 2001, comprising 88.1% and 51.6% of funds provided in each of the respective years. During 2001, short-term borrowed funds were used to supplement cash provided by deposit funds.

During 2005, it is expected CIB Marine will have adequate funding capacity to meet its obligations. The primary sources of funding are expected to be cash on hand from the sale of CIB — Chicago, operating cash flows from the sale of services to subsidiary banks and the sale of other assets owned by the parent. CIB Marine subsidiary banks have higher levels of liquid assets to meet potentially high levels of liquidity needs.

The following table summarizes long-term minimum cash payment commitments other than deposit liabilities presented elsewhere in this section under Liquidity. CIB Marine has met its liquidity needs in 2003 and in 2004 and expects to meet these needs in 2005.

	Revolving Lines of Credit(1)	Long-Term Debt	Junior Subordinated Debentures	Operating Leases	Total
			(Dollars in thousands)		
Maturity					
1 Year or less	$30,848	$ 8,500	$ —	$ 2,064	$ 41,412
1 to 2 Years	—	—	—	1,908	1,908
2 to 3 Years	—	—	—	1,758	1,758
3 to 4 Years	—	—	—	1,505	1,505
4 to 5 Years	—	37,776	—	1,155	38,931
Beyond 5 Years	—	—	61,857	4,365	66,222
	$30,848	$46,276	$61,857	$12,755	$151,736

(1) Balance represents two separate lines of credit. In 2004, one line was paid in full from proceeds of the sale of CIB — Chicago and the other was assumed, without recourse, by the purchaser of CIB Marine's factoring subsidiary. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Borrowings" for further discussion.

Capital

CIB Marine and its subsidiary banks are subject to various regulatory capital guidelines. In general, these guidelines define the various components of core capital and assign risk weights to various categories of assets. The risk-based capital guidelines require financial institutions to maintain minimum levels of capital as a percentage of risk-weighted assets. The risk-based capital information for CIB Marine is contained in the following table:

	December 31, 2003	December 31, 2002 (As restated)	December 31, 2001 (As restated)
	(Dollars in thousands)		
Risk-Weighted Assets	$2,737,049	$3,305,510	$2,785,080
Average Assets(1)	$3,252,625	$3,485,498	$2,818,562
Capital Components			
Stockholders' equity	$ 108,523	$ 247,563	$ 229,825
Guaranteed trust preferred securities and minority interests/Minority interest in Consolidated Subsidiaries	36,219	61,051	40,133
Nonfinancial Equity Items	(55)	(149)	(149)
Less: disallowed intangibles	(4,945)	(14,822)	(11,434)
Add/less: Unrealized loss/(gain) on securities	(2,184)	(4,516)	(4,331)
Tier 1 Capital	137,558	289,127	254,044
Allowable allowance for loan losses	35,342	41,625	34,849
Allowable subordinated debt	23,914	—	—
Total Risk-Based Capital	$ 196,814	$ 330,752	$ 288,893

	Actual Amount	Actual Ratio	For Capital Adequacy Purposes Amount	For Capital Adequacy Purposes Ratio
	(Dollars in thousands)			
December 31, 2003				
Total Capital to risk-weighted assets	$196,814	7.19%	$218,964	8.00%
Tier 1 Capital to risk-weighted assets	137,558	5.03	109,482	4.00
Tier 1 Leverage to average assets	137,558	4.23	130,105	4.00
December 31, 2002				
Total Capital to risk-weighted assets	$330,752	10.01%	$264,441	8.00%
Tier 1 Capital to risk-weighted assets	289,127	8.75	132,220	4.00
Tier 1 Leverage to average assets	289,127	8.30	139,420	4.00
December 31, 2001				
Total Capital to risk-weighted assets	$288,893	10.37%	$222,806	8.00%
Tier 1 Capital to risk-weighted assets	254,044	9.12	111,403	4.00
Tier 1 Leverage to average assets	254,044	9.01	112,742	4.00

(1) Average assets as calculated in accordance with 12 C.F.R. Part 325 of the FDIC rules and regulations which requires a quarter to date average and allows for current period adjustments of goodwill and other intangible assets.

In the second quarter of 2004, CIB — Chicago, Central Illinois Bank, Marine Bank and CIB — Indiana, subsidiary banks of CIB Marine, each consented to the issuance of a Cease and Desist Order ("Order") with banking regulatory authorities. Among other items, the Order restricted payment of cash dividends without prior written consent from the regulators and ordered the banks to maintain a Tier 1 Capital level equal to or exceeding 8% of the bank's total assets. These restrictions are in force during the life of the Order. In the event such ratio is less than 8% at any given calendar quarter end, the bank is required within 90 days to increase its capital ratio to not less than 8%, calculated as of the end of that preceding quarterly period. Failure to comply with the Order could have a material adverse effect on CIB Marine and its operations. As of December 31, 2003, CIB — Chicago had capital below the 8% minimum, and during 2004, the call reports filed by Central Illinois Bank showed that they also fell below the 8% minimum. However, in the fourth quarter of 2004, CIB Marine sold its bank subsidiary, CIB — Chicago, and a portion of the proceeds was used by CIB Marine to infuse capital into Central Illinois Bank, allowing it to meet its regulatory requirement. As of December 31, 2003, CIB Marine's total capital to risk-weighted assets ratio was below the 8% minimum required to be adequately capitalized. As a result of the sale of CIB — Chicago and further reductions in assets, this ratio was 17.6% at December 31, 2004 and 19.6% at June 30, 2005. Additionally, in the third quarter of 2004, Citrus Bank entered into a Written Agreement with the Office of the Comptroller of the Currency. As part of the Written Agreement, Citrus Bank must maintain total capital of not less than 14% and Tier 1 Capital of not less than 8%. The call report filed for December 31, 2004 showed that Citrus' capital level exceeded these requirements.

CIB Marine's primary sources of capital have been the retention of net income, the issuance of additional common stock and the issuance of guaranteed trust preferred securities. The issuance of common stock, through private placement offerings and stock option exercises, provided $0.4 million, $9.2 million and $6.3 million in additional capital in 2003, 2002, and 2001, respectively. CIB Marine's capital decreased $139.0 million, or 56.2%, from $247.6 million in 2002 to $108.5 million in 2003. The decrease was primarily due to a net loss of $137.6 million in 2003. Retained earnings provided $8.8 million and $25.7 million of additional capital in 2002 and 2001, respectively. Receivables from sale of stock (a decrease in equity) was $5.2 million in 2003 compared to $7.9 million in 2002 and $7.4 million in 2001. Treasury stock was $2.2 million in 2003. There was no treasury stock in 2002 or 2001. See Note 15 — Stockholders' Equity in Item 8 of the Form 10K for further information on receivables from sale of stock and treasury stock.

CIB Marine issued $20.0 million and $15.0 million in guaranteed trust preferred securities in 2002 and 2001, respectively. There were no guaranteed trust preferred securities issued in 2003. With some significant limitations which applied to CIB Marine in 2003, these securities qualify as Tier 1 equity capital for regulatory capital purposes. A discussion of these securities is included in "Guaranteed Trust Preferred Securities". On March 1, 2005, the Federal Reserve Board adopted a final rule allowing the continued limited inclusion of trust preferred securities in Tier 1 equity capital. The ruling restricted the core capital elements, including trust preferred securities, to 25% of all core capital elements, net of goodwill less any associated deferred tax liability.

Impact of Inflation and Changing Prices

CIB Marine's consolidated financial statements and notes contained in Item 8 of this Form 10-K have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of CIB Marine's operations. Unlike most industrial companies, nearly all of CIB Marine's assets and liabilities are monetary in nature. As a result, interest rates and changes therein have a greater impact on CIB Marine's performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

SUBSEQUENT EVENTS

Sale of CIB — Chicago

In November 2004, CIB Marine sold CIB — Chicago to an unrelated banking organization. The final sale price was $67.4 million in cash, of which $5.4 million was used by CIB Marine to repay a short-term loan from the purchaser. The purpose of the loan was to fund the purchase by CIB Marine of CIB — Chicago's interest in MICR, CIB Construction, including Canron, and the loans and related claims against the borrowers in a Chicago condominium development loan. In connection with the sale of CIB — Chicago, CIB Marine pledged the stock of Central Illinois Bank to the purchaser to secure certain indemnification obligations with respect to CIB Marine's trust preferred securities. CIB Marine also represented to the purchaser that for the 2004 tax year, the sum of certain tax benefits, such as gross built-in losses, and Federal net operating loss carry forwards, would not be less than $60 million for CIB — Chicago. CIB Marine agreed to indemnify the purchaser for any losses arising out of a breach of this representation and certain other customary representations and warranties. No claims have been made by the purchaser related to this indemnification obligation. At the time of sale, CIB — Chicago operated 16 banking facilities in the Chicago metropolitan area and had approximately $1.2 billion in assets and $1.1 billion in deposits. The sale of CIB — Chicago reduced consolidated loan totals by $682.8 million, nonaccrual loans by $60.3 million and the allowance for loan loss by $38.1 million.

CIB Marine used $23.6 million of the proceeds to repay all indebtedness under CIB Marine's revolving line of credit and injected $15.0 million of new capital into Central Illinois Bank. The balance of the proceeds is being utilized to help fund ongoing operations. The sale resulted in a pre-tax gain for financial statement purposes of approximately $15.2 million. The total consolidated assets of CIB Marine immediately after the sale were approximately $1.4 billion. The Grand Cayman Islands branch banking facility of CIB — Chicago, which was established to accept Eurodollar deposits, was closed in conjunction with the sale of the bank.

The following table summarizes CIB Marine's pro forma consolidated balance sheet as of December 31, 2003, with pro forma adjustments as if the sale of CIB-Chicago had occurred on December 31, 2003. CIB-Chicago was sold on November 30, 2004 for an amount equal to its net book value, excluding assets and liabilities of its MICR, CIB Marine Commercial Finance, and CIB Construction/Canron subsidiaries, plus $15.2 million. The pro forma adjustments assume a sale price for an amount equal to CIB-Chicago net book value at December 31, 2003 of $57.5 million plus $15.2 million or a total of $72.7 million. The pro forma adjustments do not take into account the decrease in CIB-Chicago's stockholder's equity between December 31, 2003 and November 30, 2004 and does not take into account how CIB Marine actually used the proceeds from the sale.

	CIB Marine Consolidated	CIB-Chicago (a)	Pro Forma Adjustments	Pro Forma
		(Dollars in thousands)		
Assets				
Cash and cash equivalents:				
Cash and due from banks	$ 60,149	$ 18,232	$ 201 (b)	$ 42,118
Federal funds sold	59,655	2,470	2,864 (b)	60,049
Total cash and cash equivalents	119,804	20,702	3,065	102,167
Loans held for sale	16,735	—	—	16,735
Securities	637,356	289,694	72,729 (c)	420,391
Loans	2,360,041	1,134,013	3,678 (d)	1,229,706
Allowance for loan losses	(109,872)	(55,146)	—	(54,726)
Net loans	2,250,169	1,078,867	3,678	1,174,980
Premises and equipment, net	29,138	12,026	—	17,112
Goodwill & other intangible assets	2,789	982	—	1,807
Foreclosed properties	40,715	37,688	—	3,027
Assets of companies held for disposal	29,056	—	—	29,056
			607 (b)	
			461 (d)	
Other assets	60,475	31,190 (e)	1,068	30,353
Total Assets	$3,186,237	$1,471,149	$80,540	$1,795,628
Liabilities and Stockholders' Equity				
Deposits	2,821,218	1,314,067	201 (b)	1,507,352
Borrowings	138,877	72,893	2,864 (b)	68,848
Junior subordinated debentures	61,857	—	—	61,857
Liabilities of companies held for disposal	17,381	—	—	17,381
Other liabilities	38,381	26,676	607 (b)	12,312
Total Liabilities	3,077,714	1,413,636	3,672	1,667,750
			72,729 (c)	
			4,139 (d)	
Stockholders' Equity	108,523	57,513	76,868	127,878
Total Liabilities and Stockholders' Equity	$3,186,237	$1,471,149	$80,540	$1,795,628

(a) Includes assets and liabilities of CIB — Chicago as of December 31, 2003, excluding assets and liabilities of MICR, CIB Marine Commercial Finance, and CIB Construction LLC/Canron. MICR and CIB Construction LLC were purchased by CIB Marine at net book value as of the date of the sale of CIB — Chicago. The assets of CIB Marine Commercial Finance were sold in the second quarter of 2004.

(b) Reversal of eliminating entries for intercompany accounts of CIB — Chicago and other affiliates of CIB Marine.

(c) Assumed proceeds of $72.7 million received in cash and reinvested in securities. The gain of $15.2 million, representing the difference between CIB-Chicago's stockholder's equity as of December 31, 2003 of $57.5 million and the assumed proceeds, increases CIB Marine's pro forma stockholders' equity.

(d) Elimination from contra-equity accounts and adding back to loans $3.6 million in receivables from sale of stock and $0.5 million in treasury stock which were sold along with CIB — Chicago.

(e) Included in other assets of CIB — Chicago are net deferred tax assets of $23.9 million, which are offset by a valuation allowance of $23.9 million.

Sale and Wind Down of Nonbank Subsidiaries

During 2004, CIB Marine divested itself of certain nonbank subsidiaries and commenced the wind down of certain other nonbank subsidiaries in order to more narrowly focus its resources on its core commercial and retail banking strategies.

CIB Marine Commercial Finance, LLC. In June 2004, CIB — Chicago sold to an unrelated party substantially all of the business assets and the business of its factoring subsidiary, CIB Marine Commercial Finance, LLC. The pre-tax gain on the sale of this operation was $0.2 million. Total assets were $10.9 million at the time of sale. This company was fully dissolved in November 2004.

Mortgage Services, Inc. During the third quarter of 2004, CIB Marine sold to unrelated parties substantially all of the assets and operations of Mortgage Services, Inc. The sale of the operations was accomplished through two separate transactions and resulted in a combined net pre-tax loss of $0.7 million on the sales. CIB Marine is in the process of winding down the remaining affairs of this company and has incurred certain liabilities with respect to the operations of the mortgage company. These liabilities, totaling $1.8 million and $1.7 million as of December 31, 2004 and September 30, 2005, respectively, include repurchase obligations relative to certain mortgage loans as a result of external fraud and/or documentation issues, and certain reporting penalties.

CIB Marine Capital, LLC. During 2004, CIB Marine continued the wind down of its mezzanine lending company, CIB Marine Capital, LLC. At December 31, 2004, total loans outstanding were $3.4 million as compared to $19.0 million at December 31, 2003. At September 30, 2005, total loans outstanding were $0.9 million.

Canron. During 2004, Canron sold certain of its properties and substantially all of its equipment for $7.6 million. Substantially all of the proceeds were used to reduce secured debt to CIB Marine. In April 2005, Canron sold its Rexdale, Ontario facility for $8.2 million, and a portion of the proceeds was used to pay off the remaining balance of its debt to CIB Marine. Canron no longer owns any real estate. Canron is continuing to collect both on and off-balance sheet receivables and settle and resolve payables and claims through the voluntary liquidation process. In August 2005, Canron authorized and began liquidation distributions to its shareholders. CIB Marine received $0.8 million and recorded the amount as a reduction of its investment in Canron. As of September 30, 2005, CIB Marine's net investment in CIB Construction was approximately $0.3 million.

MICR, Inc. In January 2005, CIB Marine retained the services of an investment banker to assist in the marketing and sale of MICR. In 2005, MICR met the accounting criteria as an asset held for sale. Based upon new valuation information received in the third quarter of 2005, an impairment loss was recognized in the amount of $1.3 million to record MICR at fair value less costs to sell.

Foreclosed Properties

In December 2003, CIB — Chicago acquired the title to a commercial office building that was being converted into residential condominiums. The property was acquired through a Deed in Lieu of Foreclosure Settlement Agreement ("DIL Agreement") from a borrower who was in default on its obligation. The property is included in foreclosed properties at December 31, 2003. Pursuant to the DIL Agreement, CIB — Chicago acquired the property subject to the first lien held by an outside financial institution and assumed the borrower's financial obligation relating to that first lien. At December 31, 2003, the assumed financial obligation is reported as an outstanding non-recourse mortgage note payable.

During the second quarter of 2004, CIB — Chicago transferred all of its rights, title and interest in the property, along with the borrower's obligation under the related mortgage note, to the first lien holder. CIB — Chicago transferred the property based upon its evaluation that the amount of additional funds necessary to complete the project was greater than the financial benefits and risks associated therewith. The property was transferred without any further liability or obligation to the first lien position holder and CIB — Chicago reserved its legal rights to pursue the borrower and guarantors. The transfer to the first lien holder resulted in no additional gain or loss to CIB Marine. CIB Marine charged-off $41.7 million of the loan to its allowance for loan loss with respect to this borrowing relationship and also recorded a $1.5 million market value write down on the property. In July 2004, CIB — Chicago commenced Federal Court litigation against the borrower, guarantors and their related interests for collection of the losses incurred by CIB Marine based upon state law claims of breach of agreements, fraud, conversion and other theories of recovery, including Federal RICO violations. In November 2004, CIB — Chicago assigned the loans and claims related to this development to CIB Marine in conjunction with the sale of CIB — Chicago. In April 2005, the Federal Court dismissed the RICO claim and, as a result, lacks jurisdiction over the state law claims. In April 2005, CIB Marine commenced a state court action against the defendants on the state law claims. In the event that there are any recoveries with respect to these loans and claims, CIB Marine has agreed to pay the purchaser of CIB — Chicago ten percent of any recovery after collection costs. To date, CIB Marine has not made any recoveries with respect to such loans and claims.

Regulatory Orders and Agreements

In May 2004, CIB — Chicago, Central Illinois Bank, Marine — Wisconsin and CIB — Indiana entered into Cease and Desist Orders with their respective banking regulators. The Memorandum entered into by CIB — Chicago in January 2003 was released as a result of entering into the Cease and Desist Order. CIB Marine subsequently sold CIB — Chicago in November 2004. In May 2004, CIB Marine entered into a Written Agreement with the Federal Reserve Bank of Chicago. In August 2004, Citrus Bank entered into a Written Agreement with the OCC. The Orders and Agreements impose certain restrictions and reporting requirements on CIB Marine and such subsidiaries, and require various actions to be taken. The items include, among others:

- Maintenance of minimum capital levels;
- Restrictions on dividend payments and redemption of shares without regulatory approval;
- Limitations on asset and loan growth;
- Adoption of a comprehensive plan to improve earnings;
- Development of a plan to reduce concentrations of credit and loan relationships classified as substandard or doubtful;
- Development of a system to correct loan administration deficiencies; and
- Development of a plan to correct and prevent violations of banking laws and regulations related to affiliate transactions.

These regulatory Orders and Agreements were filed with the SEC during 2004. In April 2005, the Cease and Desist Orders at Marine — Wisconsin and CIB — Indiana were each released and replaced with a Memorandum of Understanding, which were entered into in March 2005, as a result of improvements at such banks. Pursuant to the Memoranda, the banks agreed to maintain minimum capital levels, correct loan administration deficiencies, reduce concentrations and problem credits and not declare or pay cash dividends without regulatory approval. In April 2005, Central Illinois Bank, Marine — Wisconsin and CIB — Indiana each entered into a Memorandum of Understanding with the FDIC and its applicable state banking regulators as a result of deficiencies in information technology. The banks agreed to take certain actions to document and fully implement its information security program, exercise appropriate diligence in overseeing service providers arrangements, and assess, develop and implement security standards and procedures. Management believes that CIB Marine, Central Illinois Bank, Marine — Wisconsin, CIB — Indiana and Citrus Bank have complied with the majority of the provisions of the respective Orders and Agreements and are in the process of complying with the remaining provisions.

Independent Review and Investigation

In the fourth quarter of 2003, a special review committee of the Board of Directors was formed to review certain credit quality issues and related matters. During 2004, the Board engaged independent outside consultants and legal counsel to conduct an investigation into certain of these matters. The independent investigations are complete and the results have been reviewed with our Board of Directors, the banking regulators and CIB Marine's outside audit firm, KPMG LLP. KPMG LLP had full and complete access to the outside law firms conducting the investigations throughout the period of their work. The investigations, while targeted, involved the review of thousands of documents, hundreds of transactions and involved interviews with various current officers, employees and Board members, and former officers and employees to the extent they agreed to be interviewed. Management has taken appropriate actions to address issues raised by the investigations. As a result of the investigations and its own analysis, management has adopted new policies and procedures and has strengthened internal reporting and controls.

The investigation facilitated the completion of the audit of CIB Marine's 2003 consolidated financial statements. During 2004, as a result of this review and investigation, CIB Marine incurred legal, accounting and other professional expenses directly related to the investigation of approximately $3.2 million.

Management Changes

Stanley J. Calderon was appointed President and CEO of CIB Marine in April 2004 and joined the Board of CIB Marine in November 2004. Mr. Calderon replaced J. Michael Straka, who retired as President and CEO and was appointed as Vice Chairman of the Board in February 2004. In April 2004, Mr. Straka retired from all positions and the Board of CIB Marine.

In February 2004, CIB Marine named Margaret A. Incandela, as Chief Credit Officer. Ms. Incandela, who previously served as Loan Review Manager, replaced Stephen C. Bonnell who was assigned new responsibilities in the Credit Administration Department. Mr. Bonnell resigned from CIB Marine in March 2004. CIB Marine retained an external consultant to perform loan reviews at its subsidiary banks during 2004 and 2005.

In March 2004, CIB — Chicago's President and CEO, and the Senior Lender resigned from their positions. Michael L. Rechkemmer, Executive Vice President of CIB Marine and a board member of CIB — Chicago was named Interim President of CIB — Chicago and served in such capacity until the sale of the Bank.

In July 2004, the President and CEO of Marine — Wisconsin resigned and was replaced by Michael J. Miller, Executive Vice President and Chief Lending Officer of CIB Marine, as Interim President. In March 2005, Mr. Miller was appointed President and CEO of Marine — Wisconsin. In July 2004, the President and CEO of Central Illinois Bank resigned. In July 2005, Joseph T. Henderson was hired as President and CEO of Central Illinois Bank. In September 2004, the President and CEO of Marine FSB resigned. In March 2005, Jerry L. Schwallier was hired as the President and CEO of Marine FSB. In January 2005, CIB Marine hired G. Richard Nisbeth to become CEO of Citrus Bank. Mr. Nisbeth was also appointed Chairman of this bank. Jack E. Schall continues to serve as its President.

In April 2005, Daniel J. Rasmussen was named Senior Vice President and General Counsel of CIB Marine. Mr. Rasmussen previously served as Vice President and Senior Attorney, and succeeded Donald J. Straka who was assigned other duties in April 2005 and resigned his employment with CIB Marine in June 2005. Mr. Straka remains a director of CIB Construction and Canron.

Board of Director Changes

In February 2004, W. Scott Blake was appointed Chairman of the Board of CIB Marine to succeed Donald M. Trilling. Mr. Trilling resigned as Chairman, but continues to serve on the Board.

During 2004, CIB Marine added Stanley J. Calderon, Steven C. Hillard, and Gary L. Longman, to its Board of Directors. Mr. Longman also serves as Chairman of CIB Marine's Audit Committee. The Board has determined that Mr. Longman is an Audit Committee Financial Expert. In March 2004, John T. Bean resigned from CIB Marine's Board. During April 2004, J. Michael Straka and C. Todd Atkins resigned from CIB Marine's Board. In November 2004, Dean M. Katsaros resigned from CIB Marine's Board.

Liquidity

During 2004, some of the borrowing sources customarily utilized by CIB Marine were restricted or were contingent on subsidiary bank pledges of fixed income investment securities. See Note 12 — Short-term Borrowings for further information.

Cost Controls and Reduction in Force Program

In June 2004, CIB Marine began an overall cost savings program which included a reduction in force program, restrictions on salaries and hiring, tight expense controls, and some executive management salary reductions. Eligible employees impacted by the reduction in force program were paid severance using a consistent formula based upon employee status and years of service. Under the program, CIB Marine reduced its work force during 2004 by 33 full-time equivalent employees with an annual base pay of $1.8 million and incurred approximately $0.2 million in severance expenses. In April 2005, the company formally adopted its company-wide severance pay plan. During the first nine months of 2005, CIB Marine further reduced its work force by 69 full-time equivalent employees with an annual base pay of $3.1 million and incurred $0.6 million in severance expense. These work force reductions represented approximately 3.7% and 14.2% of the total full-time equivalent employees, excluding MICR, at the end of the previous calendar year ends for 2004 and 2005, respectively. These cost savings programs were in addition to overhead expenses saved as a result of the sales of certain subsidiaries including CIB — Chicago, Mortgage Services Inc. and CIB Marine Commercial Finance. Full-time equivalent employees, excluding MICR, as of December 31, 2003, December 31, 2004 and September 30, 2005 were 898, 482 and 398, respectively.

Branch Activities

CIB Marine had 57 branches as of December 31, 2003 holding $2.8 billion in deposits. In the first quarter of 2004, Marine FSB opened a new branch in Sun City, Arizona and in the third quarter of 2004, Central Illinois Bank closed a branch in Morton, Illinois which had held $9.9 million in deposits as of December 31, 2003. On November 30, 2004, 16 branches of CIB — Chicago were sold in connection with the sale of that bank. At June 30, 2005, CIB Marine had 41 branches holding $1.0 billion in deposits. CIB Marine's subsidiary banks are in the process of evaluating the effectiveness of their respective branch networks. Currently CIB Marine has twelve branches planned to be offered for sale in the second half of 2005 and the first half of 2006 with total June 30, 2005 deposits of $131.8 million. No new branches are currently scheduled to be opened in 2005. Although these are all currently planned activities, it is possible some of these transactions may not be consummated as anticipated in the proposed time frames, or at all, if pricing is not acceptable or market conditions change.

Charter Consolidation

During the third and fourth quarters of 2005, CIB Marine filed applications with the appropriate state and federal regulators to merge Marine FSB into Marine — Wisconsin. Prior to the merger, CIB Marine plans to sell the Omaha and Sun City branch facilities of Marine FSB to an unrelated third party. CIB Marine may also consider the consolidation of additional charters in the future as part of its strategy to become more efficient.

FDIC Deposit Insurance Premiums

FDIC deposit insurance premiums represented $0.5 million of the $0.9 million in FDIC and state assessments in 2003. Due to the increase in the risk profile of CIB Marine's subsidiary banks, deposit insurance premiums significantly increased to $4.7 million in 2004. Excluding CIB — Chicago, deposit insurance premiums were $0.3 million, $1.4 million, and $1.2 million in 2003, 2004 and for the nine months ended September 30, 2005, respectively.

Credit Concentrations

At December 31, 2003, CIB Marine had fifteen secured borrowing relationships (loans to one borrower or a related group of borrowers) and loans to ten industries or industry groups that exceeded 25% of stockholders' equity. As of December 31, 2004, CIB Marine had one secured borrowing relationship and loans to seven industries or industry groups that exceeded 25% of stockholders' equity. The decreases were due to the sale of CIB — Chicago, management's strategy to reduce these types of exposures and, to a lesser extent, the increase in stockholders' equity from the $15.2 million pre-tax gain on the sale of CIB — Chicago on November 30, 2004. At September 30, 2005, there were loans to seven industries or industry groups that exceeded 25% of CIB Marine's stockholders' equity, and there was one loan to one borrower or a related group of borrowers that exceeded 25% of stockholders' equity.

Stock Options

As a result of retirements, resignations and other management and Board of Directors changes, the volume of lapsed and surrendered stock options increased substantially in 2004 and the first nine months of 2005. During this period, 873,513 shares previously granted pursuant to stock options lapsed and/or were surrendered and became available for future grants under CIB Marine's 1999 Stock Option and Incentive Plan. In September 2005, 523,750 options were granted to various employees of the company at an exercise price of $4.10 each. As of September 30, 2005, there were 1,090,087 options outstanding with a weighted average exercise price of $10.69.

Treasury Stock and Receivables from Sale of Stock

As a result of the sale of CIB — Chicago, receipt of additional collateral and other actions, the balance of loans classified as receivables from sale of stock has been reduced to $0.3 million as of September 30, 2005.

During 2004, CIB Marine reduced its treasury stock by $2.6 million, or 210,950 shares, as a result of the sale of CIB — Chicago. In the third quarter of 2004, a subsidiary bank of CIB Marine acquired 7,452 shares of CIB Marine stock through loan collection efforts. At September 30, 2005, treasury stock held by CIB Marine was $0.2 million and included 12,663 shares.

Late Filing of Tax Returns

CIB Marine did not file its Federal and State tax returns for calendar year 2004 by the required due date of September 15, 2005. Although CIB Marine does not expect to have taxable income for 2004, penalties may still be assessed by the Internal Revenue Service and/or applicable state departments of revenue.

Investment Securities

During the nine months ended September 30, 2005, CIB Marine sold $9.3 million in tax-exempt securities at a gain of approximately $0.4 million.

Allowance for Loan Losses

During 2004, CIB Marine sold CIB — Chicago and implemented actions to improve the quality of its credit portfolio, including aggressive work-out strategies and enhancing its credit functions, policies and procedures. These activities resulted in a reduction of nonperforming assets from $195.7 million at December 31, 2003 to $57.2 million as of December 31, 2004 and $29.9 million at September 30, 2005, including nonaccrual loans of $152.1 million, $52.5 million and $25.5 million, respectively. Furthermore, due to the improved quality of its credit portfolio, including the reduction in nonperforming assets and a decline in net charge-offs from $101.1 million in 2003 to $41.1 million in 2004, and net recoveries of $2.4 million for the nine months of 2005, CIB Marine recognized a lower provision for credit losses during 2004 and a credit in 2005. During 2004, CIB Marine recognized a $24.7 million provision for credit loss expense ($6.2 million of which related to CIB-Chicago) as compared to the $160.6 million expense in 2003. Additionally, for the nine months ended September 30, 2005, CIB Marine recognized a $10.6 million credit in its provision for credit losses.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

CIB Marine's primary market risk exposure is from interest rate risk. Net interest income and the estimated market value of CIB Marine's assets and liabilities are vulnerable to changes in U.S. prime interest rates. Other market risks exist to a lesser degree, including foreign currency exchange rate risk and equity price risk. Commodity price risk does not normally arise in the course of CIB Marine's business.

CIB Marine's Board of Directors has overall responsibility for its interest rate risk management policies. CIB Marine sets policy limits for interest rate risk to be assumed in the normal course of business. CIB Marine's market risk policy has the general objective of maintaining a low level of earnings volatility due to interest rate risk and to protect CIB Marine from the impact that changes in interest rates have on net interest income. CIB Marine uses gap analysis and earnings simulations to measure interest rate risk. CIB Marine's Asset-Liability Management Committee monitors, at least quarterly, the interest rate risk measurements for compliance with policy limits.

If the derived interest rate risk measurements are outside of the policy limits, management may implement a variety of strategies to reduce the risk. CIB Marine strives to use the most effective instruments for implementing its interest rate risk management strategies, considering the costs, liquidity impact and capital requirements of the various alternatives. The implementation strategies usually involve altering the market risk characteristics of new funding liabilities, and may also include the use of derivative instruments and the altering of the market risk characteristics of groups of interest rate sensitive assets such as the repositioning of marketable securities.

The gap analysis as of December 31, 2003, is shown in the following table and represents the contractual reprice risk positions of CIB Marine. The gap analysis does not represent basis, yield curve or option risk. The table shows interest rate sensitive assets and liabilities and the difference between them within each time interval. In this analysis the contractual repricing interest rate sensitivity position is balanced when an equal amount of interest-earning assets and interest-bearing liabilities reprice during a given time interval. Excess interest rate sensitive assets or liabilities repricing in a given time period results in the interest sensitivity gap shown in the table. A positive or asset-sensitive gap indicates that more interest-earning assets than interest-bearing liabilities will reprice in a given time period, while a negative or liability-sensitive gap indicates that more interest-bearing liabilities than interest earning-assets will reprice in a given time period.

	December 31, 2003(1)					
	0-3 Months	4-6 Months	7-12 Months	2-5 Years	Over 5 Years	Total
	(Dollars in thousands)					
Interest-earning Assets:						
Loans	$1,779,374	$ 74,313	$ 137,061	$343,192	$ 26,101	$2,360,041
Securities	56,416	50,040	118,393	375,068	37,439	637,356
Loans held for sale	16,735	—	—	—	—	16,735
Federal funds sold	59,655	—	—	—	—	59,655
Total interest-earning assets	1,912,180	124,353	255,454	718,260	63,540	3,073,787
Interest-bearing Liabilities:						
Time deposits	425,929	345,105	400,228	591,236	72,567	1,835,065
Savings and interest-bearing demand deposits	766,248	—	—	—	—	766,248
Short-term borrowings	89,096	1,800	1,705	—	—	92,601
Long-term borrowings	—	8,500	—	37,776	—	46,276
Junior subordinated debentures	21,857	—	—	—	40,000	61,857
Total interest-bearing liabilities	1,303,130	355,405	401,933	629,012	112,567	2,802,047
Interest sensitivity gap (by period)	$ 609,050	$(231,052)	$(146,479)	$ 89,248	$(49,027)	$ 271,740
Interest sensitivity gap (cumulative)	609,050	377,998	231,519	320,767	271,740	271,740
Adjusted for Derivatives						
Derivatives (notional, by period)	(65,756)	—	—	35,756	30,000	—
Derivatives (notional, cumulative)	(65,756)	(65,756)	(65,756)	(30,000)	—	—
Interest sensitivity gap (by period)	543,294	(231,052)	(146,479)	125,004	(19,027)	271,740
Interest sensitivity gap (cumulative)	543,294	312,242	165,763	290,767	271,740	271,740
Cumulative Gap as a % of Total Assets	17.05%	9.80%	5.20%	9.13%	8.53%	

(1) Includes CIB — Chicago which was sold in November 2004. See Note 27 — Subsequent Events for further information.

The financial instruments are shown to reprice at the earlier of their principal repayment date due to maturity, amortization, or prepayment in a stable rate environment or their next contractual reprice. In the gap analysis, nonmaturing interest-earning assets and interest-bearing liabilities are shown to reprice at the next contractual reprice date and the Collateralized Mortgage Obligations and the Real Estate Mortgage Investment Conduits that are a part of the investment securities are shown to reprice in those periods in which they are expected to repay.

The table indicates that CIB Marine has a positive gap at one year and a positive gap in time periods exceeding one year. With a positive gap, an increase in interest rates will generally have a positive effect on the net interest income, and a decrease in interest rates will generally have a negative effect on net interest income. With a negative gap, a decrease in interest rates will generally have a positive effect on the net interest income, and an increase in interest rates will generally have a negative effect on net interest income.

While this repricing interest rate sensitivity analysis is a widely used measure of interest rate risk and may be used as an indication of interest margin direction, it does not fully reflect the effects given to interest rate risks other than reprice risk, such as option, basis and yield curve risks. For these reasons, CIB Marine also performs interest rate sensitivity analyses using earnings simulation models. These analyses measure the estimated percentage change in net interest income due to changes in interest rates. CIB Marine derives results for selected hypothetical changes in interest rates over a selected period of time, usually one year.

The following table illustrates the expected percentage change in net interest income over a one year period due to an immediate change in the short-term U.S. prime rate of interest as of December 31, 2003 and 2002.

	Basis Point Changes			
	+200	+100	−100	−200
Net Interest Income Change Over One Year				
December 31, 2003	4.83%	3.58%	(4.33)%	(7.69)%
December 31, 2002	12.01%	7.20%	(3.36)%	(9.13)%

The analysis reveals an asset sensitive interest rate risk position for the one year horizon at both December 31, 2003 and December 31, 2002. CIB Marine has held a short average life investment portfolio of less than two years and used longer term certificates of deposit to maintain an asset sensitive interest rate risk position in both years.

CIB Marine monitors the models on an ongoing basis to ensure the assumptions most accurately reflect the current conditions. The balance sheet financial instruments included in the gap and simulation models include loans, investment securities, federal funds sold, time deposits, saving deposits, interest-bearing demand deposits, federal funds purchased, securities sold under agreements to repurchase and other borrowings. Some of the options accounted for in the simulation analysis include call options in U.S. Government Sponsored Enterprise issued investment securities, embedded call options in U.S. Government Sponsored Enterprise issued Collateralized Mortgage Obligations, Real Estate Mortgage Investment Conduits, fixed rate loans, loans with rate floors and put options in various borrowings.

In addition, the interest rate sensitivity analyses include derivative financial instruments, such as interest rate swaps and forward sale agreements. At December 31, 2003, the notional value of receive fixed/pay floating interest rate swaps was $70.0 million. The majority of CIB Marine's interest rate swaps are used to hedge the fair market value of various deposits and borrowings. At December 31, 2003, the notional value of interest rate swaps to hedge borrowings and fixed rate callable Certificates of Deposit was $25.0 million and $45.0 million, respectively. These interest rate swaps effectively convert the fixed rates on these deposits and borrowings into floating rates. CIB Marine also engages in interest rate swaps to hedge fixed rate lending activity. At December 31, 2003 the notional amount of pay fixed/receive floating amortizing interest rate swaps was $6.1 million. Conditional forward sale agreements (otherwise called 'best efforts' contracts) are utilized to hedge the risk of price changes in mortgage loans held for sale and rate locks for loans to be originated for later sale. The notional value of conditional forward sale agreements was approximately $82.9 million at December 31, 2003 and $507.8 million at December 31, 2002.

Some of the features of the financial instruments included in the model that are not reflected fully in the quantitative market risk disclosure information include call options in municipal bonds and U.S. Government Sponsored Enterprise issued structured notes.

The following assumptions were used in the earnings simulation model:

- The balance sheet size was assumed to remain constant;
- All maturing assets and liabilities were invested or deposited into similar financial or derivative instruments;

- Spreads to the benchmark interest rates for pricing new volume to replace maturing or paying older volumes were similar to spreads currently inherent in those financial instruments, except for marketable securities which reflects current market spreads;
- The interest rates of financial instruments with like terms were assumed to change by the same number of basis points except that the timing, magnitude, and direction of change of interest rates paid on nonmaturing savings and interest-bearing demand deposits were assumed to change in a way similar to that experienced in the past, which is less than perfectly correlated with the other interest rate changes. Current anticipated pricing strategies for nonmaturing deposits were also utilized.

The simulations of earnings do not incorporate any management actions that might moderate the negative consequences of certain interest rate changes. Therefore, they may not reflect actual results.

Equity price risk exists as the result of various holdings of equity securities whose market value changes with changes in the market. Equity holdings include those traded on various exchanges and those that are not, the latter of which have limited liquidity. CIB Marine does not actively hedge its equity positions with derivatives to mitigate the risk of price movements in equity securities. Total equity security holdings of CIB Marine at December 31, 2003 includes $3.9 million of private and public nonaffiliated firms, $5.7 million in low income housing tax credit limited partnerships, $0.6 million of Federal Reserve Bank Stock, and $10.5 million of Federal Home Loan Bank Stock.

Foreign currency exchange rate risk arises through the sale of foreign currency forward contracts to customers of CIB Marine. CIB Marine hedges all such activity. At December 31, 2003 there were no contracts outstanding. Foreign currency exchange risk also arises through transactions denominated in foreign currencies at Canron. CIB Marine does not hedge this activity. At December 31, 2003, Canron had $7.8 million of Canadian denominated net assets as measured in U.S. dollars.

ITEM 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

Report of Independent Registered Public Accounting Firm

The Board of Directors
CIB Marine Bancshares, Inc.:

We have audited the accompanying consolidated balance sheets of CIB Marine Bancshares, Inc. and its subsidiaries (the "Company") as of December 31, 2003, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CIB Marine Bancshares, Inc. and its subsidiaries as of December 31, 2003, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2003 in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2002 the company adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* and Statement of Financial Accounting Standards No. 147 *Acquisitions of Certain Financial Institutions.*

As discussed in Note 2, the consolidated financial statements as of and for the years ended December 31, 2002 and 2001 have been restated.

KPMG LLP

Milwaukee, Wisconsin
October 28, 2005

CIB MARINE BANCSHARES, INC.

Consolidated Balance Sheets

	December 31, 2003	December 31, 2002 (As restated)	December 31, 2001 (As restated)
	(Dollars in thousands, except share data)		
ASSETS			
Cash and cash equivalents:			
Cash and due from banks	$ 60,149	$ 68,366	$ 29,686
Federal funds sold	59,655	25,625	29,314
Total cash and cash equivalents	119,804	93,991	59,000
Loans held for sale	16,735	229,554	34,473
Securities available for sale, at fair value	637,356	516,744	420,507
Loans	2,360,041	2,704,006	2,382,045
Allowance for loan losses	(109,872)	(65,122)	(35,855)
Net loans	2,250,169	2,638,884	2,346,190
Premises and equipment, net	29,138	28,087	27,807
Accrued interest receivable	12,762	16,669	16,993
Goodwill	982	13,122	9,639
Other intangible assets	1,807	1,700	1,795
Foreclosed properties	40,715	3,678	3,168
Assets of companies held for disposal	29,056	73,274	7,311
Other assets	47,713	35,002	15,135
Total Assets	$3,186,237	$3,650,705	$2,942,018
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Noninterest-bearing demand	$ 219,905	$ 204,267	$ 148,709
Interest-bearing demand	78,641	58,889	60,671
Savings	687,607	574,083	300,318
Time	1,835,065	2,011,165	1,760,012
Total deposits	2,821,218	2,848,404	2,269,710
Short-term borrowings	92,601	386,945	319,883
Long-term borrowings	46,276	47,141	61,987
Guaranteed trust preferred securities	—	60,000	40,000
Junior subordinated debentures	61,857	—	—
Accrued interest payable	9,399	11,113	11,334
Liabilities of companies held for disposal	17,381	36,603	683
Other liabilities	28,982	12,936	8,596
Total Liabilities	3,077,714	3,403,142	2,712,193
Stockholders' Equity			
Preferred stock, $1 par value; 5,000,000 shares authorized, none issued	—	—	—
Common stock, $1 par value; 50,000,000 shares authorized, 18,346,442, 18,312,242 and 17,876,752 issued and outstanding, respectively	18,346	18,312	17,877
Capital surplus	158,163	157,783	148,972
Retained earnings (deficit)	(62,759)	74,889	66,082
Accumulated other comprehensive income, net	2,184	4,516	4,331
Receivables from sale of stock	(5,208)	(7,937)	(7,437)
Treasury stock at cost, 86,611 shares acquired	(2,203)	—	—
Total Stockholders' Equity	108,523	247,563	229,825
Total Liabilities and Stockholders' Equity	$3,186,237	$3,650,705	$2,942,018

See Accompanying Notes to Consolidated Financial Statements

CIB MARINE BANCSHARES, INC.

Consolidated Statements of Operations

	Years Ended December 31,		
	2003	2002	2001
		(As restated)	(As restated)
	(Dollars in thousands, except share and per share data)		
Interest and Dividend Income			
Loans	$ 166,971	$ 178,500	$ 174,097
Loans held for sale	6,281	4,137	1,919
Securities:			
Taxable	12,950	17,897	22,722
Tax-exempt	2,217	2,541	2,842
Dividends	672	387	304
Federal funds sold	466	539	1,121
Total interest and dividend income	189,557	204,001	203,005
Interest Expense			
Deposits	76,377	85,484	100,604
Short-term borrowings	3,449	5,958	8,462
Long-term borrowings	1,161	1,370	2,633
Junior subordinated debentures/guaranteed trust preferred securities	5,198	4,523	4,024
Total interest expense	86,185	97,335	115,723
Net interest income	103,372	106,666	87,282
Provision for credit losses	160,593	46,510	14,395
Net interest income (loss) after provision for credit losses	(57,221)	60,156	72,887
Noninterest Income			
Loan fees	2,602	3,330	3,749
Mortgage banking revenue, net	9,507	4,983	5,205
Deposit service charges	3,575	3,209	2,750
Other service fees	373	326	339
Other income	2,874	1,558	1,548
Gain on investment securities, net	—	3,127	4,028
Total noninterest income	18,931	16,533	17,619
Noninterest Expense			
Compensation and employee benefits	45,691	38,543	31,112
Equipment	5,438	4,840	4,245
Occupancy and premises	5,055	4,540	3,992
Professional services	4,042	2,947	1,916
Litigation settlements	50	1,753	145
Merger-related charges	—	—	477
Write down and losses on assets	5,365	78	7
Goodwill and other intangible assets impairment loss	14,359	—	—
Other expense	15,551	11,783	9,483
Total noninterest expense	95,551	64,484	51,377
Income (loss) from continuing operations before income taxes	(133,841)	12,205	39,129
Income tax expense (benefit)	(3,148)	2,596	13,400
Income (loss) from continuing operations	(130,693)	9,609	25,729
Discontinued operations			
Pre-tax loss from discontinued operations	(5,937)	(650)	—
Income tax expense	1,018	152	—
Loss from discontinued operations	(6,955)	(802)	—
Net Income (loss)	$ (137,648)	$ 8,807	$ 25,729
Earnings (loss) Per Share			
Basic			
Income (loss) from continuing operations	$ (7.15)	$ 0.53	$ 1.45
Discontinued operations	(0.38)	(0.05)	—
Net income (loss)	$ (7.53)	$ 0.48	$ 1.45
Diluted			
Income (loss) from continuing operations	$ (7.15)	$ 0.52	$ 1.42
Discontinued operations	(0.38)	(0.05)	—
Net income (loss)	$ (7.53)	$ 0.47	$ 1.42
Weighted average shares — basic	18,286,550	18,167,379	17,751,752
Weighted average shares — diluted	18,286,550	18,547,515	18,083,013

See Accompanying Notes to Consolidated Financial Statements

CIB MARINE BANCSHARES, INC.

Consolidated Statements of Stockholders' Equity

	Common Stock Shares	Common Stock Par Value	Capital Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Stock Receivables and Treasury Stock	Total
	(Dollars in thousands, except share data)						
Balance, December 31, 2000, as previously reported	17,578,135	$17,578	$143,194	$ 40,353	$ 2,242	$ —	$ 203,367
Restatement adjustments (Note 2)	—	—	—	—	443	(5,096)	(4,653)
Balance, December 31, 2000, as restated	17,578,135	$17,578	$143,194	$ 40,353	$ 2,685	$(5,096)	$ 198,714
Comprehensive income:							
Net income, as restated	—	—	—	25,729	—	—	25,729
Other comprehensive income:							
Unrealized securities holding gains arising during the period	—	—	—	—	6,687	—	6,687
Reclassification adjustment for gains included in net income	—	—	—	—	(4,028)	—	(4,028)
Income tax effect	—	—	—	—	(1,013)	—	(1,013)
Total comprehensive income							27,375
Common stock issuance	287,038	287	5,704	—	—	—	5,991
Payments to dissenters and for fractional shares	(10,659)	(10)	(228)	—	—	—	(238)
Non-cash compensation	—	—	17	—	—	—	17
Exercise of stock options	22,238	22	285	—	—	—	307
Receivables from sale of stock, as restated	—	—	—	—	—	(2,341)	(2,341)
Balance, December 31, 2001, as restated	17,876,752	$17,877	$148,972	$ 66,082	$ 4,331	$(7,437)	$ 229,825
Comprehensive income:							
Net income, as restated	—	—	—	8,807	—	—	8,807
Other comprehensive income:							
Unrealized securities holding gains arising during the period	—	—	—	—	3,475	—	3,475
Reclassification adjustment for gains included in net income	—	—	—	—	(3,127)	—	(3,127)
Income tax effect	—	—	—	—	(72)	—	(72)
Foreign currency translation adjustment	—	—	—	—	(91)	—	(91)
Total comprehensive income							8,992
Common stock issuance	341,772	342	7,594	—	—	—	7,936
Exercise of stock options	93,718	93	1,217	—	—	—	1,310
Receivables from sale of stock, as restated	—	—	—	—	—	(500)	(500)
Balance, December 31, 2002, as restated	18,312,242	$18,312	$157,783	$ 74,889	$ 4,516	$(7,937)	$ 247,563
Comprehensive income:							
Net loss	—	—	—	(137,648)	—	—	(137,648)
Other comprehensive income (loss):							
Unrealized securities holding losses arising during the period	—	—	—	—	(5,272)	—	(5,272)
Income tax effect	—	—	—	—	2,849	—	2,849
Foreign currency translation adjustment	—	—	—	—	91	—	91
Total comprehensive loss	—	—	—	—	—	—	(139,980)
Exercise of stock options	34,200	34	380	—	—	—	414
Reduction of receivables from sale of stock	—	—	—	—	—	2,729	2,729
Acquisition of treasury stock (86,611 shares)	—	—	—	—	—	(2,203)	(2,203)
Balance, December 31, 2003	18,346,442	$18,346	$158,163	$ (62,759)	$ 2,184	$(7,411)	$ 108,523

See Accompanying Notes to Consolidated Financial Statements

CIB MARINE BANCSHARES, INC.

Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2003	2002	2001
		(As restated)	(As restated)
		(Dollars in thousands)	
Cash Flows from Operating Activities			
Net income (loss) from continuing operations	$ (130,693)	$ 9,609	$ 25,729
Loss from discontinued operations, net of tax	(6,955)	(802)	—
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Deferred loan fee amortization	(11,000)	(10,212)	(9,722)
Depreciation and other amortization	10,437	7,600	3,821
Provision for credit losses	160,593	46,510	14,395
Originations of loans held for sale	(472,356)	(356,832)	(254,414)
Purchases of loans held for sale	(1,617,344)	(900,956)	(695,137)
Proceeds from sale of loans held for sale	2,300,504	1,065,877	931,456
Deferred tax expense (benefit)	11,343	(10,344)	8,235
Impairment of goodwill and other intangible assets	14,359	—	—
Write downs and losses on assets	5,365	78	7
Gain on investment securities, net	—	(3,127)	(4,028)
(Increase) decrease in interest receivable and other assets	(23,283)	1,704	2,766
Increase (decrease) in interest payable and other liabilities	32,384	(4,070)	(2,028)
Net cash provided by (used in) operating activities	273,354	(154,965)	21,080
Cash Flows from Investing Activities			
Maturities of securities available for sale	296,545	324,425	1,018,389
Purchase of securities available for sale	(438,102)	(454,372)	(879,040)
Proceeds from sales of securities available for sale	999	127,522	86,663
Repayments of mortgage-backed securities available for sale	203,136	103,614	40,207
Purchase of mortgage-backed securities available for sale	(193,919)	(196,880)	(170,294)
Net increase in other investments	(1,150)	(1,767)	(3,213)
Net decrease (increase) in loans	192,925	(337,977)	(552,435)
Decrease (increase) in net assets of companies held for disposal	25,087	(30,043)	41
Proceeds from sale of foreclosed properties	18,515	3,404	2,052
Capital expenditures	(4,968)	(3,913)	(6,853)
Net cash provided by (used in) investing activities	99,068	(465,987)	(464,483)
Cash Flows from Financing Activities			
(Decrease) increase in deposits	(25,992)	578,151	232,058
Proceeds from long-term borrowings	—	—	25,949
Proceeds from issuance of guaranteed trust preferred securities	—	19,550	14,550
Proceeds from issuance of common stock, net	—	7,436	3,650
Proceeds from stock options exercised	414	1,310	307
Cash paid to dissenters and for fractional shares	—	—	(238)
Net (decrease) increase in short-term borrowings	(321,031)	49,496	173,444
Net cash (used in) provided by financing activities	(346,609)	655,943	449,720
Net increase in cash and cash equivalents	25,813	34,991	6,317
Cash and cash equivalents, beginning of year	93,991	59,000	52,683
Cash and cash equivalents, end of year	$ 119,804	$ 93,991	$ 59,000

	Years Ended December 31,		
	2003	2002	2001
		(As restated)	(As restated)
	(Dollars in thousands)		
Supplemental Cash Flow Information			
Cash paid during the year for:			
Interest	$ 87,899	$ 97,556	$ 117,361
Income taxes	7,732	16,008	5,172
Supplemental Disclosures of Noncash Activities			
Transfers of loans to foreclosed properties	$ 32,387	$ 3,949	$ 3,867
Increase in foreclosed properties and short-term borrowings from first mortgage assumed	26,687	—	—
Net assets of businesses acquired through loan collection activities	—	9,695	—
Treasury shares acquired in loan collections	2,203	—	—
Increase in investments in unconsolidated subsidiaries related to deconsolidation of trusts formed to issue trust preferred securities	1,857	—	—
Increase in junior subordinated debentures related to trust deconsolidation	1,857	—	—
Transfer of guaranteed preferred beneficial interest in Company's Junior Subordinated Debentures to junior subordinated debentures	60,000	—	—

See Accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Note 1 — Summary of Significant Accounting Policies

Nature of Operations

CIB Marine Bancshares, Inc. ("CIB Marine") is a bank holding company. References to "CIB Marine" include CIB Marine's subsidiaries unless otherwise specified. The primary sources of revenue are providing loans to small and middle-market business customers and the investment in securities. CIB Marine also offers a competitive range of deposit and other financial products to its customers. Offices and, generally, customers are located in the central Illinois, Chicago, Milwaukee, Indianapolis, Omaha, Phoenix, Las Vegas, and southeast Florida markets. Canron Corporation ("Canron"), an 84% owned subsidiary of CIB Construction, is a steel fabrication and erection company with operations in the United States and Canada, which was acquired in 2002 as a result of collection activities. At December 31, 2003, Canron was in a voluntary liquidation.

The accounting and reporting policies of CIB Marine conform to U.S. generally accepted accounting principles.

Consolidation

The consolidated financial statements include the accounts of CIB Marine and its wholly-owned and majority-owned subsidiaries, including companies which are held for disposal. All significant intercompany balances and transactions have been eliminated. Minority interest in Canron is immaterial to the consolidated financial statements and is included in liabilities of companies held for disposal.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates used in the preparation of the consolidated financial statements are based on various factors, including the current interest rate environment and the general strength of the local economy. Changes in these factors can significantly affect CIB Marine's net interest income and the value of its recorded assets and liabilities.

Reclassifications

The consolidated CIB Construction operating results for 2002 were reclassified from noninterest income, noninterest expense and income tax expense on income in continuing operations to discontinued operations to conform to the 2003 presentation of discontinued operations. The net impact of this reclassification, including $0.2 million in related tax expense, on the 2002 consolidated statement of operations was an $0.8 million increase in net loss from discontinued operations and an $0.8 million increase in net income from continuing operations. See Note 9 — Companies Held for Disposal for further information on CIB Construction.

Reclassifications have been made to certain other balances as of and for the years ended December 31, 2002 and 2001 to be consistent with classifications adopted for 2003.

Cash Flows

For purposes of presentation in the statements of cash flows, cash and cash equivalents are defined as those amounts included in the consolidated balance sheet captions "Cash and Due from Banks" and "Federal Funds Sold", all of which mature within ninety days.

Other Investments

Investments in limited partnerships and other equity investments which are not readily marketable are accounted for using the equity method when CIB Marine's ownership is at least 3% in a limited partnership and 20% in a corporation, but less than 51%. Investments not accounted for under the equity method are accounted for using the cost method. All other investments are periodically evaluated for impairments. If an investment is impaired, a loss is recognized. To determine whether an investment is impaired CIB Marine looks to previous transactions, if any, and the investee's financial condition. During 2003, CIB Marine recognized $2.0 million of impairment losses on other investments. If different assumptions or conditions were to prevail, the carrying value of these investments may need to be further reduced and a loss recorded. All other investments are illiquid.

The equity method of accounting requires CIB Marine to record its proportionate share of income or loss as an increase or decrease in its investment and a corresponding gain or loss in noninterest income. Cash dividends or other distributions received by CIB Marine are recorded as reductions in the carrying amount of the investment.

Securities Held to Maturity

Bonds, notes and certain debt securities which CIB Marine has the positive intent and ability to hold to maturity are reported at cost and adjusted for premiums and discounts that are recognized in interest income using the interest method over the period to maturity. Impairments in the value of securities held to maturity which are other than temporary are accounted for as an unrealized loss through operations.

Held to maturity securities were reclassified to available for sale securities in 2003 for all years presented herein as a result of a material contradiction in management's previous assertion regarding its intent and ability to hold securities to maturity. In the foreseeable future, CIB Marine expects to classify all securities as available for sale.

Securities Available for Sale

Available for sale securities consist of equity securities, bonds, notes and other debt securities not classified as held to maturity securities or trading securities. Available for sale securities are carried at fair value with unrealized net gains and losses reported in other comprehensive income in stockholders' equity. Gains and losses on the sale of available for sale securities are determined using the specific identification method. Impairments in the value of available for sale securities, which are other than temporary, are accounted for as an unrealized loss through operations.

Loans Held for Sale

Mortgage loans originated or purchased and intended for sale in the secondary market are carried at the lower of cost or estimated market value in the aggregate. Net unrealized losses are recognized through a valuation allowance by a charge to mortgage banking revenue. Gains and losses on the sale of loans are included in mortgage banking revenue.

Loans, Allowance for Loan Losses and Provision for Credit Losses

Loans that management has the intent and ability to hold to maturity for the foreseeable future are carried at the amount of unpaid principal, increased by costs to originate and reduced by net deferred fees and an allowance for loan losses. The accrual of interest on loans is generally discontinued when a loan becomes ninety days or more delinquent unless the credit is well secured and in process of collection. Loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered by management to be doubtful. Unpaid interest that has previously been recorded as income is written off against interest income when a loan is placed on nonaccrual. Interest on loans is calculated by using the simple interest method on daily balances of the principal amount outstanding. Interest payments received on loans which are on nonaccrual are generally applied to reduce the loan principal. Loans are returned to accrual status once a borrower has demonstrated repayment performance on the contractual schedule for a period of six consecutive months and the expectation is that contractual payments will continue to be made during the remaining term of the loan.

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance when management believes that the collectibility of the principal amount is unlikely and where loans are sold at less than their outstanding principal balances. Recoveries of amounts previously charged-off are credited to the allowance.

The provision for loan losses is included in the provision for credit losses in the statements of operations. Also included in the provision for credit losses is the expense for probable losses on unfunded loan commitments and standby letters of credit. Estimated losses on unfunded loan commitments and standby letters of credit are accrued and included in other liabilities.

Management periodically reviews the loan portfolio in order to establish an allowance for loan losses that are probable at the reporting date. The allowance for loan losses is based on management's evaluation of individual loans and the entire loan portfolio, including such factors as the volume and character of loans outstanding, the relationship of the allowance for loan losses to outstanding loans, past loan loss experience, the expected loan repayments, estimated value of any underlying collateral on individual loans and general economic conditions.

Management believes that the allowance for loan losses contained in these financial statements was adequate at December 31, 2003, 2002 and 2001. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in the loan portfolio and/or in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review CIB Marine's allowance for loan losses. Such agencies may require CIB Marine to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

A loan is considered impaired when, based on current information and events, it is probable that CIB Marine will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment records and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, CIB Marine does not separately identify individual consumer and residential loans for impairment.

Loan origination fees are deferred and certain direct origination costs are capitalized. The amounts deferred and capitalized are included in the carrying amount of the loans and amortized over the estimated life of the loans as an adjustment of the yield of the related loan. Amortization of deferred loan fees and costs ceases when a loan is placed on nonaccrual. Fees for loans sold and other loan fees are included in loan fee income as realized.

Intangible Assets

Goodwill and core deposit intangibles have arisen as a result of the acquisition of companies or assets. Fair values have been determined by examining stock prices of publicly traded financial institutions with similar performance characteristics as the reporting units and discounted cash flow models. Where market prices are not available and the reporting unit is held for disposal, third party valuations or anticipated offer values are used. Intangible assets with definite lives are amortized over the estimated remaining benefit periods. Core deposit intangibles are amortized over approximately ten years on an accelerated basis. Prior to 2002, goodwill was amortized on a straight-line basis over 15 years. Intangible assets with indefinite lives and goodwill are not amortized, but are evaluated for impairment at least annually.

In October 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 147, *Acquisitions of Certain Financial Institutions* (SFAS 147). SFAS 147 expands the scope of SFAS 141 and 142 to include unidentifiable intangible assets established in the acquisition of bank branches. Under SFAS 147, goodwill associated with these acquisitions will not be subject to amortization and will be tested for impairment. CIB Marine adopted SFAS 147 on September 30, 2002 and in accordance with its provisions, reversed goodwill amortization previously recorded in 2002. See Note 8 — Intangible Assets to the consolidated financial statements for further information on the impact of the adoption of these statements.

Premises and Equipment

Land is carried at cost. Premises and equipment are carried at cost less accumulated depreciation computed primarily using the straight-line method. Maintenance and repairs are charged to expense as incurred, while renewals and betterments are capitalized. Leasehold improvements included in premises and equipment are amortized over the shorter of the useful life of the improvements or the term of the lease. Rent expense on noncancellable leases is accrued on the straight-line basis over the term of the lease based upon minimum rents.

Foreclosed Properties

Foreclosed properties includes other real estate (ORE) assets that have been received in satisfaction of debt. ORE is initially recorded and subsequently carried at the lower of cost or fair value less estimated selling costs. Any valuation adjustments required at the date of transfer to ORE are charged to the allowance for loan losses. Subsequently, operating results from ORE, reductions in value of the foreclosed property and realized gains and losses on sale are recorded in noninterest income or noninterest expense as appropriate.

Assets of Companies Held For Disposal

Assets held for disposal include companies acquired in full or partial satisfaction of loans, primarily through foreclosure. CIB Marine's regulators generally limit the holding period for such assets to not more than five years. These assets are initially recorded at the lower of cost or current fair value, less estimated selling costs. Thereafter, the aggregate assets and liabilities are shown as separate categories on the consolidated balance sheets. When these assets are acquired in full or partial satisfaction of a loan, any excess of the related loan balance over the fair value, less estimated selling cost, is charged as a loan loss against the allowance for loan losses. Net operating income or loss of the companies held for disposal which meet the criteria as discontinued operations are included in gain or loss from discontinued operations unless a decision is made to cease operations and liquidate the assets and liabilities of the company. Once a decision is made to liquidate the company, CIB Marine ceases recording any future operating results of the company in continuing operations and records an impairment loss, if any, based on the estimated liquidation value of the company's net assets less costs to sell. The impairment loss is recorded as loss from discontinued operations.

Stock-Based Compensation

CIB Marine applies Accounting Principles Board Opinion (APB) No. 25, *Accounting for Stock Issued to Employees* (APB 25), and related interpretations in accounting for its stock-based compensation plans. Under SFAS No. 123, *Accounting for Stock-Based Compensation* (SFAS 123), companies may elect to recognize stock-based compensation expenses based on the fair value of the awards or continue to account for stock-based compensation under APB 25. CIB Marine has elected to continue to apply the provisions of APB 25.

In December 2004, the Financial Accounting Standards Board issued SFAS No. 123 (revised), *Share-Based Payment* (SFAS 123(R)). The objective of the revised statement No. 123 is to recognize in an entity's financial statements the cost of employee services received in exchange for valuable equity instruments issued to employees in share-based payment transactions. A key provision of the statement requires public companies to adopt Statement 123's fair value-based method of accounting. Under this method, the cost of employee services received in exchange for equity instruments would be measured based on the grant date fair value of these instruments. The cost would be recognized over the requisite service period. The proposed Statement is expected to be applied by CIB Marine prospectively as of January 1, 2006 and is not expected to result in a significant adjustment to the consolidated financial statements.

Had compensation expense for these plans been determined based on the fair value at the grant dates for awards under those plans consistent with the methodology in SFAS 123, CIB Marine's net income (loss) and earnings (loss) per share would have been the pro forma amounts indicated below:

	December 31,		
	2003	2002 (As restated)	2001 (As restated)
	(Dollars in thousands, except share data)		
Net income (loss)			
As reported	$(137,648)	$ 8,807	$25,729
Assumed compensation cost, net of tax	(1,247)	(1,291)	(1,000)
Pro forma	$(138,895)	$ 7,516	$24,729
Basic earnings per share			
As reported	$ (7.53)	$ 0.48	$ 1.45
Pro forma	(7.60)	0.41	1.39
Diluted earnings per share			
As reported	$ (7.53)	$ 0.47	$ 1.42
Pro forma	(7.60)	0.41	1.37

Fair value has been estimated using the minimum value method as defined in SFAS 123. Key assumptions used were zero percent volatility, zero percent dividend yield, expected lives of ten years and risk-free interest rates averaging 5.04% and 5.22%, respectively, for 2002 and 2001. No options were granted in 2003. The per share weighted average fair value of stock options granted during 2002 and 2001 were $9.56 and $9.27, respectively, on the date of grant. Because the options vest over a five-year period, the pro forma disclosures are not necessarily representative of the effects on reported net income for future years.

Under APB 25, stock-based compensation expense includes the excess, if any, of the market price of the stock at grant date or other measurement date, over the exercise price. This expense is recognized over the vesting period of the options. If stock options had an exercise price less than the market price at the measurement date, compensation expense associated with those options would be included in salaries and employee benefits expense with a corresponding increase in capital surplus.

CIB Marine records amounts received upon the exercise of options by crediting common stock and capital surplus. Income tax benefits from the exercise of stock options result in a decrease in current income taxes payable and, to the extent not previously recognized as a reduction in income tax expense, result in an additional increase in capital surplus.

Advertising Expense

Advertising costs are charged to expense as incurred. Advertising expenses, included in noninterest expense, totaled $1.2 million in both 2003 and 2002, and $1.0 million in 2001.

Receivables from Sale of Stock

Loans originated by CIB Marine's subsidiary banks to purchase CIB Marine stock are accounted for as a reduction in Stockholders' Equity and are reported in a contra-equity account entitled "Receivables from sale of stock", unless the loan has been repaid prior to the issuance of the financial statements or the loan has been adequately collateralized, exclusive of the value of CIB Marine stock pledged as collateral, if any.

Income Taxes

Deferred income taxes are provided for temporary differences between the amounts reported for assets and liabilities for financial statement purposes and their tax basis. Deferred tax assets are recognized for temporary differences that are expected to be deductible in future years' tax returns and for operating loss and tax credit carryforwards. Deferred tax assets are reduced by a valuation allowance by way of a charge to income tax expense when, in the opinion of management, it is deemed more likely than not that some or all of the deferred tax assets will not be realized. Deferred tax liabilities are recognized for temporary differences that will be taxable in future years' tax returns.

CIB Marine and its subsidiaries file unitary, combined and separate state tax returns where required. Canron files its own Canadian and provincial income tax returns. Canron's Canadian, U.S. federal, state and provincial income taxes are included in discontinued operations. CIB Marine has entered into tax allocation agreements with its subsidiary entities included in the consolidated US Federal and unitary and combined state income tax returns, including US operations of companies held for sale or disposal. These agreements govern the timing and amount of income tax payments required by the various entities.

Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through income tax expense (benefit).

Business Segments

An operating segment is defined as a component of an enterprise that engages in business activities that generate revenue and incur expense. A segment is further defined as a component whose operating results are reviewed by the chief operating decision maker in the determination of resource allocation and performance, and for which discrete financial information is available.

CIB Marine, through the bank branch network of its subsidiaries, provides a broad range of financial services to companies and individuals in Illinois, Wisconsin, Indiana, Florida, Arizona, Nevada, and Nebraska. These services include commercial and retail lending and deposits. While CIB Marine's chief operating decision maker monitors the revenue streams of the various products and services, operations in all areas are managed, and financial performance is evaluated, on a corporate-wide basis. The mortgage banking operations are evaluated separately and are presented as a separate segment as its assets and results of operations meet the required disclosure criteria. Accordingly, CIB Marine's operations are reported in its financial statements in two reportable operating segments.

Earnings Per Common Share

Basic earnings per common share is computed by dividing net income (loss) by the weighted average number of shares outstanding during the periods. Diluted earnings per common share is computed by dividing net income or loss by the weighted average number of common shares adjusted for the dilutive effect of outstanding stock options. The dilutive effect of outstanding stock options, if any, is computed using the treasury stock method.

Foreign Currency Translation

In January 2000, CIB — Chicago established a foreign office in the Cayman Islands. The office, which accepted Eurodollar deposits, was closed in the fourth quarter of 2004 in connection with the sale of the bank. See Note 27 — Subsequent Events.

CIB — Chicago's nonbank subsidiary, Canron, had operations in the United States, Canada and Mexico at the time of acquisition. As of December 31, 2003, operations in western United States, western Canada and Mexico had been sold. The remaining assets in the United States and eastern Canada are in the process of liquidation. See Note 3 — Business Combinations and Note 9 — Companies Held for Disposal for further information.

Canron uses the local currency, primarily Canadian dollars, as their functional currency. Assets and liabilities are translated at exchange rates in effect at the balance sheet date. Net exchange gains or losses resulting from the translation of financial statements of foreign operations are recorded as a separate component of accumulated other comprehensive income within stockholders' equity. The effect of foreign currency remeasurement and changes in exchange rates are recorded in the cost of contract revenue as it is expensed against the contract as incurred.

Derivative and Hedging Activities

CIB Marine uses certain derivative financial instruments to help manage its risk or exposure to changes in interest rates and in conjunction with its mortgage banking operations. Effective January 1, 2001, CIB Marine adopted SFAS 133, as amended by SFAS 138 and SFAS 149, which established new rules for the recognition and measurement of derivatives and hedging activities.

Under SFAS 133, all derivatives are recognized on the balance sheet at their fair value. On the date a derivative contract is entered into, CIB Marine designates the derivative as either (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("Fair-Value Hedge"), (2) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability ("Cash-Flow Hedge"), (3) a foreign currency, fair value or cash-flow hedge ("Foreign-Currency Hedge"), (4) a hedge of a net investment in a foreign operation, or (5) held for trading ("Trading Instruments"). Changes in the fair value of a derivative that is highly effective as, and that is designated and qualifies as, a Fair-Value Hedge, along with the loss or gain on the corresponding hedged asset or liability (including losses or gains on firm commitments), are recorded in current period earnings. Changes in the fair value of a derivative that is highly effective as, and that is designated and qualifies as, a Cash-Flow Hedge are recorded in other comprehensive income until earnings are affected by the variability of cash flows (e.g., when periodic settlements on a variable rate asset or liability are recorded in earnings). Changes in the fair value of derivatives that are highly effective as, and that are designated and qualify as, Foreign-Currency Hedges are recorded in either current period earnings or other comprehensive income, depending on whether the hedge transaction meets the criteria for a Fair-Value Hedge or a Cash-Flow Hedge. If, however, a derivative is used as a hedge of a net investment in a foreign operation, its changes in fair value, to the extent effective as a hedge, is recorded in the cumulative translation adjustment account within equity. Changes in the fair value of derivative trading instruments are reported in current period earnings.

At the time the hedging instrument is entered into, CIB Marine formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as Fair-Value Hedges, Cash-Flow Hedges, or Foreign-Currency Hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. CIB Marine formally assesses, for all hedges, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions will be or have been highly effective in offsetting changes in fair values or cash flows of hedged items and whether they are expected to continue to be highly effective in the future. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, CIB Marine discontinues hedge accounting prospectively.

CIB Marine discontinues hedge accounting prospectively when (1) it is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item (including firm commitments or forecasted transactions); (2) the derivative expires or is sold, terminated, or exercised; (3) the derivative is designated as a hedge instrument because it is unlikely that a forecasted transaction will occur; (4) because a hedged firm commitment no longer meets the definition of a firm commitment; or (5) management determines that designation of the derivative as a hedge instrument is no longer appropriate.

When hedge accounting is discontinued because it is determined that the derivative no longer qualifies as an effective Fair-Value Hedge, the derivative will continue to be carried on the balance sheet at its fair value, and the hedged asset or liability will no longer be adjusted for changes in fair value. When hedge accounting is discontinued because the hedged item no longer meets the definition of a firm commitment, the derivative will continue to be carried on the balance sheet at its fair value, and any asset or liability that was recorded pursuant to recognition of the firm commitment will be removed from the balance sheet and recognized as a gain or loss in current period earnings. When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, the derivative will continue to be carried on the balance sheet at its fair value, and gains and losses that were accumulated in other comprehensive income will be recognized immediately in earnings. In all other situations in which it is determined that a derivative is not highly effective as a hedge or when hedge accounting is discontinued, the derivative will be carried at its fair value on the balance sheet, with changes in its fair value recognized in current period earnings.

CIB Marine uses interest rate swaps to hedge changes in the fair value of fixed rate borrowings and specified deposits attributable to changes in market interest rates. CIB Marine primarily engages in floating-pay, fixed-receive swaps, whereby CIB Marine pays a floating interest rate based upon an index and receives a fixed rate of interest. This type of transaction effectively changes the net interest cash flows from a fixed rate to floating rate. This particular transaction is engaged in to provide a funding liability that more closely offsets the market risk of certain floating rate assets whose rate is highly correlated with the index rate off which the floating rate is paid in the interest rate swap. CIB Marine generally enters into swap agreements with nationally recognized securities firms and monitors the credit status of counterparties and the level of collateral for such swaps.

CIB Marine's mortgage banking activities include the issuance of commitments to extend residential mortgage loans. When the loan is originated or purchased it is recorded as a residential mortgage loan held for sale. The residential mortgage loans held for sale are hedged with conditional forward contracts and a Fair-Value Hedge is designated under SFAS 133. CIB Marine is in a short position with conditional forward contracts, whereby CIB Marine agrees to sell residential mortgage loans held for sale at a pre-established price at some future date, and in a long position with the residential mortgage loans held for sale. The hedging relationship is highly effective and hedges changes in the fair value of the residential mortgage loans held for sale due to interest rate changes. The notional amount of conditional forward contracts outstanding varies and is a function of the current balance of residential mortgage loans held for sale and commitments to extend mortgage loans to be held for sale.

In addition, CIB Marine has various agreements arising out of certain credit relationships under which it may earn other forms of contingent loan fees in addition to interest. The contingent loan fee is typically based upon, or determined by, the financial performance of the borrower. At December 31, 2003, CIB Marine determined these agreements did not have any significant fair value.

The adoption of SFAS 133 on January 1, 2001, resulted in the following after tax adjustment, as of or for the year ended, December 31, 2001: an increase in consolidated assets of $2.6 million; an increase in consolidated liabilities of $2.5 million; and an increase in net income of $0.03 million.

New Accounting Pronouncements

Accounting for Costs of Exit or Disposal Activities

In July 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (SFAS 146). Under the previous accounting guidance, a company recognized a liability for an exit cost when it committed to an exit plan. Under SFAS 146, expenses related to exit, disposal or restructuring activities initiated after December 31, 2002, must be recorded when such costs are incurred and can be measured at fair value. Any recorded liability is then adjusted for future changes in estimated cash flows. The adoption in 2003 had no effect on CIB Marine's financial position or results of operations.

Derivative Instruments and Hedging Activities

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*, (SFAS No. 149) to amend and clarify financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*. In addition, SFAS No. 149 requires that contracts with comparable characteristics be accounted for similarly. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003 (with certain exceptions) and for hedging relationships designated after June 30, 2003. Adoption of SFAS No. 149 did not materially affect the consolidated results of operations or financial position of CIB Marine.

Liabilities and Equity

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*. SFAS No. 150 establishes standards regarding the manner in which an issuer classifies and measures certain types of financial instruments having characteristics of both liabilities and equity. Pursuant to SFAS No. 150, such freestanding financial instruments (i.e., those entered into separately from an entity's other financial instruments or equity transactions or that are legally detachable and separately exercisable) must be classified as liabilities or, in some cases, assets. In addition, SFAS No. 150 requires that financial instruments containing obligations to repurchase the issuing entity's equity shares and, under certain circumstances, obligations that are settled by delivery of the issuer's shares be classified as liabilities. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and for contracts in existence at the start of the first interim period beginning after June 15, 2003. CIB Marine does not have any outstanding financial instruments at December 31, 2003 that would require reclassification as a result of SFAS No. 150.

Changes in Accounting Principle

On May 5, 2005, the FASB issued SFAS No. 154 *Accounting Changes and Error Corrections — a replacement of APB Opinion No. 20 and FASB Statement No. 3* (SFAS No. 154). SFAS No. 154, which is effective for accounting changes made in fiscal years beginning after December 15, 2005, requires retrospective application for voluntary changes in accounting principle unless it is impracticable to do so. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. The adoption of SFAS No. 154 is not expected to impact CIB Marine's consolidated financial statements.

Consolidation of Variable Interest Entities

In January 2003, the FASB issued Interpretation No. 46 (Revised) (FIN 46R), *Consolidation of Variable Interest Entities*, an interpretation of Accounting Research Bulletin No. 51, *Consolidated Financial Statements*, to improve financial reporting of special purpose and other entities. In accordance with the interpretation, business enterprises that represent the primary beneficiary of another entity by retaining a controlling financial interest in that entity's assets, liabilities, and results of operating activities must consolidate the entity in their financial statements. Prior to the issuance of FIN 46R, consolidation generally occurred when an enterprise controlled another entity through voting interests. Adoption of the accounting provisions of FIN 46R in 2003 did not have a material affect on the consolidated results of operations. The effect of the implementation of FIN 46R on CIB Marine's consolidated statement of financial condition was to increase investment in unconsolidated subsidiaries by $1.9 million, net of the amounts due to unconsolidated subsidiaries, decrease trust preferred securities by $60.0 million and increase junior subordinated debentures by $61.9 million. Trust preferred securities underwriting fees are amortized on a straight-line basis over a thirty year life.

Investments

In March 2004, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 03-01, *"The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments"* (EITF 03-01). EITF 03-01 provides guidance on the other than temporary impairment models for marketable debt and equity securities accounted for under SFAS No 115, *"Accounting for Certain Investments in Debt and Equity Securities,"* and SFAS No. 124, *"Accounting for Certain Investments Held by Not-for Profit Organizations,"* and nonmarketable equity securities accounted for under the cost method. The EITF developed a basic three-step model to evaluate whether an investment is other than temporarily impaired. The effective date of the recognition and measurement provisions as included in paragraphs 10-20 of EITF 03-01 has been delayed. CIB Marine adopted the disclosure requirements in the 2003 consolidated financial statements.

Loan Commitments

In March 2004, the SEC issued Staff Accounting Bulletin ("SAB") No. 105, *Application of Accounting Principles to Loan Commitments* (SAB 105). SAB 105 provides guidance regarding loan commitments accounted for as derivative instruments. Specifically, SAB 105 requires servicing assets to be recognized only once the servicing assets have been contractually separated from the underlying loan by sale or securitization of the loan with servicing retained. As such, consideration for the expected future cash flows related to the associated servicing of the loan may not be recognized in valuing the loan commitment. This will result in a lower fair value of loan commitments and recognition of the value of the servicing asset later upon sale or securitization of the underlying loan. The provisions of SAB 105 were effective for loan commitments accounted for as derivatives entered into after March 31, 2004. The adoption of SAB 105 did not have a material effect on CIB Marine's consolidated financial statements.

Note 2 — Restatement of 2002 and 2001 Consolidated Financial Statements

The consolidated financial statements as of December 31, 2002 and December 31, 2001 have been restated to reflect the following restatement adjustments:

Loan and Other Credit Losses

In the third quarter of 2003, CIB Marine began a comprehensive review of the adequacy of its allowance for loan losses in response to deterioration in the credit quality of the Company's loan portfolio, including a significant increase in nonperforming loans, which was noted by the Company's banking regulators at certain subsidiary banks. A Special Review Committee of the Board was formed to further review these items and engaged outside advisors to conduct an independent review of loan related matters. As a result of this comprehensive review, the Company identified errors in the timing of loan downgrades. The consolidated financial statements for 2002 and 2001 have been restated to reflect loan downgrades in the appropriate periods. The impact of these restatement adjustments was an increase in provision for credit losses of $10.8 million and $1.7 million in 2002 and 2001, respectively, and an increase in the allowance for loan losses of $12.8 million and $1.8 million in 2002 and 2001, respectively.

Interest Income — Loans

In addition, errors were also identified in the timing of when loans were classified as nonperforming which resulted in loans not being placed on nonaccrual status in the correct reporting period. The consolidated financial statements for 2002 and 2001 have been restated to reflect loans being placed on nonaccrual status in the appropriate periods. The impact of these restatement adjustments was a reduction in interest income — loans of $0.2 million and $0.1 million in 2002 and 2001, respectively, and a corresponding reduction in net loans.

Income Tax Expense

The consolidated financial statements for 2002 and 2001 have also been restated to reflect the income tax effect of the above restatement adjustments. The effect of these restatement adjustments was a reduction in income tax expense on income from continuing operations of $4.2 million and $0.6 million in 2002 and 2001, respectively.

Receivables from Sale of Stock

During the regular 2003 regulatory examination, it was noted that certain of the Company's subsidiary banks had originated loans, the proceeds of which were used to purchase stock of the Company. Loans originated by CIB Marine's subsidiary banks to purchase CIB Marine stock should have been accounted for as a reduction in Stockholders' Equity unless the loan had been repaid prior to the issuance of the financial statements or the loan had been adequately collateralized, exclusive of the value of CIB Marine stock pledged as collateral, if any. The consolidated financial statements for 2002 and 2001 have been restated to reduce loans to purchase CIB Marine stock (as described above) and report those loans as a contra-equity account entitled "Receivables from sale of stock". The effect of these restatement adjustments was a reduction of loans and a corresponding reduction of stockholders' equity of $7.9 million and $7.4 million as of December 31, 2002 and 2001, respectively, and a reduction of stockholders' equity of $5.1 million as of December 31, 2000. See Note 15 — Stockholders' Equity — Receivables from Sale of Stock for further information.

Reclassification of Securities and Adjustment to Accumulated Other Comprehensive Income

In the first nine months of 2005, CIB Marine sold $9.3 million of tax exempt held to maturity securities at a gain of $0.4 million. As a result of this material contradiction related to management's previous assertion regarding its intent and ability to hold securities to maturity, CIB Marine determined the consolidated financial statements should be restated for all years presented to reclassify all held to maturity securities to available for sale. The effect of this restatement is to increase available for sale securities by $72.8 million and $98.7 million, and decrease held to maturity securities by $70.1 million and $96.6 million, at December 31, 2002 and 2001, respectively. The effect of this restatement also resulted in an increase in accumulated other comprehensive income and total stockholders' equity of $1.7 million, $1.3 million and $0.4 million as of December 31, 2002, 2001 and 2000, respectively, for the net unrealized gains on the reclassified securities. The difference in the increase in available for sale securities and the increase in accumulated other comprehensive income as of December 31, 2002 and 2001, is the deferred income tax effect on the net unrealized gain on securities of $1.0 million and $0.8 million, at December 31, 2002 and 2001, respectively, which resulted in a decrease in net deferred tax assets included in other assets at December 31, 2002 and an increase in deferred tax liabilities included in other liabilities at December 31, 2001.

The cumulative impact of the above restatements is a decrease of net income of $6.8 million and $1.2 million for the years ended December 31, 2002 and 2001, respectively, and a decrease in stockholders' equity of $14.2 million and $7.3 million as of December 31, 2002 and 2001, respectively.

The following table presents the consolidated balance sheets and statements of operations as previously reported and restated for the years prior to 2003, and the major captions in the statements of cash flows which were affected by the restatement.

	December 31, 2002			
	As Previously Reported	Reclassification Adjustments	Restatement Adjustments	As Restated
	(Dollars in thousands)			
CONSOLIDATED BALANCE SHEET				
Assets				
Cash and cash equivalents:				
Cash and due from banks	$ 72,771	$(4,405)	$ —	$ 68,366
Federal funds sold	25,625	—	—	25,625
Total cash and cash equivalents	98,396	(4,405)	—	93,991
Loans held for sale	228,114	1,440	—	229,554
Securities:				
Available for sale, at fair value	443,871	—	72,873	516,744
Held to maturity	70,132	—	(70,132)	—
Total securities	514,003	—	2,741	516,744
Loans	2,707,538	4,405	(7,937)	2,704,006
Allowance for loan losses	(52,369)	—	(12,753)	(65,122)
Net loans	2,655,169	4,405	(20,690)	2,638,884
Premises and equipment, net	28,087	—	—	28,087
Accrued interest receivable	16,669	—	—	16,669
Goodwill	13,122	—	—	13,122
Other intangible assets	1,700	—	—	1,700
Foreclosed properties	3,678	—	—	3,678
Assets of companies held for disposal	73,874	(600)	—	73,274
Other assets	32,749	(1,458)	3,711	35,002
Total Assets	$3,665,561	$ (618)	$(14,238)	$3,650,705
Deposits:				
Noninterest-bearing demand	$ 204,267	$ —	$ —	$ 204,267
Interest-bearing demand	58,889	—	—	58,889
Savings	574,083	—	—	574,083
Time	2,011,165	—	—	2,011,165
Total deposits	2,848,404	—	—	2,848,404
Short-term borrowings	386,945	—	—	386,945
Long-term borrowings	47,141	—	—	47,141
Guaranteed trust preferred securities	60,000	—	—	60,000
Accrued interest payable	11,108	5	—	11,113
Liabilities of companies held for disposal	37,171	(568)	—	36,603
Other liabilities	12,991	(55)	—	12,936
Total Liabilities	3,403,760	(618)	—	3,403,142
Stockholders' Equity				
Preferred stock	—	—	—	—
Common stock	18,312	—	—	18,312
Capital surplus	157,783	—	—	157,783
Retained earnings	82,901	—	(8,012)	74,889
Accumulated other comprehensive income, net	2,805	—	1,711	4,516
Receivables from sale of stock	—	—	(7,937)	(7,937)
Total Stockholders' Equity	261,801	—	(14,238)	247,563
Total Liabilities and Stockholders' Equity	$3,665,561	$ (618)	$(14,238)	$3,650,705

	Year Ended December 31, 2002			
	As Previously Reported	Reclassification Adjustments	Restatement Adjustments	As Restated
	(Dollars in thousands, except share and per share data)			
CONSOLIDATED STATEMENT OF OPERATIONS				
Interest and Dividend Income				
Loans	$178,569	$ 122	$ (191)	$178,500
Loans held for sale	4,137	—	—	4,137
Securities:				
Taxable	17,897	—	—	17,897
Tax-exempt	2,541	—	—	2,541
Dividends	387	—	—	387
Federal funds sold	539	—	—	539
Total interest and dividend income	204,070	122	(191)	204,001
Interest Expense				
Deposits	85,478	6	—	85,484
Short-term borrowings	5,964	(6)	—	5,958
Long-term borrowings	1,370	—	—	1,370
Guaranteed trust preferred securities	4,523	—	—	4,523
Total interest expense	97,335	—	—	97,335
Net interest income	106,735	122	(191)	106,666
Provision for credit losses	34,725	1,000	10,785	46,510
Net interest income after provision for credit losses	72,010	(878)	(10,976)	60,156
Noninterest Income				
Loan fees	3,456	(126)	—	3,330
Mortgage banking revenue, net	10,602	(5,619)	—	4,983
Deposit service charges	3,209	—	—	3,209
Other service fees	326	—	—	326
Write down and losses on assets	(19)	19	—	—
Other income (loss)	899	659	—	1,558
Gain on investment securities, net	3,127	—	—	3,127
Total noninterest income	21,600	(5,067)	—	16,533
Noninterest Expense				
Compensation and employee benefits	41,462	(2,919)	—	38,543
Equipment	4,840	—	—	4,840
Occupancy and premises	4,539	1	—	4,540
Professional services	2,997	(50)	—	2,947
Litigation settlements	1,753	—	—	1,753
Write down and losses on assets	—	78	—	78
Other expense	15,488	(3,705)	—	11,783
Total noninterest expense	71,079	(6,595)	—	64,484
Income (loss) from continuing operations before income taxes	22,531	650	(10,976)	12,205
Income tax expense (benefit)	6,900	(152)	(4,152)	2,596
Income (loss) from continuing operations	15,631	802	(6,824)	9,609
Discontinued Operations:				
Pre-tax loss from discontinued operations	—	(650)	—	(650)
Income tax expense	—	152	—	152
Loss from discontinued operations	—	(802)	—	(802)
Net Income (Loss)	$ 15,631	$ —	$ (6,824)	$ 8,807

	Year Ended December 31, 2002			
	As Previously Reported	Reclassification Adjustments	Restatement Adjustments	As Restated
	(Dollars in thousands, except share and per share data)			
EARNINGS PER SHARE:				
Basic				
Income (loss) from continuing operations	$0.86	$ 0.05	$(0.38)	$ 0.53
Discontinued operations	—	(0.05)	—	(0.05)
Net income (loss)	$0.86	$ —	$(0.38)	$ 0.48
Diluted				
Income (loss) from continuing operations	$0.84	$ 0.05	$(0.37)	$ 0.52
Discontinued operations	—	(0.05)	—	(0.05)
Net income (loss)	$0.84	$ —	$(0.37)	$ 0.47

	Year Ended December 31, 2002			
	As Previously Reported	Reclassification Adjustments	Restatement Adjustments	As Restated
	(Dollars in thousands)			
CASH FLOW STATEMENT				
Net cash provided by (used in) operating activities	$(154,291)	$ (674)	$ —	$(154,965)
Net cash provided by (used in) investing activities	(462,756)	(3,731)	500	(465,987)
Net cash (used in) provided by financing activities	656,443	—	(500)	655,943
Net increase (decrease) in cash and cash equivalents	39,396	(4,405)	—	34,991
Cash and cash equivalents, beginning of year	59,000	—	—	59,000
Cash and cash equivalents, end of year	$ 98,396	$(4,405)	$ —	$ 93,991

	December 31, 2001			
	As Previously Reported	Reclassification Adjustments	Restatement Adjustments	As Restated
	(Dollars in thousands)			
CONSOLIDATED BALANCE SHEET				
Assets				
Cash and cash equivalents:				
Cash and due from banks	$ 29,686	$ —	$ —	$ 29,686
Federal funds sold	29,314	—	—	29,314
Total cash and cash equivalents	59,000	—	—	59,000
Loans held for sale	34,295	178	—	34,473
Securities:				
Available for sale, at fair value	321,748	—	98,759	420,507
Held to maturity	96,609	—	(96,609)	—
Total securities	418,357	—	2,150	420,507
Loans	2,389,482	—	(7,437)	2,382,045
Allowance for loan losses	(34,078)	—	(1,777)	(35,855)
Net loans	2,355,404	—	(9,214)	2,346,190
Premises and equipment, net	27,807	—	—	27,807
Accrued interest receivable	16,993	—	—	16,993
Goodwill	9,639	—	—	9,639
Other intangible assets	1,795	—	—	1,795
Foreclosed properties	3,168	—	—	3,168
Assets of companies held for disposal	7,311	—	—	7,311
Other assets	15,400	(265)	—	15,135
Total Assets	$2,949,169	$ (87)	$ (7,064)	$2,942,018
Deposits:				
Noninterest-bearing demand	$ 148,709	$ —	$ —	$ 148,709
Interest-bearing demand	60,671	—	—	60,671
Savings	300,318	—	—	300,318
Time	1,760,012	—	—	1,760,012
Total deposits	2,269,710	—	—	2,269,710
Short-term borrowings	319,883	—	—	319,883
Long-term borrowings	61,987	—	—	61,987
Guaranteed trust preferred securities	40,000	—	—	40,000
Accrued interest payable	11,335	(1)	—	11,334
Liabilities of companies held for disposal	683	—	—	683
Other liabilities	8,429	(86)	253	8,596
Total Liabilities	2,712,027	(87)	253	2,712,193
Stockholders' Equity				
Preferred stock	—	—	—	—
Common stock	17,877	—	—	17,877
Capital surplus	148,972	—	—	148,972
Retained earnings	67,270	—	(1,188)	66,082
Accumulated other comprehensive income, net	3,023	—	1,308	4,331
Receivables from sale of stock	—	—	(7,437)	(7,437)
Total Stockholders' Equity	237,142	—	(7,317)	229,825
Total Liabilities and Stockholders' Equity	$2,949,169	$ (87)	$ (7,064)	$2,942,018

	Year Ended December 31, 2001			
	As Previously Reported	Reclassification Adjustments	Restatement Adjustments	As Restated
	(Dollars in thousands, except share and per share data)			
CONSOLIDATED STATEMENT OF OPERATIONS				
Interest and Dividend Income				
Loans	$ 174,222	$ —	$ (125)	$ 174,097
Loans held for sale	1,919	—	—	1,919
Securities:				
Taxable	22,722	—	—	22,722
Tax-exempt	2,842	—	—	2,842
Dividends	304	—	—	304
Federal funds sold	1,121	—	—	1,121
Total interest and dividend income	203,130	—	(125)	203,005
Interest Expense				
Deposits	100,585	19	—	100,604
Short-term borrowings	8,481	(19)	—	8,462
Long-term borrowings	2,633	—	—	2,633
Guaranteed trust preferred securities	4,024	—	—	4,024
Total interest expense	115,723	—	—	115,723
Net interest income	87,407	—	(125)	87,282
Provision for credit losses	12,743	—	1,652	14,395
Net interest income after provision for credit losses	74,664	—	(1,777)	72,887
Noninterest Income				
Loan fees	3,732	17	—	3,749
Mortgage banking revenue, net	8,397	(3,192)	—	5,205
Deposit service charges	2,750	—	—	2,750
Other service fees	348	(9)	—	339
Write down and losses on assets	101	(101)	—	—
Other income (loss)	1,439	109	—	1,548
Gain on investment securities, net	4,028	—	—	4,028
Total noninterest income	20,795	(3,176)	—	17,619
Noninterest Expense				
Compensation and employee benefits	33,150	(2,038)	—	31,112
Equipment	4,434	(189)	—	4,245
Occupancy and premises	3,801	191	—	3,992
Professional services	1,916	—	—	1,916
Litigation settlements	145	—	—	145
Merger-related charges	477			477
Write down and losses on assets	—	7	—	7
Other expense	10,630	(1,147)	—	9,483
Total noninterest expense	54,553	(3,176)	—	51,377
Income (loss) before taxes	40,906	—	(1,777)	39,129
Income tax expense (benefit)	13,989	—	(589)	13,400
Net income	$ 26,917	$ —	$(1,188)	$ 25,729
EARNINGS PER SHARE:				
Basic	$ 1.52	$ —	$ (0.07)	$ 1.45
Diluted	$ 1.49	$ —	$ (0.07)	$ 1.42
CASH FLOW STATEMENT				
Net cash provided by (used in) operating activities	$ 21,121	$ (41)	$ —	$ 21,080
Net cash provided by (used in) investing activities	(466,865)	42	2,340	(464,483)
Net cash (used in) provided by financing activities	452,061	(1)	(2,340)	449,720
Net increase in cash and cash equivalents	$ 6,317	$ —	$ —	$ 6,317

All Notes to the Consolidated Financial Statements have been Adjusted to Reflect the Effects of the Restatement Adjustments.

Note 3 — Business Combinations

Canron Acquisition

In 1999, one of CIB Marine's borrowers (the "Borrower") experienced a substantial decline in net worth as a result of a similar decline in the market value of a publicly traded common stock which comprised a large part of the Borrower's net worth. The decline in the value of this security caused liquidity problems for the Borrower with respect to its obligations to CIB Marine and other lenders. A substantial amount of collateral held by CIB Marine related to this borrowing relationship included certain assets of, and the Borrower's approximately 84% interest in, Canron. Canron has been involved in a wide variety of fabrication and erection projects which include high-rise buildings, bridges, airports, stadiums and other unique projects. Canron also offers construction services, including the supervision and restoration of projects of the types noted above.

On October 31, 2002, CIB Marine became the owner of the Borrower's 84% interest in Canron through a newly formed and wholly-owned subsidiary of CIB — Chicago, CIB Construction, LLC. The loans secured by this stock totaled $13.3 million as of October 31, 2002.

The acquisition was accounted for under the purchase method of accounting. CIB Marine's ownership interest in Canron was recorded at its estimated fair value of $5.9 million as determined by an independent appraisal. As a result, CIB Marine recognized a charge-off during the fourth quarter of 2002 relative to the loans secured by the Canron stock in the amount of $7.4 million.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	October 31, 2002
	(Dollars in thousands)
Assets:	
Cash on deposit at CIB Marine	$ 609
Accounts receivable	36,627
Inventories and contracts in progress	13,354
Other assets	5,319
Current assets	55,909
Deferred tax asset	5,355
Property and equipment, net	17,231
Total assets acquired	78,495
Liabilities:	
Current portion of loans payable to CIB Marine	3,757
Other liabilities	39,168
Current liabilities	42,925
Loans payable to CIB Marine	27,861
Loans payable to nonaffiliated banks	1,814
Total liabilities assumed	72,600
Net assets acquired	$ 5,895

Other Acquisitions

In August 2002, CIB Marine acquired through a wholly-owned subsidiary, Commercial Finance, certain of the assets of Oxford Capital Illinois, LLC and Oxford Holdings, LLC, companies engaged in the factoring of receivables. These assets were acquired from a borrower who was in default of its obligations to CIB Marine. The aggregate cost of the business was the forgiveness of indebtedness of $3.8 million, which approximated the fair value of the business as determined by an independent valuation. Additionally, $2.1 million of loans to the borrower were charged-off. The approximately $3.8 million cost was principally assigned to goodwill and other intangible assets. At December 31, 2003, this goodwill and other intangible assets were deemed impaired and the remaining unamortized balance of $3.7 million was written off. In the second quarter of 2004, substantially all of the tangible assets of Commercial Finance were sold at a gain of $0.2 million. In the fourth quarter of 2004, the company was dissolved.

In December 2002, CIB Marine acquired the business and certain assets of Comcor Mortgage Corporation for a maximum purchase price of $1.8 million, the operations of which were conducted as a division of CIB Marine's mortgage subsidiary, Mortgage Services. Approximately $0.6 million of the purchase price was paid in cash and $1.2 million of the purchase price was contingent upon achievement of certain earnings goals of the acquired entity. Such payments have resulted in additions to identifiable intangible assets and goodwill. Payments of $0.8 million were accrued in 2003 and $24 thousand in 2002 against the contingent price.

In the first quarter of 2001, CIB Marine initiated the acquisition of Citrus Financial Services, Inc., a one-bank holding company, through a merger transaction. Citrus Financial had total assets of $84.2 million and three full-service banking facilities at the time of the merger. Pursuant to the terms of the merger agreement, each share of Citrus Financial was exchanged for 0.4634 common shares of CIB Marine. CIB Marine issued 699,253 shares of its voting common stock to shareholders of Citrus Financial and paid cash of $0.2 million to dissenters and for fractional shares. The merger consummated in September 2001 was accounted for as a pooling-of-interests. Consolidated financial statements of CIB Marine for 2001 and prior years were restated to include the financial information of Citrus Financial as if CIB Marine and Citrus Financial had always been combined.

Note 4 — Cash and Due from Banks

Reserves in the form of deposits with the Federal Reserve Bank and vault cash totaling $14.6 million, $11.0 million, and $8.4 million were maintained to satisfy federal regulatory requirements as of December 31, 2003, 2002 and 2001, respectively. These amounts are included in cash and due from banks in the consolidated balance sheet.

Note 5 — Securities Available for Sale

The amortized cost, gross unrealized gains and losses, and approximate fair values of securities at December 31, 2003, 2002 and 2001 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(Dollars in thousands)		
December 31, 2003				
U.S. Treasuries	$ 20,070	$ 17	$ —	$ 20,087
U.S. government agencies	291,000	1,122	122	292,000
Obligations of states and political subdivisions	56,816	2,256	81	58,991
Other notes and bonds	1,050	—	1	1,049
Commercial paper	7,369	4	—	7,373
Mortgage-backed securities	247,736	1,332	2,343	246,725
Federal Home Loan Bank and Federal Reserve Bank stock	11,131	—	—	11,131
	$635,172	$4,731	$2,547	$637,356

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(Dollars in thousands)		
December 31, 2002				
U.S. Treasuries	$ 10,024	$ 26	$ —	$ 10,050
U.S. government agencies	145,185	1,456	—	146,641
Obligations of states and political subdivisions	62,585	2,364	25	64,924
Other notes and bonds	1,050	—	—	1,050
Commercial paper	8,300	4	—	8,304
Mortgage-backed securities	271,750	3,745	114	275,381
Federal Home Loan Bank and Federal Reserve Bank stock	10,394	—	—	10,394
	$509,288	$7,595	$ 139	$516,744
December 31, 2001				
U.S. Treasuries	$ 15,013	$ 354	$ —	$ 15,367
U.S. government agencies	111,072	3,441	—	114,513
Obligations of states and political subdivisions	62,156	1,443	191	63,408
Other notes and bonds	1,050	—	—	1,050
Commercial paper	6,999	8	—	7,007
Mortgage-backed securities	210,534	2,698	645	212,587
Federal Home Loan Bank and Federal Reserve Bank stock	6,575	—	—	6,575
	$413,399	$7,944	$ 836	$420,507

Securities with a carrying value and fair value of $176.7 million, $203.3 million and $273.1 million at December 31, 2003, 2002, and 2001 respectively, were pledged to secure public deposits, Federal Home Loan Bank advances and for other purposes as required or permitted by law.

The amortized cost and fair value of securities as of December 31, 2003, by contractual maturity, are shown below. Certain securities, other than mortgage-backed securities, may be called earlier than their maturity date. Expected maturities may differ from contractual maturities in mortgage-backed securities, because certain mortgages may be prepaid without penalties. Therefore, mortgage-backed securities are not included in the maturity categories in the following maturity schedules.

	Amortized Cost	Fair Value
	(Dollars in thousands)	
Due in one year or less	$126,067	$126,473
Due after one year through five years	223,861	225,473
Due after five years through ten years	13,918	14,682
Due after ten years	12,459	12,872
	376,305	379,500
Federal Home Loan Bank and Federal Reserve Bank stock	11,131	11,131
Mortgage-backed securities	247,736	246,725
	$635,172	$637,356

The following table discloses the age of gross unrealized losses in our portfolio as of December 31, 2003:

	At December 31, 2003					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in thousands)					
U.S. government agencies	$ 58,009	$ 122	$ —	$—	$ 58,009	$ 122
Obligations of states and political subdivisions	20,063	78	332	3	20,395	81
Other notes and bonds	249	1	—	—	249	1
Mortgage-backed securities	183,335	2,342	81	1	183,416	2,343
Total securities with unrealized losses	$261,656	$2,543	$413	$ 4	$262,069	$2,547
Securities without unrealized losses					375,287	
Total securities					$637,356	

As of December 31, 2003, management has concluded that the unrealized losses above are temporary in nature since they are primarily related to market interest rates and are not related to the underlying credit quality of the issuers of securities in our investment portfolio. Additionally, CIB Marine has the intent and ability to hold these investments for the time necessary to recover the amortized cost.

Proceeds from the sale of securities available for sale during 2003, 2002 and 2001, were $1.0 million, $127.5 million and $86.7 million, respectively. There were no realized gains or losses on these sales during 2003, and there were net realized gains of $3.1 million and $4.0 million in 2002 and 2001, respectively.

Note 6 — Loans and Allowance for Loan Losses

Loans

The components of loans were as follows:

	December 31,					
	2003		2002		2001	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
			(As restated)		(As restated)	
	(Dollars in thousands)					
Commercial	$ 708,252	29.9%	$ 928,992	34.3%	$ 913,962	38.2%
Factored receivables	11,447	0.5	6,780	0.2	N/A	N/A
Commercial real estate	1,184,542	50.1	1,157,136	42.7	975,904	40.8
Commercial real estate construction	363,822	15.4	513,804	18.9	394,081	16.5
Residential real estate	85,893	3.6	91,577	3.4	92,022	3.9
Home equity loans	12,272	0.5	15,100	0.6	12,728	0.5
Consumer loans	3,554	0.2	6,032	0.2	8,469	0.4
Receivables from sale of stock	(5,208)	(0.2)	(7,937)	(0.3)	(7,437)	(0.3)
Gross loans	2,364,574	100.0%	2,711,484	100.0%	2,389,729	100.0%
Deferred loan fees	(4,533)		(7,478)		(7,684)	
Loans	2,360,041		2,704,006		2,382,045	
Allowance for loan losses	(109,872)		(65,122)		(35,855)	
Loans, net	$2,250,169		$2,638,884		$2,346,190	

The following table lists information on nonperforming and certain past due loans:

	December 31, 2003	2002 (As restated)	2001 (As restated)
	(Dollars in thousands)		
Nonaccrual loans	$152,064	$38,958	$36,644
Restructured loans	2,946	3,210	309
Loans 90 days or more past due and still accruing	359	6,396	1,535

Information on impaired loans is as follows:

	December 31, 2003	2002 (As restated)	2001 (As restated)
	(Dollars in thousands)		
Impaired loans without a specific allowance	$ 59,581	$ 3,054	$ 5,723
Impaired loans with a specific allowance	143,923	38,321	31,859
Total impaired loans	$203,504	$41,375	$37,582
Specific allowance related to impaired loans	$ 42,768	$10,434	$ 5,870
Average balance of impaired loans	119,395	39,582	20,021
Interest income recognized on impaired loans	$ 7,292	$ 528	$ 1,050

During 2003, CIB Marine recognized net losses on sale of foreclosed property and impairment losses of $3.3 million. These amounts are included in write down and losses on assets.

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage loans serviced for others was $5.2 million, $9.1 million and $15.0 million as of December 31, 2003, 2002 and 2001, respectively. Included in intangible assets are mortgage servicing rights for loans serviced for others of $7 thousand and $16 thousand at December 31, 2002 and 2001, respectively. There were no servicing rights at December 31, 2003. Moreover, there was no valuation allowance for this asset in either 2002 or 2001.

At December 31, 2003, CIB Marine had $22.7 million in outstanding principal balances on loans secured or partially secured by CIB Marine stock. Specific reserves on these loans were $0.1 million. Loans made specifically to enable the borrower to purchase CIB Marine stock and not adequately secured by collateral other than the stock which have been classified as receivables from sale of stock and recorded as contra-equity have not been included in this balance.

Credit Concentrations

At December 31, 2003, CIB Marine had fifteen secured borrowing relationships (loans to one borrower or a related group of borrowers) that exceeded 25% of stockholders' equity as compared to four at December 31, 2002. The total outstanding commitments at December 31, 2003, including lines of credit not fully drawn, on these loans ranged from 26% to 83% of equity and from 1% to 4% of total loans. The principal drawn and outstanding on these loans ranged from $27.8 million to $85.1 million and the aggregate balance outstanding on these fifteen loans was $584.2 million. Five of these relationships included loans that were on nonaccrual status and/or impaired at December 31, 2003. The outstanding balance on the nonaccrual and/or impaired loans within these five relationships at December 31, 2003 was $74.9 million and the specific loss allowance provided on these loans was $16.9 million.

At December 31, 2003, CIB Marine also had credit relationships within seven industries or industry groups with loans outstanding in that industry or industry group exceeding $100 million as follows:

Industry	Outstanding Balance (Dollars in millions)	% of Loans	% of Stockholders' Equity
Commercial Real Estate Developers	$527.3	22%	486%
Residential Real Estate Developers	465.7	20	429
Motel and Hotel	217.1	9	200
Manufacturing	184.8	8	170
Nursing/Convalescent Home	133.2	6	123
Health Care Facility	120.6	5	111
Retail Trade	100.6	4	93

Changes in the allowance for loan losses were as follows:

	For the Years Ended December 31,		
	2003	2002 (As restated)	2001 (As restated)
	(Dollars in thousands)		
Balance at beginning of year	$ 65,122	$ 35,855	$23,988
Charge-offs	(103,139)	(17,499)	(2,999)
Recoveries	2,043	1,134	471
Net loan charge-offs	(101,096)	(16,365)	(2,528)
Allowance acquired	—	122	—
Provision for loan losses	145,846	45,510	14,395
Balance at end of year	$ 109,872	$ 65,122	$35,855
Allowance for loan losses as a percentage of loans	4.66%	2.41%	1.51%

Provision for Credit Losses

The provision for credit losses consisted of the following components.

	Years Ended December 31,		
	2003	2002 (As restated)	2001 (As restated)
	(Dollars in thousands)		
Provision for loan losses	$145,846	$45,510	$14,395
Provision for losses on unfunded loan commitments and standby letters of credit(1)	14,747	1,000	—
Total provision for credit losses	$160,593	$46,510	$14,395

(1) For additional information related to provision for losses on unfunded loan commitments and standby letters of credit, see Note 14 — Other Liabilities.

Director and Officer Loans

Certain directors and principal officers of CIB Marine and its subsidiaries and companies with which they are affiliated, are customers of, and have banking transactions with, the subsidiary banks in the ordinary course of business. This indebtedness has been incurred on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons. The activity in these loans during 2003, 2002 and 2001 is as follows:

	2003	2002	2001
	(Dollars in thousands)		
Balance at beginning of year	$ 63,506	$ 73,118	$ 51,772
Balance adjustments(1)	12,919	5,925	(1,877)
New loans	48,772	37,490	41,325
Repayments	(64,708)	(53,027)	(18,102)
Balance at end of year	$ 60,489	$ 63,506	$ 73,118

(1) Balance adjustments are primarily due to director and officer status changes in these reporting periods.

Note 7 — Premises and Equipment, net

The major classes of premises and equipment and accumulated depreciation are summarized as follows:

	December 31,		
	2003	2002	2001
	(Dollars in thousands)		
Land	$ 4,828	$ 4,872	$ 4,898
Buildings and improvements	18,989	18,077	17,621
Furniture and equipment	13,089	15,940	15,480
Computer equipment and software	14,585	7,527	4,842
Construction in progress	8	287	77
	51,499	46,703	42,918
Less: Accumulated depreciation	(22,361)	(18,616)	(15,111)
	$ 29,138	$ 28,087	$ 27,807

Depreciation expense totaled $3.9 million, $3.6 million and $3.4 million for 2003, 2002 and 2001, respectively. Total rental expense was $2.2 million, $1.8 million and $1.6 million for 2003, 2002 and 2001, respectively.

CIB Marine leases certain premises and equipment under noncancellable operating leases, which expire at various dates through 2014 and land under a noncancellable operating lease which expires in 2040. Such noncancellable operating leases also include options to renew. The following is a schedule by years of annual future minimum rental commitments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of December 31, 2003.

	Amount
	(Dollars in thousands)
2004	$ 2,064
2005	1,908
2006	1,758
2007	1,505
2008	1,155
Thereafter	4,365
	$12,755

Note 8 — Intangible Assets

The changes in the carrying amount of goodwill and other intangibles for the years ended December 31, 2003 and 2002 are as follows:

		Other Intangible Assets		
	Goodwill	Core Deposit Intangibles	Customer Base Intangibles	Total
		(Dollars in thousands)		
Balance, December 31, 2001	$ 9,639	$1,779	$ 16	$1,795
Recorded during the year	3,483	—	390	390
Amortization expense	—	(425)	(60)	(485)
Balance, December 31, 2002	$ 13,122	$1,354	$ 346	$1,700
Recorded during year	—	—	831	831
Impairment loss	(12,140)	—	(219)	(219)
Amortization expense	—	(372)	(133)	(505)
Balance, December 31, 2003	$ 982	$ 982	$ 825	$1,807

There is goodwill of $2.2 million, $4.2 million and $4.2 million at December 31, 2003, 2002 and 2001, respectively, related to MICR included in assets of companies held for disposal. Goodwill impairment loss of $2.0 million related to MICR was recognized in 2003 and is included in goodwill and other intangible assets impairment loss in the statement of operations.

As of December 31, 2003, the estimated future amortization expense for amortizable intangible assets is as follows:

	Other Intangible Assets		
	Core Deposit Intangibles	Customer Base Intangibles	Total
	(Dollars in thousands)		
Estimated annual amortization expense:			
2004	$241	$276	$ 517
2005	170	220	390
2006	170	165	335
2007	170	110	280
2008	170	54	224
Thereafter	61	—	61
	$982	$825	$1,807

The gross carrying amount of intangible assets and accumulated amortization are as follows:

	December 31,								
	2003			2002			2001		
	Gross Carry Amount	Accumulated Amortization	Net Carry Amount	Gross Carry Amount	Accumulated Amortization	Net Carry Amount	Gross Carry Amount	Accumulated Amortization	Net Carry Amount
	(Dollars in thousands)								
Amortizing Intangible Assets:									
Core deposit intangibles	$3,959	$2,977	$ 982	$3,959	$2,605	$ 1,354	$ 3,959	$2,180	$ 1,779
Goodwill	—	—	—	—	—	—	12,645	3,006	9,639
Other identifiable intangibles	1,221	396	825	390	51	339	—	—	—
Mortgage servicing rights	19	19	—	19	12	7	19	3	16
Total amortizing intangible assets	$5,199	$3,392	1,807	$4,368	$2,668	1,700	$16,623	$5,189	11,434
Non-Amortizing Goodwill			982			13,122			—
Total intangible assets, net			$2,789			$14,822			$11,434

CIB Marine's aggregate amortization expense was $0.5 million for both the years ended December 31, 2003 and 2002, and $1.3 million for the year ended December 31, 2001. As a result of the annual impairment testing of goodwill, CIB Marine determined that certain goodwill and other intangible assets became impaired in 2003. Impairment losses totaling $14.4 million, including the MICR impairment of $2.0 million, were recorded in 2003. During 2003, goodwill of $3.5 million associated with the acquisition of Commercial Finance, was considered impaired and written off based upon disposition plans and the estimated fair value of that subsidiary. An additional $0.2 million of customer base intangible assets associated with Commercial Finance was considered impaired and written off. The entire amount of goodwill related to CIB — Chicago totaling $8.7 million was considered impaired due to its substantial operating losses in 2003 and was written off in full.

In accordance with SFAS 142 and 147, CIB Marine discontinued the amortization of goodwill in 2002 and continues to amortize core deposit intangibles and other identifiable intangibles with definite lives. A reconciliation of net income adjusted for the discontinuance of the amortization of goodwill is as follows:

	For the Years Ended December 31,		
	2003	2002	2001
	(Dollars in thousands)		
Net income (loss):			
Net income (loss) as reported	$(137,648)	$8,807	$25,729
Add back: discontinued goodwill amortization	N/A	N/A	621
Adjusted net income	$(137,648)	$8,807	$26,350
Basic earnings per share:			
Reported basic earnings per share	$ (7.53)	$ 0.48	$ 1.45
Add back: discontinued goodwill amortization per share	—	—	0.03
Adjusted basic earnings per share	$ (7.53)	$ 0.48	$ 1.48
Diluted earnings per share:			
Reported diluted earnings per share	$ (7.53)	$ 0.47	$ 1.42
Add back: discontinued goodwill amortization per share	—	—	0.03
Adjusted diluted earnings per share	$ (7.53)	$ 0.47	$ 1.45

Note 9 — Companies Held For Disposal

Assets and liabilities of companies held for disposal, as shown on the consolidated balance sheets, comprise CIB Construction (including Canron) and MICR at December 31, 2003 and 2002, and MICR at December 31, 2001. CIB Construction also met the accounting criteria for held for sale at December 31, 2003.

Loss from discontinued operations, as shown on the consolidated statement of operations, is comprised of CIB Construction for the years ended 2003 and 2002.

Because both MICR and Canron were acquired in loan collection activities, and because they are not considered permissible banking activities, CIB Marine's regulators generally limit the holding period for such assets to not more than five years.

CIB Construction

CIB Marine acquired 84% of the outstanding stock of Canron through loan collection activities in 2002 and subsequently transferred its interest in Canron to CIB Construction. See Note 3 — Business Combinations. At the time Canron was acquired in 2002 it was CIB Marine's intention to operate the business with plans to sell the business within the five year holding period permitted by regulators. At December 31, 2002, the accounting requirements for classifications as held for sale and discontinued operations were not met. During the third quarter of 2003, the Boards of Directors of CIB Marine and of Canron authorized management to cease operating Canron and commence a wind down of its affairs and a voluntary liquidation of its assets. The gross assets and liabilities of CIB Construction and its subsidiaries are reported separately on the consolidated balance sheets at their estimated liquidation values less costs to sell. Intercompany loan and cash balances and interest income and expense between consolidated CIB Construction and CIB Marine have been eliminated from the totals shown on the consolidated financial statements. The net loss associated with CIB Construction has been reclassified in 2002 to discontinued operations to conform to the 2003 presentation.

During the fourth quarter of 2003, Canron sold a major division of the company and sold or closed certain of its facilities and reduced its work force from 874 to 8 FTE's during 2003. In conjunction with the liquidation, Canron established an accrual for employee severance and retention costs. Under Canadian law, employees are generally entitled to one week's salary for every year of service with the company, up to a maximum of twenty-six years. During 2003, Canron provided $6.4 million for employee severance and retention costs which is included in loss from discontinued operations. At December 31, 2003, Canron had an accrued severance liability of $2.3 million and, in accordance with Canadian law, had $0.5 million in a cash trust account for unpaid severance to hourly union employees.

The net after-tax loss from discontinued operations for 2003 was $7.0 million, including $4.7 million of net impairment losses recorded to reflect their estimated liquidation values less costs to sell.

The following table summarizes the composition of CIB Construction's balance sheets. The December 31, 2003 balance sheet reflects their estimated liquidation values less costs to sell.

	December 31, 2003	December 31, 2002
	(Dollars in thousands)	
Assets:		
Cash on deposit at CIB Marine	$ 2,407	$ 332
Accounts receivable	12,807	33,610
Inventories and contracts in progress	1,438	7,629
Other current assets	—	4,195
Current assets	16,652	45,766
Deferred tax asset	—	4,269
Property and equipment, net	12,312	17,026
Total assets	$28,964	$67,061
Liabilities and stockholder's equity:		
Current portion of loans payable to CIB Marine and its affiliates	$11,625	$ 3,921
Income tax payable	1,074	3,104
Other liabilities	13,623	31,127
Current liabilities	26,322	38,152
Loans payable to CIB Marine and its affiliates	—	22,272
Loans payable to nonaffiliated banks	2,137	1,814
Total liabilities	28,459	62,238
Stockholder's equity	505	4,823
Total liabilities and stockholder's equity	$28,964	$67,061

The amounts reported in the consolidated balance sheets for assets and liabilities of companies held for disposal for CIB Construction reflect the elimination of intercompany loan and deposit balances.

MICR, Inc.

At December 31, 2003, 2002 and 2001, MICR had assets of $4.6 million, $6.5 million and $7.3 million, respectively, and liabilities of $0.6 million for 2003 and 2002, and $0.7 million for 2001. During 2003, an impairment loss of $2.0 million related to goodwill on MICR was recognized and included within noninterest expense. MICR had income before income tax expense of $1.1 million, $1.2 million and $.2 million for the years ended December 31, 2003, 2002 and 2001, respectively. In January 2005, CIB Marine retained the services of an investment bank to assist in the marketing and sale of MICR.

See Note 27 — Subsequent Events — for additional information relative to Canron and MICR.

Reconciliation of Assets/Liabilities of companies held for disposal

	December 31,		
	2003	2002	2001
	(Dollars in thousands)		
Assets of companies held for disposal:			
MICR	$ 4,555	$ 6,545	$7,311
CIB Construction	28,964	67,061	—
Intercompany eliminations	(4,463)	(332)	—
Total Assets of companies held for disposal	$ 29,056	$ 73,274	$7,311
Liabilities of companies held for disposal:			
MICR	$ 590	$ 558	$ 683
CIB Construction	28,459	62,238	—
Intercompany eliminations	(11,668)	(26,193)	—
Total Liabilities of companies held for disposal	$ 17,381	$ 36,603	$ 683

Note 10 — Other Assets

The following table summarizes the composition of CIB Marine's other assets:

	December 31,		
	2003	2002 (As restated)	2001 (As restated)
	(Dollars in thousands)		
Prepaid expenses	$ 1,616	$ 1,293	$ 1,179
Accounts receivable	1,531	551	1,247
Fair value of derivatives	3,945	8,022	4,870
Trust preferred securities underwriting fee, net of amortization	1,500	1,555	1,150
Investment in trust preferred securities	2,310	—	—
Other investments	9,572	9,999	6,376
Deferred taxes	911	9,405	—
Income tax receivable	25,926	3,853	—
Other	402	324	313
	$47,713	$35,002	$15,135

Other investments include investments in limited partnership interests in various affordable housing partnerships. The carrying value of these investments was $5.7 million at December 31, 2003, $4.2 million at December 31, 2002 and $1.1 million at December 31, 2001. CIB Marine has engaged in these transactions to provide additional qualified investments under the Community Reinvestment Act and to receive related income tax credits. The partnerships provide affordable housing to low-income residents within CIB Marine's markets and other locations.

Other investments also include interests in three limited partnerships. The carrying value of these investments was $2.2 million, $3.0 million and $2.6 million at December 31, 2003, 2002, and 2001 respectively. Certain of these investments were deemed impaired at December 31, 2003 and an impairment loss of $0.7 million was recorded in write down and losses on assets. Equity income recorded on the limited partnerships was $1.0 million in 2003, $0.3 million in 2002, and $0.1 million in 2001. In the first quarter of 2004, these investments were sold and a $0.2 million loss was realized.

Other investments further include 240,770 shares of the common stock of a closely held information services company, which represents less than a 5% interest in the company. The amount of this investment is carried at cost less other than temporary impairment, which was estimated to be $0.5 million at December 31, 2003 and $1.7 million at December 31, 2002 and 2001. During 2003, the asset was deemed impaired, and an impairment loss of $1.2 million was recorded in "write down and losses on assets". There were no impairment losses in 2002 or 2001.

Other investments also includes interest in two companies operating as small business investment companies under the Small Business Investment Act of 1958, as amended. CIB Marine committed to a $1.1 million investment in these companies and as of December 31, 2003 has invested $0.9 million. The carrying value of these investments was cost less other than temporary impairment which was estimated to be $0.8 million, $0.6 million and $0.5 million at December 31, 2003, 2002 and 2001, respectively. An impairment loss of $0.1 million was recorded in 2002. There were no impairment losses in 2003 or 2001.

Included in other investments were 5,167 shares at December 31, 2003 and 12,500 shares at December 31, 2002 and 2001 of common stock in a non-publicly traded bank holding company. During 2003, CIB Marine sold 7,333 shares for an amount equal to its book value. The investment represents less than a 5% interest in the company, and the amount of this investment is carried at cost less other than temporary impairment, which was estimated to be $0.1 million at December 31, 2003 and $0.2 million at December 31, 2002 and 2001. In the third quarter of 2004, the 5,167 remaining shares were sold for a gain of $13 thousand.

Note 11 — Deposits

The aggregate amount of time deposits of $100,000 or more at December 31, 2003, 2002 and 2001, were $617.2 million, $724.2 million and $629.4 million, respectively. Included in time deposits are brokered deposits of $183.0 million, or 6.5%, of total deposits at December 31, 2003, $222.8 million, or 7.8%, of total deposits at December 31, 2002, and $166.5 million, or 7.3%, of total deposits at December 31, 2001.

At December 31, 2003, the scheduled maturities of time deposits are as follows:

	December 31, 2003
	(Dollars in thousands)
2004	$1,167,361
2005	272,219
2006	132,136
2007	126,768
2008	56,984
Thereafter	79,597
Total	$1,835,065

Note 12 — Short-Term Borrowings

Borrowings with original maturities of one year or less are classified as short-term. Federal funds purchased generally represent one-day borrowings. Securities sold under repurchase agreements represent borrowings maturing within one year that are collateralized by US Treasury and Government Agency Securities. The fair value of securities sold under repurchase agreements was approximately $21.1 million, $42.7 million, and $35.6 million at December 31, 2003, 2002, and 2001, respectively.

CIB Marine had a $28 million revolving line of credit at December 31, 2003 with a nonaffiliated commercial bank collateralized by the common stock of all of its subsidiaries. As of December 31, 2003, the outstanding balance on this line of credit was $23.6 million. CIB Marine's factoring subsidiary has a

$12.0 million revolving line of credit to support its operating needs, and as of December 31, 2003 the outstanding balance on this line was $7.2 million.

In December 2003, CIB Marine, through one of its subsidiaries, acquired title to a commercial office building that was being converted into residential condominiums and was subject to a $26.7 million first mortgage held by a nonaffiliated financial institution. CIB Marine held the second position on the property. The asset was acquired through a Deed in Lieu of Foreclosure Settlement Agreement ("DIL Agreement") from a borrower who was in default on its obligation. During 2003, CIB Marine charged-off $41.7 million of loans secured by the second position and recognized a $1.5 million impairment loss on the foreclosed property. The asset acquired is included in foreclosed properties and had a balance of $25.2 million at December 31, 2003. Pursuant to the DIL Agreement, CIB Marine acquired the property subject to the first lien held by an outside financial institution (Lender) and assumed the borrower's financial obligation relating to that first lien. The assumed financial obligation is reported as an outstanding non-recourse mortgage note payable and had a balance of $26.7 million at December 31, 2003. Under the terms of the assumption, CIB Marine's liability to the Lender for payment of the assumed obligation was limited to monies received through the liquidation of the acquired collateral. The amended mortgage note payable bears an interest rate of 10% and a maturity date of October 1, 2004, unless there is a default under the DIL Agreement. The mortgage note payable was secured by the acquired property and any related leases and rents. In the second quarter of 2004, CIB Marine transferred its interest in the acquired property to the Lender in return for the forgiveness of the assumed mortgage note. The transfer of interest in the acquired property to the Lender in return for the forgiveness of the assumed mortgage note resulted in no gain or further loss.

The following is a summary of short-term borrowings for each of the three years ended December 31:

	At Year End		For the Year		
	Balance	Weighted-Average Rate	Daily Average Balances	Weighted-Average Rate	Highest Balances at Month End
			(Dollars in thousands)		
2003					
Federal funds purchased and securities sold under repurchase agreements	$ 21,967	1.09%	$163,228	1.22%	$225,663
Federal Home Loan Bank notes	—	—	9,974	1.91	75,000
Revolving lines of credit	30,848	3.75	32,773	3.59	36,576
Commercial paper	—	—	2,985	1.88	5,843
Treasury, tax and loan note	13,099	0.73	3,330	0.69	14,296
Mortgage note payable	26,687	10.00	73	10.00	26,687
Total short-term borrowings	$ 92,601	4.49%	$212,363	1.62%	
2002					
Federal funds purchased and securities sold under repurchase agreements	$243,187	1.27%	$208,373	1.77%	$243,187
Federal Home Loan Bank notes	100,500	2.20	36,181	3.49	100,500
Revolving lines of credit	36,685	3.09	26,490	3.56	36,686
Commercial paper	4,436	2.04	1,912	2.20	6,000
Treasury tax and loan note	2,137	0.99	1,534	1.43	2,170
Total short-term borrowings	$386,945	1.69%	$274,490	2.17%	

	At Year End		For the Year		
	Balance	Weighted-Average Rate	Daily Average Balances	Weighted-Average Rate	Highest Balances at Month End
			(Dollars in thousands)		
2001					
Federal funds purchased and securities sold under repurchase agreements	$261,768	1.54%	$199,802	3.76%	$273,129
Federal Home Loan Bank notes	27,325	2.04	11,102	2.80	60,725
Revolving lines of credit	24,985	3.62	1,793	8.14	24,985
Commercial paper	4,677	2.26	9,744	4.80	13,653
Treasury tax and loan note	1,128	1.51	928	4.96	1,613
Total short-term borrowings	$319,883	1.75%	$223,369	3.79%	

At December 31, 2003, CIB Marine was not in compliance with certain asset quality, earnings and capital maintenance debt covenants of certain financial standby letters of credit it participated in with other banks. CIB Marine pledged securities to collateralize its obligation for these participated standby letters of credit. The total value of securities pledged to other parties related to those participated standby letters of credit was $25.0 million at December 31, 2003. CIB Marine recorded a loss of $4.5 million and $1.0 million on these certain letters of credit in 2003 and 2002, respectively.

At December 31, 2003, CIB Marine was not in compliance with the capital requirement debt covenant of its revolving lines of credit. In the fourth quarter of 2004, the line of credit was paid in full and the line is no longer available. The $12.0 million line of credit for the factoring subsidiary was assumed by the purchaser of the factoring subsidiary upon acquisition in June 2004.

During the second half of 2003 and during 2004, some of the borrowing sources customarily utilized by CIB Marine were restricted or unavailable due to noncompliance with certain asset quality, earnings and capital maintenance debt covenants and the inability to provide audited consolidated financial statements. Federal funds borrowings by certain CIB Marine subsidiary banks were discontinued or were contingent on subsidiary bank pledges of fixed income investment securities, the Federal Home Loan Bank of Chicago restricted lending terms, and derivative counterparties increased collateral requirements. Brokered deposits became available only after a waiver was obtained from the FDIC for some of the subsidiary banks and were restricted from use at CIB — Chicago. Brokered deposits were restricted by FDIC rules and regulations at the subsidiary banks which were defined as less than well capitalized due to either lower levels of capital or due to the regulatory issuance of Cease and Desist Orders or formal written agreements. Where eligible, the FDIC granted permissible waivers at the subsidiary banks, making the banks eligible to accept, renew or roll over brokered deposits. See Note 15 — Stockholders' Equity. All of CIB Marine's subsidiary banks were moved from Primary to Secondary credit status and restricted from daylight overdraft activity at their respective Federal Reserve banks. Additionally, pursuant to a Written Agreement between CIB Marine and the Federal Reserve Bank, CIB Marine must obtain Federal Reserve Bank approval before incurring additional borrowings or debt. Pursuant to regulatory agreements consented to by certain CIB Marine bank subsidiaries, the subsidiaries must obtain regulatory approval before paying cash dividends. These restrictions could potentially impact liquidity of the CIB Marine parent company. In the fourth quarter of 2004, CIB Marine sold its bank subsidiary, CIB — Chicago, and used a portion of the proceeds to payoff its revolving line of credit with a nonaffiliated bank. This line of credit is no longer available. Further, it is expected that the proceeds from this sale will allow CIB Marine to meet its short-term liquidity needs in the foreseeable future.

Note 13 — Long-Term Borrowings

Long-term borrowings consist of borrowings having an original maturity of greater than one year.

FHLB

The following table presents information regarding amounts payable to the Federal Home Loan Bank of Chicago. All of the FHLB borrowings shown in the following table are fixed rate borrowings.

	December 31,							
	2003		2002		2001			
	Balance	Rate	Balance	Rate	Balance	Rate	Scheduled Maturity	Callable Quarterly @ Par After
	(Dollars in thousands)							
	$ —	—%	$ —	—%	$ 7,500	5.45%	01/16/03	N/A
	—	—	—	—	2,500	5.45	01/16/03	N/A
	—	—	—	—	7,500	5.51	02/08/03	N/A
	—	—	—	—	67	5.76	04/26/03	N/A
	3,500	5.12	$ 3,500	5.12	3,500	5.12	05/01/04	N/A
	5,000	5.12	5,000	5.12	5,000	5.12	05/01/04	N/A
	3,250	4.95	3,250	4.95	3,250	4.95	01/16/08	01/16/01
	2,500	4.95	2,500	4.95	2,500	4.95	01/16/08	01/16/01
	2,000	4.95	2,000	4.95	2,000	4.95	01/16/08	01/16/01
	2,000	5.09	2,000	5.09	2,000	5.09	02/20/08	02/20/01
	23,997	7.07	23,810	7.07	23,635	7.07	06/30/08	N/A
	$42,247	6.20%	$42,060	6.19%	$59,452	5.98%		
Hedged fair value adjustment	4,029		5,081		2,535			
Total	$46,276		$47,141		$61,987			

CIB Marine is required to maintain qualifying collateral as security for both the short-term and long-term FHLB notes. The debt to collateral ratio is dependent upon the type of collateral pledged. At December 31, 2003, 2002 and 2001 CIB Marine had assets pledged with a collateral value of $59.9 million, $241.2 million and $112.3 million, respectively. These assets consisted of securities with a market value of $53.8 million, $83.3 million, and $116.4 million, and 1-4 family residential mortgages with balances outstanding of $17.7 million, $275.6 million, and $10.4 million at December 31, 2003, 2002 and 2001, respectively.

On February 25, 2000, CIB Marine's bank subsidiary, CIB — Chicago, assumed a $25.0 million Federal Home Loan Bank of Chicago advance due June 30, 2008, with a net cost, including premium, of 7.07%. The premium amount of $1.7 million is being amortized to interest expense over the life of the borrowing. The unamortized balance related to this premium was $1.0 million and $1.2 million as of December 31, 2003 and 2002, respectively. Simultaneously with this advance, CIB — Chicago entered into an interest rate swap with the Federal Home Loan Bank of Chicago with a $25.0 million notional value and maturing on June 30, 2008, whereby CIB — Chicago pays a variable rate of interest at the 1-month LIBOR rate and earns a fixed rate of interest at 7.08% in order to hedge the interest rate risk on the related debt. As of December 31, 2003 and 2002, the fair market value of the swap was approximately $4.0 million and $5.1 million, respectively. The net cash received from the hedging relationship for the years ended December 31, 2003 and 2002, was approximately $1.5 million and $1.3 million, respectively. On November 30, 2004, CIB Marine sold CIB — Chicago and this borrowing and the interest rate swap was assumed by the purchaser.

In 2004, the Federal Reserve Bank began requiring three of CIB Marine's bank subsidiaries to pledge securities in order to have access to the Fed Discount window as a result of the deterioration in the financial condition of CIB Marine and these subsidiary banks.

Junior Subordinated Debentures and Guaranteed Trust Preferred Securities

CIB Marine had the following junior subordinated debentures/guaranteed trust preferred securities outstanding at December 31, 2003, 2002 and 2001, respectively. (Dollars in thousands):

	December 31, 2003	December 31, 2002	December 31, 2001				
	Junior Subordinated Debentures Due to Trust	Trust Preferred Securities		Issue Date	Interest Rate	Maturity Date	Callable After
CIB Marine Capital Trust I	$10,310	$10,000	$10,000	03/23/00	10.88%	03/08/30	03/08/10
CIB Statutory Trust III	15,464	15,000	15,000	09/07/00	10.60	09/07/30	09/07/10
CIB Statutory Trust IV	15,464	15,000	15,000	02/22/01	10.20	02/22/31	02/22/11
CIB Statutory Trust V	20,619	20,000	—	09/27/02	variable(1)	09/27/32	09/30/07
Total Junior Subordinated Debentures/Guaranteed Trust Preferred Securities	$61,857	$60,000	$40,000				

(1) Three-month LIBOR + 3.40% adjusted quarterly.

CIB Marine has formed four statutory business trusts ("Trusts") for the purpose of issuing trust preferred securities and investing the proceeds thereof in junior subordinated debentures of CIB Marine. The trust preferred securities are fully and unconditionally guaranteed by CIB Marine. The Trusts used the proceeds from issuing trust preferred securities and the issuance of its common securities to CIB Marine to purchase the junior subordinated debentures. Interest on the debentures and distributions on the trust preferred securities are payable either quarterly or semi-annually in arrears. CIB Marine has the right, at any time, as long as there are no continuing events of default, to defer payments of interest on the debentures for consecutive periods not exceeding five years; but not beyond the stated maturity of the debentures. As a result of the agreement entered into with its regulator, CIB Marine has elected to defer all such interest payments subsequent to December 31, 2003. Throughout the deferral period, interest on the debentures continues to accrue. In addition, interest also accrues on all interest that was not paid when due, compounded quarterly or semi-annually. During the deferral period, CIB Marine may not pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment on its stock, or make any payment of principal, interest or premium, or redeem any similar debt securities of CIB Marine, subject to certain limitations. The trust preferred securities are subject to mandatory redemption, in whole or in part, upon repayment of the debentures at maturity or their earlier redemption. The trust preferred securities qualify as regulatory capital, subject to regulatory limitations. On March 1, 2005, the Federal Reserve Board adopted a final rule allowing the continued limited inclusion of trust preferred securities in the Tier 1 equity capital. The ruling restricted the total Tier 1 capital elements, including trust preferred securities, to 25% of total Tier 1 capital elements, net of goodwill less any associated deferred tax liability. At December 31, 2003, CIB Marine included approximately $35 million of trust preferred securities in total Tier 1 capital. In connection with the sale of CIB — Chicago, CIB Marine pledged the stock of Central Illinois Bank to the purchaser to secure certain indemnification obligations with respect to CIB Marine's trust preferred securities.

Prior to December 31, 2003, the Trusts were consolidated in CIB Marine's financial statements, with the trust preferred securities issued by the Trusts reflected on CIB Marine's balance sheet. Upon the implementation of FIN No. 46, as revised in December 2003, the Trusts are no longer consolidated in CIB Marine's financial statements. As a consequence, CIB Marine reports its junior subordinated debentures issued to the Trusts as liabilities and reports its investment in the Trusts as investments in unconsolidated subsidiaries. The effect of the implementation of FIN No. 46 on CIB Marine's consolidated statement of financial condition was to increase investment in unconsolidated subsidiaries, net of amounts due to unconsolidated subsidiaries, by $1.9 million, decrease trust preferred securities by $60.0 million and increase junior subordinated debentures by $61.9 million.

Note 14 — Other Liabilities

	December 31, 2003	2002	2001
	(Dollars in thousands)		
Accounts payable	$ 4,328	$ 3,357	$1,321
Accrual for unfunded commitments and standby letters of credit	15,747	1,000	—
Accrued real estate taxes	2,680	841	625
Accrued compensation and employee benefits	2,483	1,665	1,730
Accrued professional fees	1,449	365	268
Accrued other expenses	850	409	339
Fair value of derivatives	294	4,264	2,920
Deferred taxes	—	—	915
Accrued income taxes	—	—	79
Other liabilities	1,151	1,035	399
	$28,982	$12,936	$8,596

Changes in the accrual for unfunded standby letters of credit are as follows:

	For the Years Ended December 31, 2003	2002	2001
	(Dollars in thousands)		
Balance at beginning of year	$ 1,000	$ —	$—
Provision for losses on unfunded commitments and standby letters of credit	14,747	1,000	—
Balance at end of year	$15,747	$1,000	$—

Note 15 — Stockholders' Equity

Receivables from Sale of Stock (Restated)

Loans not sufficiently collateralized by assets other than CIB Marine stock and made by CIB Marine's subsidiary banks to borrowers who used the proceeds to acquire CIB Marine stock are accounted for as a reduction of Stockholders' Equity and recorded as Receivables from sale of stock, unless the loan had been repaid prior to the issuance of the financial statements. The amount of such repaid loans was $1.0 million in 2001, $0.5 million in 2002, $1.5 million in 2003, and $0.6 million in 2004 prior to the issuance of these consolidated financial statements. The balances of loans classified as "Receivables from sale of stock" totaled $5.2 million, $7.9 million, $7.4 million and $5.1 million as of December 31, 2003, 2002, 2001 and 2000, respectively. The 2002 and earlier amounts were restatement adjustments of balances as previously reported. Interest earned on these loans was $0.3 million in 2003 and $0.5 million in 2002 and 2001 and is included in "Interest and Dividend Income-Loans".

Treasury Stock

In 2003, certain subsidiary banks of the Company acquired 86,611 shares of CIB Marine stock through collection efforts when the borrowers defaulted on loans. These shares are included in Treasury Stock at the lower of the loan balance or the estimated fair market value of CIB Marine's stock at time of acquisition. Any loan balance in excess of the estimate fair market value of the stock and other collateral received was charged to the allowance for loan losses. Treasury Stock was $2.2 million in 2003. There was no Treasury Stock in 2002 or 2001.

Regulatory Capital

CIB Marine and its subsidiary banks are subject to various regulatory capital requirements administered by the federal banking agencies. Pursuant to federal holding company and bank regulations, CIB Marine and each bank subsidiary is assigned to a capital category. The assigned capital category is largely determined by three ratios that are calculated in accordance with specific instructions included in the regulations: total risk adjusted capital, Tier 1 capital, and Tier 1 leverage ratios. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the bank subsidiaries must meet specific capital guidelines that involve quantitative measures of the bank's assets and certain off-balance sheet items as calculated under regulatory accounting practices. The banks' capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. To be categorized as well capitalized, the bank subsidiaries must maintain total risk adjusted capital, Tier 1 capital, and Tier 1 leverage ratios of 10.0%, 6.0% and 5.0%, respectively.

There are five capital categories defined in the regulations: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. Classification of a subsidiary bank in any of the undercapitalized categories can result in certain mandatory and possible additional discretionary actions by regulators that could have a direct material effect on the consolidated financial statements.

At December 31, 2003, pursuant to FDIC guidelines in 12 C.F.R. Part 325 CIB — Indiana, Marine FSB and Citrus Bank were categorized as well capitalized. Central Illinois Bank and Marine — Wisconsin were categorized as adequately capitalized, and CIB — Chicago was categorized as significantly undercapitalized under the regulatory framework for prompt corrective action. In the second quarter of 2004, CIB — Chicago submitted to the FDIC a capital restoration plan which was accepted by the FDIC on August 9, 2004, and subsequently amended by CIB — Chicago to provide for its sale to First Banks, Inc. to restore its capital.

On January 30, 2003, CIB Marine's bank subsidiary, CIB — Chicago, entered into a Memorandum of Understanding (the "Memorandum") with the Division of Banks and Real Estate of the Illinois Department of Financial and Professional Regulation (the "DBRE") and the FDIC. The Memorandum was entered into as a result of a deterioration in the credit quality of the loan portfolio, the level of concentrations of credit, and weaknesses in the credit administration process identified during the DBRE's regular examination of CIB — Chicago, which commenced on August 31, 2002.

Pursuant to the Memorandum, CIB — Chicago agreed to take certain actions to correct the deficiencies noted within the examination report. In addition, during the period in which the Memorandum was in effect, CIB — Chicago agreed to maintain a Tier 1 leverage capital level equal to or exceeding 8% of the bank's total assets. In the event such ratio is less than 8% as of June 30 or December 31 of each calendar year the Memorandum was in effect, the bank was required within 30 days thereof to submit to the regulators a plan for the augmentation of the bank's capital accounts. Also, unless prior written consent was received from the regulators, CIB — Chicago agreed to restrict its loan growth to no more than 2% during any consecutive three month period and suspend the declaration or payment of dividends. The Memorandum was superseded by a Cease and Desist Order.

In the second quarter of 2004, CIB Marine entered into a Written Agreement with the Federal Reserve Bank and CIB — Chicago, Central Illinois Bank, Marine Bank and CIB — Indiana, each consented to the issuance of Cease and Desist Orders ("Orders") with banking regulatory authorities. See Note 27 — Subsequent Events for further information. Additionally, in the third quarter of 2004, Citrus Bank entered into a Written Agreement with the Office of the Comptroller of the Currency. Among other items, the Orders and Agreements restrict the payment of cash dividends without prior written consent from the regulators and require the banks to maintain a Tier 1 leverage Capital level equal to or exceeding 8% of the bank's total assets. The Agreement with the OCC also requires Citrus Bank to maintain a total capital ratio of not less than 14%. These restrictions are in force until such Orders and Agreements are terminated. In the event the capital ratio at any calendar quarter end with respect to each such bank is less than required under the Orders and Agreement, the bank is required within 90 days to increase its capital ratio as of the end of that preceding quarterly period to the minimum stated in the Orders and Agreement. Failure to comply with the Orders or Agreements could have a material adverse effect on CIB Marine and its operations. As of December 31, 2003, CIB — Chicago had capital below the 8% minimum, and during 2004, Central Illinois Bank fell below the 8% minimum. In the fourth quarter of 2004, CIB — Chicago was sold and a portion of the proceeds were used by CIB Marine to add capital into Central Illinois Bank, allowing it to meet the regulatory requirement. As of December 31, 2003, CIB Marine's total capital to risk-weighted assets ratio was below the 8% minimum required to be adequately capitalized.

The actual and required capital amounts and ratios for CIB Marine and its bank subsidiaries are presented in the tables below.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
December 31, 2003						
Total Capital to Risk-Weighted Assets						
CIB Marine Bancshares, Inc.	$196,814	7.19%	$218,964	8.00%	$273,705	
Central Illinois Bank	68,880	9.50	58,033	8.00	72,542	10.00
CIB — Chicago	71,551	5.31	107,822	8.00	134,777	10.00
Marine Bank — Wisconsin	28,039	8.90	25,212	8.00	31,515	10.00
CIB — Indiana	15,718	10.80	11,647	8.00	14,559	10.00
Marine FSB	9,896	12.86	6,157	8.00	7,697	10.00
Citrus Bank*	20,585	14.91	11,047	8.00	13,808	10.00
Tier 1 Capital to Risk-Weighted Assets						
CIB Marine Bancshares, Inc.	$137,558	5.03%	$109,482	4.00%	$164,223	
Central Illinois Bank	59,565	8.21	29,017	4.00	43,525	6.00
CIB — Chicago	54,033	4.01	53,911	4.00	80,866	6.00
Marine Bank — Wisconsin	24,022	7.62	12,606	4.00	18,909	6.00
CIB — Indiana	13,854	9.52	5,823	4.00	8,735	6.00
Marine FSB	8,931	11.60	3,079	4.00	4,618	6.00
Citrus Bank	18,839	13.64	5,523	4.00	8,285	6.00
Tier 1 Leverage to Average Assets						
CIB Marine Bancshares, Inc.	$137,558	4.23%	$130,105	4.00%	$162,631	
Central Illinois Bank	59,565	6.48	36,741	4.00	45,926	5.00
CIB — Chicago	54,033	3.56	60,713	4.00	75,892	5.00
Marine Bank — Wisconsin	24,022	6.31	15,233	4.00	19,041	5.00
CIB — Indiana	13,854	8.45	6,560	4.00	8,200	5.00
Marine FSB	8,931	9.07	3,938	4.00	4,923	5.00
Citrus Bank	18,839	9.25	8,148	4.00	10,185	5.00
December 31, 2002 (as restated)						
Total Capital to Risk-Weighted Assets						
CIB Marine Bancshares, Inc.	$330,752	10.01%	$264,441	8.00%	$330,551	
Central Illinois Bank	100,423	10.45	76,881	8.00	96,102	10.00
CIB — Chicago	159,813	9.90	129,131	8.00	161,414	10.00
Marine Bank — Wisconsin	38,135	10.29	29,657	8.00	37,071	10.00
CIB — Indiana	17,846	10.99	12,986	8.00	16,232	10.00
Marine FSB	10,666	12.52	6,814	8.00	8,517	10.00
Citrus Bank	21,395	16.94	10,105	8.00	12,631	10.00

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
Tier 1 Capital to Risk-Weighted Assets						
CIB Marine Bancshares, Inc.	$289,126	8.75%	$132,220	4.00%	$198,331	
Central Illinois Bank	88,374	9.20	38,441	4.00	57,661	6.00
CIB — Chicago	139,461	8.64	64,566	4.00	96,849	6.00
Marine Bank — Wisconsin	33,454	9.02	14,829	4.00	22,243	6.00
CIB — Indiana	15,806	9.74	6,493	4.00	9,739	6.00
Marine FSB	9,598	11.27	3,407	4.00	5,110	6.00
Citrus Bank	19,808	15.68	5,052	4.00	7,579	6.00
Tier 1 Leverage to Average Assets						
CIB Marine Bancshares, Inc.	$289,127	8.30%	$139,420	4.00%	$174,275	
Central Illinois Bank	88,374	8.23	42,928	4.00	53,660	5.00
CIB — Chicago	139,461	8.60	64,860	4.00	81,075	5.00
Marine Bank — Wisconsin	33,454	8.19	16,329	4.00	20,412	5.00
CIB — Indiana	15,806	9.77	6,471	4.00	8,089	5.00
Marine FSB	9,598	10.45	3,673	4.00	4,591	5.00
Citrus Bank	19,808	11.07	7,157	4.00	8,946	5.00
December 31, 2001 (as restated)						
Total Capital to Risk-Weighted Assets						
CIB Marine Bancshares, Inc.	$288,893	10.37%	$222,806	8.00%	$278,508	
Central Illinois Bank	82,401	10.18	64,786	8.00	80,982	10.00
CIB — Chicago	144,023	10.16	113,398	8.00	141,748	10.00
Marine Bank — Wisconsin	34,998	11.24	24,913	8.00	31,141	10.00
CIB — Indiana	16,549	13.11	10,102	8.00	12,627	10.00
Marine FSB	10,188	30.85	2,642	8.00	3,303	10.00
Citrus Bank	10,473	14.32	5,853	8.00	7,316	10.00
Tier 1 Capital to Risk-Weighted Assets						
CIB Marine Bancshares, Inc.	$254,044	9.12%	$111,403	4.00%	$167,105	
Central Illinois Bank	72,275	8.92	32,393	4.00	48,589	6.00
CIB — Chicago	126,304	8.91	56,699	4.00	85,049	6.00
Marine Bank — Wisconsin	31,177	10.01	12,456	4.00	18,685	6.00
CIB — Indiana	14,969	11.85	5,051	4.00	7,576	6.00
Marine FSB	9,774	29.59	1,321	4.00	1,982	6.00
Citrus Bank	9,642	13.18	2,926	4.00	4,389	6.00
Tier 1 Leverage to Average Assets						
CIB Marine Bancshares, Inc.	$254,044	9.01%	$112,742	4.00%	$140,928	
Central Illinois Bank	72,275	8.50	34,011	4.00	42,514	5.00
CIB — Chicago	126,304	9.15	55,228	4.00	69,035	5.00
Marine Bank — Wisconsin	31,177	8.97	13,910	4.00	17,387	5.00
CIB — Indiana	14,969	11.51	5,202	4.00	6,503	5.00
Marine FSB	9,774	25.80	1,515	4.00	1,894	5.00
Citrus Bank	9,642	10.61	3,634	4.00	4,543	5.00

* Subsequent to December 31, 2003, the OCC required Citrus Bank to maintain total capital of at least 14%.

The payment of dividends by banking subsidiaries is subject to regulatory restrictions by various federal and/or state regulatory authorities. At December 31, 2003, there were no retained earnings of the banking subsidiaries available for the payment of dividends to CIB Marine. Pursuant to the Orders and Agreements, and throughout such time as the Orders and Agreements remain in effect, these subsidiary banks may not pay a dividend to CIB Marine and CIB Marine cannot declare or pay dividends without first obtaining the consent of the regulators. In addition, dividends paid by bank subsidiaries are further limited if the effect would result in a bank subsidiary's capital being reduced below applicable minimum capital amounts. CIB Marine, subject to its agreement with the Federal Reserve Board, is also not permitted to pay a dividend without advance approval from the Federal Reserve Board.

Federal Deposit Insurance

As FDIC-insured institutions, each of CIB Marine's subsidiary banks are required to pay deposit insurance premiums based on the risk each poses to the FDIC insurance funds. The FDIC has the authority to raise or lower assessment rates on insured deposits in order to achieve certain designated reserve ratios in the insurance funds and to impose special additional assessments. The FDIC has adopted a premium rate schedule, which provides for an assessment range of 0% to 0.27% of domestic deposits, depending on the capital category and supervisory category to which it is assigned. The FDIC may increase or decrease the assessment rate schedule on a semi-annual basis. The FDIC is also authorized to terminate an institution's deposit insurance upon a finding by the FDIC that the institution's financial condition is unsafe or unsound or that the institution has engaged in unsafe or unsound practices or has violated any applicable rule, regulation, order or condition enacted or imposed by the institution's regulatory agency. The termination of deposit insurance for CIB Marine's banks would have a material adverse effect on CIB Marine. In addition to its insurance assessment, each insured institution is subject to quarterly debt service assessments in connection with bonds issued by the government corporation that financed the federal savings and loan bailout. As of December 31, 2003, the banks' assessment rate was 0%, and the quarterly debt service assessment rate was 0.0152%. During the first quarter of 2004, the assessment rates for Central Illinois Bank, Marine — Wisconsin and CIB — Indiana were increased to 0.10% and CIB — Chicago was increased to 0.27%. Additionally, the quarterly debt service assessment rate for all banks was increased to 0.0154%.

Note 16 — Other Expense

Other expense consisted of the following:

	Years Ended December 31,		
	2003	2002	2001
	(Dollars in thousands)		
Payroll and other processing charges	$ 190	$ 126	$ 104
Correspondent bank charges	580	576	385
Advertising/Marketing	1,176	1,199	1,035
Amortization of goodwill and other intangibles	505	485	1,325
Communications	2,168	1,925	1,508
Supplies and printing	718	707	617
Shipping and handling	1,289	1,105	989
Collection expense	2,757	1,135	102
FDIC and state assessment	873	752	654
Recording and filing fees	265	247	148
Foreclosed property	1,205	98	88
Other expense	3,825	3,428	2,528
Total Other Expense	$15,551	$11,783	$9,483

Note 17 — Earnings Per Share

The following provides a reconciliation of basic and diluted earnings per share:

	For the Years Ended December 31,		
	2003	2002 (As restated)	2001 (As restated)
	(Dollars in thousands, except share and per share data)		
Income (loss) from continuing operations	$ (130,693)	$ 9,609	$ 25,729
Weighted average shares outstanding:			
Basic	18,286,550	18,167,379	17,751,752
Effect of dilutive stock options outstanding	—	380,136	331,261
Diluted	18,286,550	18,547,515	18,083,013
Per share income (loss):			
Basic	$ (7.15)	$ 0.53	$ 1.45
Effect of dilutive stock options outstanding	—	(0.01)	(0.03)
Diluted	$ (7.15)	$ 0.52	$ 1.42

Note 18 — Financial Instruments with Off-Balance Sheet Risk

The following table summarizes the contractual or notional amount of off-balance sheet financial instruments with credit risk.

	December 31,		
	2003	2002	2001
	(Dollars in thousands)		
Commitments to extend credit	$469,664	$623,921	$570,882
Commitments to extend mortgage loans to be held for sale	67,697	275,656	102,746
Standby letters of credit	98,733	108,584	95,078
Interest rate swaps	76,100	134,250	55,000
Forward loan sale agreements	82,892	507,771	137,041

CIB Marine is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. CIB Marine has entered into commitments to extend credit, which involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the balance sheets.

Standby letters of credit are conditional commitments that CIB Marine issues to guarantee the performance of a customer to a third-party. Fees received to issue standby letters of credit are deferred and recognized as noninterest income over the term of the commitment. The guarantees frequently support public and private borrowing arrangements, including commercial paper issuances, bond findings, and other similar transactions. CIB Marine issues commercial letters of credit on behalf of customers to ensure payments or collection in connection with trade transactions. In the event of a customer's nonperformance, CIB Marine's credit loss exposure is the same as in any extension of credit, up to the letter's contractual amount. Management assesses the borrower's financial condition to determine the necessary collateral, which may include marketable securities, real estate, accounts receivable and inventory. Since the conditions requiring CIB Marine to fund letters of credit may not occur, CIB Marine expects its future cash requirements to be less than the total outstanding commitments. The maximum potential future payments guaranteed by CIB Marine under standby letter of credit arrangements at December 31, 2003, is approximately $98.7 million with a weighted average term of approximately 15 months. CIB Marine has accrued liabilities of $15.7 million and $1.0 million for probable losses related to standby letters of credit at December 31, 2003 and 2002, respectively. The standby letters of credit for which reserves were established were participated to nonaffiliated banks. CIB Marine has not defaulted on any payment obligations with the other banks.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. CIB Marine evaluates each customer's creditworthiness and determines the amount of the collateral necessary based on management's credit evaluation of the counterparty. Collateral held varies, but may include marketable securities, accounts receivable, inventories, property and equipment, and real estate.

CIB Marine has no derivative financial instruments held or issued for trading purposes. The derivative financial instruments with which CIB Marine is involved are utilized for purposes of asset/liability management to modify the existing market risk characteristics of certain hedged assets and liabilities and are predominately comprised of interest rate swaps. An interest rate swap agreement involves the exchange of fixed and floating rate interest payment obligations based on the underlying notional principal amounts. The amounts subject to market and credit risks are the streams of interest payments under the agreements and not the notional principal amounts, which are used only to express the volume of the transactions. CIB Marine's credit risk on a swap agreement is limited to nonperformance of the counterparty's obligations under the terms of the swap agreement. CIB Marine deals exclusively with counterparties that have high credit ratings, and based on management's assessments, all counterparties were expected to meet any outstanding obligations as of December 31, 2003.

CIB Marine had $76.1 million notional value of interest rate swaps outstanding as of December 31, 2003. Most of these interest rate swaps are used to hedge the fair market value of various deposits and borrowings, including $25.0 million notional to hedge borrowings, $45.0 million notional to hedge fixed rate non-callable certificates of deposit, and $6.1 million notional to hedge fixed rate commercial real estate loans at December 31,2003. The interest rate swaps hedging liabilities are floating pay-fixed receive instruments and, as such, effectively convert the fixed rate payments on the hedged liabilities to a floating rate and hedge their fair value from changes in interest rates. The interest rate swaps hedging fixed rate commercial real estate loans are fixed pay-floating receive instruments and, as such, effectively convert the fixed payments received on the hedged loans to a floating rate and hedge their fair value from changes in interest rates. These swaps are accounted for as Fair Value Hedges under SFAS 133 at December 31, 2003. Market value changes during the period of the interest rate swaps and the hedged liabilities or assets are reflected in other noninterest income in the statement of operations. For additional information related to interest rate swaps, see Note 13 — Long-term Borrowings.

CIB Marine had $134.3 million notional value of interest rate swaps outstanding as of December 31, 2002. Most of these interest rate swaps were used to hedge the fair market value of various deposits and borrowings, including $25.0 million notional to hedge borrowings, $65.0 million notional to hedge fixed rate bullet certificates of deposit, and $40.0 million notional to hedge fixed rate callable certificates of deposit. The interest rate swaps were floating pay-fixed receive instruments and, as such, effectively converted the fixed rate payments on the financial instruments to a floating rate and hedged their fair value from changes in interest rates. CIB Marine also engaged in interest rate swaps to hedge fixed rate lending activity. At December 31, 2002 this amounted to a $4.3 million notional pay fixed/receive floating amortizing interest rate swap. This particular derivative was not designated as a hedge for accounting purposes. Each of the other swaps were accounted for as Fair Value Hedges under SFAS 133. During the period, market value changes of the interest rate swaps accounted for as hedges and the hedged liabilities were reflected in other noninterest income in the statement of operations.

CIB Marine had interest rate swaps outstanding as of December 31, 2001 with a $55.0 million notional value, which were being utilized to hedge the fair value of financial instruments in the consolidated balance sheet. The financial instruments hedged included $30.0 million in negotiable certificates of deposit and a

$25.0 million FHLB advance. The interest rate swaps were floating pay-fixed receive instruments and, as such, effectively converted the fixed rate payments on the financial instruments to a floating rate and hedged their fair value from changes in interest rates. These swaps are accounted for as Fair Value Hedges under SFAS 133. Market value changes during the period of the interest rate swaps and the hedge liabilities were reflected in other noninterest income in the statement of operations.

At December 31, 2003, 2002 and 2001 respectively, CIB Marine had $82.9 million, $507.8 million and $137.0 million in forward sale agreements outstanding with a fair market value of approximately ($0.2) million, ($4.2) million and $3.0 million; and $67.7 million, $275.7 million and $102.7 million outstanding in commitments to extend mortgage loans with interest rate locks, with a fair market value of approximately $0.2 million, $2.3 million and $0.8 million. Market value changes during the period are reflected in noninterest income in the statement of operations.

The fair value of derivatives that fail to qualify as a hedge and the ineffective position of derivatives that do qualify as a hedge is charged to other expense or credited to other income in the period of the change in fair value. Such amounts realized as income (loss) in 2003, 2002 and 2001 were $0.05 million, $(0.07) million and $0.06 million, respectively.

Note 19 — Commitments and Contingencies

In the ordinary course of business, CIB Marine has various outstanding commitments and contingent liabilities that are not reflected in the accompanying consolidated financial statements. CIB Marine is not currently involved in any material pending legal proceedings other than the following:

In August 2003, Keith Burchett, a shareholder of CIB Marine and a borrower of CIB — Chicago, commenced an action in the Circuit Court of Cook County, Illinois, against CIB Marine, Central Illinois Bank, CIB — Chicago and two of their now former directors and/or officers for damages arising out of alleged fraudulent misrepresentations relative to the financial condition of Canron and its principal shareholder by defendants to induce the plaintiff to borrow money from CIB — Chicago and make a $0.5 million investment in Canron. Plaintiff asserts claims for fraud and shareholder remedies. The shareholder remedies action alleges the defendants' violations of lending regulations caused a decline in the plaintiff's investment in CIB Marine. Plaintiff seeks an unspecified amount of compensatory and punitive damages, requests an order requiring CIB Marine and the banks to repurchase his CIB Marine shares of stock at fair value, and other forms of relief. While the outcome of these claims cannot be determined at this time, CIB Marine intends to vigorously defend this action. Central Illinois Bank has been removed as a defendant in subsequent amended complaints filed by the plaintiff. On November 30, 2004, CIB Marine sold CIB — Chicago.

In June 2004, Central Illinois Bank ("CIB") commenced an action in the Circuit Court of the Sixth Judicial Circuit, Champaign County, Illinois, against John C. Hadley and Mary Lydia Hadley, CIB Marine's largest individual shareholders, for damages arising out of the Hadleys' default in December 2003 of certain loan obligations (the "State Litigation") and subsequently obtained a confession of judgment. The loans approximate $9.0 million and are secured by CIB Marine stock and the accounts receivable, inventory, equipment and other personal property of the borrowers and their restaurant supply and coin businesses. In December 2004, the Hadleys consented to the entry of an order for relief under Chapter 11 of the Bankruptcy Code pending in the United States Bankruptcy Court for the Central District of Illinois (the "Bankruptcy Case"). In August 2004, and prior to the bankruptcy consent orders, the Hadleys filed a motion to vacate the confession of judgment in the State Litigation and sought leave to file a proposed counterclaim to recover $35.0 million in actual damages and punitive damages for the alleged loss or substitution by CIB of certain rare coins and collectibles which the Hadleys allege were pledged to CIB as collateral. The Hadleys' motion remains pending in the State Litigation, which has been stayed by the pendency of the Bankruptcy Case. CIB intends to vigorously defend the counterclaim if it is pursued. The ultimate outcome of the counterclaim cannot be determined at this time. CIB has filed a motion to modify the automatic stay to permit CIB to proceed with the State Litigation and to foreclose on its collateral if the Hadleys do not provide adequate protection.

In June 2004, John C. Ruedi, a former employee of CIB Marine, filed an action against CIB Marine, "Central Illinois Bancorp, Inc." and KPMG LLP in the Circuit Court of the Sixth Judicial District, Champaign County, Illinois for rescission or damages, including punitive damages, in connection with plaintiff's October 1, 2002 exercise of options issued by CIB Marine to acquire 36,688 shares of CIB Marine common stock at various exercise prices. Plaintiff claims that but for CIB Marine's and Central Illinois Bancorp, Inc.'s alleged fraudulent concealment of material facts regarding the financial condition of CIB Marine and KPMG's alleged professional negligence he would not have exercised his options. Plaintiff also seeks to recover from Central Illinois Bancorp, Inc. and CIB Marine in excess of $40,000 allegedly due Plaintiff pursuant to a purported memorandum providing for the payment of an incentive to Plaintiff. The claim against KPMG LLP was subsequently dismissed and in March 2005 Plaintiff amended his complaint to add the former President and CEO of CIB Marine, KPMG LLP and the KPMG LLP partner in charge of CIB Marine's audit as defendants based upon claims of alleged fraudulent concealment (as to the former President and CEO of CIB Marine) and professional negligence (as to KPMG and the partner in charge of CIB Marine's audit). CIB Marine filed a motion to dismiss several of Plaintiff's claims and answered the others denying liability. That motion to dismiss was denied and CIB Marine answered the remaining counts against it, denying liability. Plaintiff filed a motion for summary judgment seeking recovery of $40,000 from CIB Marine on his incentive payment claim. This motion has been denied. Plaintiff has voluntarily dismissed his claims against both KPMG LLP and the partner in charge of CIB Marine's audit. All discovery has been stayed in this action by an order of the federal court in the Dennis Lewis case described later in this section. While the ultimate outcome of these claims cannot be determined at this time, CIB Marine intends to vigorously defend the action.

In November 2004, CIB — Chicago and/or Marine — Wisconsin commenced three lawsuits in Illinois against Miss Mimi Corporation, Gerard Jacobs and T. Benjamin Jennings for damages arising out of the defendants' default of certain loan obligations. The bank claims damages of approximately $15.3 million. In December 2004, the defendants filed a counterclaim against CIB — Chicago, CIB Marine and certain of its current and former directors and officers for damages arising out of alleged fraudulent misrepresentations relative to defendants' purchase of CIB Marine stock from one of CIB Marine's largest borrowers at the time, and breach of fiduciary duties. Defendants seek compensatory damages in excess of $0.5 million and punitive damages of $2.0 million on the fraud claim, and compensatory damages of $2.5 million and punitive damages of $5.0 million on the breach of fiduciary duties claim. CIB Marine intends to vigorously defend this action. The ultimate outcome of this action cannot be determined at this time. On November 30, 2004, CIB Marine sold CIB — Chicago.

On June 3, 2005, a first consolidated complaint was filed by Dennis Lewis, a shareholder, and various other alleged shareholders of CIB Marine in the United States District Court for the Central District of Illinois, Urbana Division, against CIB Marine, certain of its current and former officers and directors, and KPMG LLP. The filing consolidated two actions that had been filed in January 2005: one filed by Lewis in the United States District Court for the Central District of Illinois, Urbana Division and another filed in the United States District Court for the Central District of Illinois, Peoria Division by Elaine Sollberger, a purported shareholder, whose claims were voluntarily dismissed in connection with the consolidation, and have not been reasserted in the consolidated complaint. Plaintiffs seek to maintain the action as a class action on behalf of all persons who purchased common stock of CIB Marine between April 12, 1999, and April 12, 2004, claiming violations of Section 10(b) of the Securities Exchange Act and Rule 10b-5 thereunder by CIB Marine and other defendants and liability of certain defendants other than CIB Marine and KPMG under Section 20(a) of the Securities Exchange Act as controlling persons. The gravamen of the complaint is that the financial condition of CIB Marine was overstated with the result that members of the purported class acquired their CIB Marine stock at inflated prices. All defendants have moved to dismiss the action on various grounds. As a result of the filing of these motions, all discovery in this action is automatically stayed. The court has granted the motion of CIB Marine and several other defendants to transfer the action to the United States District Court for the Eastern District of Wisconsin, sitting in Milwaukee, Wisconsin. CIB Marine intends to vigorously contest class action certification and defend this action. The ultimate outcome of this action cannot be determined at this time.

In April 2005, James Fasano and Thomas Arundel, shareholders of CIB Marine and borrowers of CIB — Chicago, commenced an action in the Circuit Court of Cook County, Illinois, against CIB Marine, CIB — Chicago and two of their now former directors and/or officers for damages arising out of alleged fraudulent misrepresentations relative to the financial condition of Canron and its principal shareholder to induce the plaintiffs to borrow $0.5 million from CIB — Chicago and invest it in Canron. Plaintiffs assert claims for fraud and shareholder remedies. The shareholder remedies action alleges the defendants' violations of lending regulations caused a decline in the plaintiffs' investment in CIB Marine. Plaintiffs seek an unspecified amount of compensatory and punitive damages, request an order requiring CIB Marine and the bank to repurchase their CIB Marine shares of stock at fair value, and other forms of relief. While the outcome of these claims cannot be determined at this time, CIB Marine intends to vigorously defend this action. On November 30, 2004, CIB Marine sold CIB — Chicago.

Note 20 — Stock Option Plans

CIB Marine has a nonqualified stock option and incentive plan for its employees and directors. At December 31, 2003, options to purchase 188,485 shares were available for future grant. The plan provides for the options to be exercisable over a ten-year period beginning one year from the date of the grant, provided the participant has remained in the employ of, or on the Board of Directors of CIB Marine and/or one of its subsidiaries. The plan also provides that the exercise price of the options granted may not be less than 100% of fair market value on the option grant date. Options vest over five years.

The following table shows activity relating to stock options.

	Number of Shares	Range of Option Prices per Share	Weighted Average Exercise Price
Shares under option at December 31, 2000	1,419,343	$ 4.95-19.11	$14.16
Granted	321,138	20.13-22.89	22.82
Lapsed or surrendered	(60,600)	13.07-18.40	15.18
Exercised	(22,238)	13.07-16.23	13.71
Shares under option at December 31, 2001	1,657,643	$ 4.95-22.89	$15.81
Granted	21,099	23.22-25.08	24.30
Lapsed or surrendered	(51,773)	10.87-22.89	18.93
Exercised	(93,718)	4.95-18.40	8.50
Shares under option at December 31, 2002	1,533,251	$ 4.95-25.08	$16.27
Granted	—	—	—
Lapsed or surrendered	(59,201)	13.07-23.22	17.78
Exercised	(34,200)	4.95-13.07	5.89
Shares under option at December 31, 2003	1,439,850	$ 8.50-25.08	$16.45
Share exercisable at December 31, 2003	1,081,288	$ 8.50-25.08	$15.11

The following table summarizes information about stock options outstanding at December 31, 2003.

	Options Outstanding			Options Exercisable	
Range of Option Prices	Number Outstanding at 12/31/03	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at 12/31/03	Weighted Average Exercise Price
8.50-10.03	81,000	1.0	8.50	81,000	8.50
10.03-12.54	107,400	2.3	10.87	107,400	10.87
12.54-15.05	378,900	4.1	13.10	378,900	13.10
15.05-17.56	268,950	5.6	16.22	216,600	16.22
17.56-20.06	299,112	6.6	18.42	179,448	18.42
20.06-22.57	5,662	7.7	22.07	2,264	22.07
22.57-25.08	298,826	8.0	22.99	115,676	22.94
$ 8.50-25.08	1,439,850	5.4	$16.45	1,081,288	$15.11

Note 21 — Other Benefit Plans

CIB Marine provides a defined contribution 401(k) deferred compensation plan to all employees of CIB Marine and its subsidiaries who have attained age 18. Employees enter the plan on the first entrance date after their start date. Entrance dates are January 1 and July 1 of each year. The plan permits participants to make voluntary tax deferred contributions of up to the maximum permitted by law. Participants over the age of 50 are allowed to make a stated amount of additional contributions on a tax deferred basis as permitted by law. Through December 31, 2002, CIB Marine had not matched employee contributions. During 2003, CIB Marine matched employee contribution up to 1% of compensation and the total expense was $0.3 million. The administrative costs to maintain the plan are paid by the plan. In the first quarter of 2004, CIB Marine suspended the matching contribution. In the first quarter of 2005, CIB Marine reinstated and increased the matching contribution up to 3% of compensation.

CIB Marine has an employee stock ownership plan for the benefit of employees who attain a certain number of hours worked and length of service. At December 31, 2003, the plan held 205,047 shares of common stock, all of which have been allocated to participants. CIB Marine made contributions in 2003, 2002, and 2001 of $0.4 million, $0.6 million, and $0.5 million, respectively. Contributions are discretionary and are determined annually by the Board of Directors. The administrative costs to maintain the plan are paid by the plan. In the first quarter of 2004, CIB Marine suspended contributions to the ESOP and does not currently have any plan to reinstate such contributions.

Note 22 — Income Taxes

The provision for income taxes (benefits) on income (loss) from continuing operations in the consolidated statements of operations consisted of the following components:

	For the Years Ended December 31,		
	2003	2002	2001
		(As restated)	(As restated)
	(Dollars in thousands)		
Current tax provision (benefit):			
Federal	$(14,580)	$ 13,166	$ 4,721
State	89	(226)	444
Deferred (benefit)	11,343	(10,344)	8,235
	$ (3,148)	$ 2,596	$13,400

Notes to Consolidated Financial Statements — (Continued)

A reconciliation of the income tax provision (benefit) and income taxes from continuing operations, which would have been provided by applying the federal statutory rate of 35%, is as follows:

	For the Year Ended December 31,					
	2003		2002		2001	
	Amount	%	Amount	%	Amount	%
			(As restated)		(As restated)	
	(Dollars in thousands)					
Income tax expense (benefit) at statutory tax rate	$(46,844)	(35.0)%	$ 4,272	35.0%	$13,695	35.0%
Increase (reduction) in tax rate resulting from:						
State income taxes, net of Federal Income tax effect	(3,739)	(2.8)	(359)	(2.9)	(59)	(0.2)
Nondeductible amortization	275	0.2	54	0.4	116	0.3
Tax exempt interest, net	(1,053)	(0.8)	(1,059)	(8.7)	(900)	(2.3)
Affordable housing credits	(409)	(0.3)	(268)	(2.2)	(92)	(0.2)
Valuation allowance	48,673	36.4	315	2.6	165	0.4
Other, net	(51)	(0.1)	(359)	(2.9)	475	1.2
	$ (3,148)	(2.4)%	$ 2,596	21.3%	$13,400	34.2%

The tax effects of temporary differences that give rise to net deferred tax (liabilities)/assets from continuing operations in the accompanying consolidated balance sheets are as follows:

	December 31,		
	2003	2002 (As restated)	2001 (As restated)
	(Dollars in thousands)		
Deferred tax assets:			
Net operating losses	$ 5,306	$ 932	$ 557
Tax credit carryforwards	1,550	—	—
Allowance for loan losses	41,042	24,215	13,773
Non-cash compensation	352	317	493
Deferred loan fees and other	—	36	970
Goodwill and intangible assets	4,285	—	—
Allowance for unfunded loan commitments	5,728	359	—
Other real estate owned	1,035	—	—
Other	569	194	153
Deferred tax assets before valuation allowance	59,867	26,053	15,946
Valuation allowance	(48,796)	(921)	(606)
Net deferred tax assets	11,071	25,132	15,340
Deferred tax liabilities:			
Net unrealized gain in securities available for sale	$ 798	$ 2,849	$ 2,777
Goodwill and intangible assets	—	275	—
Deferred loan fees and other	19	—	—
Fixed assets	1,242	875	644
REIT Income	7,511	11,266	12,069
Other securities	393	166	264
Other	197	296	501
Total deferred tax liabilities	10,160	15,727	16,255
Net deferred tax (liabilities)/assets	$ 911	$ 9,405	$ (915)

The change in the net deferred tax assets is as follows:

	December 31,		
	2003	2002 (As restated)	2001) (As restated)
	(Dollars in thousands)		
Deferred tax benefits (expenses) included in provision	$(11,343)	$10,344	$(8,235)
Deferred taxes of acquired subsidiaries	—	—	219
Purchase accounting deferred tax adjustments	—	48	—
Deferred tax included in other comprehensive income	2,051	(72)	(1,299)
Valuation allowance against deferred tax in other comprehensive income	798	—	—
Total increase (decrease) in net deferred tax assets	$ (8,494)	$10,320	$(9,315)

With respect to continuing and discontinued operations, there were U.S. Federal net operating loss, capital loss and charitable contribution carryforwards of approximately $21.6 million and $13.7 million in 2003 and 2002, respectively, and state net operating loss, capital loss and charitable contribution carryforwards of approximately $101.2 million and $46.5 million in 2003 and 2002, respectively. The net operating loss carryforwards will expire in varying amounts between 2007 and 2023. $13.5 million of the U.S. Federal and $22.4 million of the state net operating loss carryforwards were acquired in connection with the Canron acquisition. Canron had total U.S. Federal loss carryforwards of $13.4 million in 2003 and 2002, and state loss carryforwards of $31.6 million and $28.4 million in 2003 and 2002, respectively. In addition, there were $2.1 million of capital loss carryforwards in 2003, of which $1.7 million is attributable to Canron. The capital loss carryforwards expire in 2008.

In addition, CIB Marine had AMT credit carryforwards of $1.0 million and $0.1 million in 2003 and 2002, respectively. $0.1 million of the AMT credit carryforward was acquired in connection with the Canron acquisition. There were also $0.7 million of General Business Credit carryforwards in 2003 which will expire in varying amounts between 2007 and 2008.

Realization of the net deferred tax assets over time is dependent upon the existence of taxable income in carryback periods or CIB Marine generating sufficient taxable earnings in future periods. In determining that realization of the net deferred tax asset was more likely than not, CIB Marine gave consideration to a number of factors including its recent earnings history, its expectations for earnings in the future, including tax planning strategies, and where applicable, the expiration dates associated with tax carryforwards.

Due to the significant losses in 2003 and the expectation of additional losses in 2004, management has determined that it is not more likely than not that the net deferred tax assets at December 31, 2003 will be realized in their entirety. Therefore, a valuation allowance has been provided by way of a charge to federal and state tax expense to reduce the net federal and state deferred tax asset to an amount equal to U.S. Federal loss carryback potential as of December 31, 2003. There is no state loss carryback potential.

In 2002 and 2001, valuation allowances have been established against state deferred tax assets for those entities which have state net operating loss carryforwards in which management believes that it is not more likely than not that the state deferred tax assets will be realized.

The net deferred tax asset before valuation allowance of discontinued operations as of December 31, 2003 and 2002 was $8.2 million, respectively. Management does not believe that it is more likely than not that these net deferred assets will be realized in their entirety. Therefore, valuation allowances have been set up against these net deferred tax assets in the amount of $8.2 million and $4.0 million for 2003 and 2002, respectively.

Like many financial institutions with banking operations in Wisconsin, CIB Marine's Wisconsin bank subsidiary transferred securities and loans to an out-of-state subsidiary. The Nevada investment subsidiary holds and manages those assets. The investment subsidiary does not file tax returns with, or pay income taxes to, the State of Wisconsin. The Wisconsin Department of Revenue (WDOR) implemented a program in 2003 to audit Wisconsin financial institutions which formed investment subsidiaries located outside of Wisconsin. The WDOR has generally indicated that it intends to assess income taxes on certain income of out-of-state investment subsidiaries of Wisconsin financial institutions. CIB Marine received a Notice of Audit from WDOR in 2003 that covered 2000 and 2001 and related primarily to the issue of income of the Nevada subsidiary. During 2004, WDOR offered a blanket settlement agreement to most banks in Wisconsin having Nevada investment subsidiaries. The WDOR has not issued an assessment to CIB Marine's Wisconsin bank subsidiary, but the WDOR has stated it will do so if the matter is not settled.

CIB Marine believes it complied with Wisconsin law and that it is not liable for any taxes or interest that the WDOR may claim. At December 31, 2003, CIB Marine has an accrued liability including interest and net of state net operating losses of $0.1 million. CIB Marine has not made a decision as to whether it will contest the matter or settle with the WDOR, however, CIB Marine does not expect resolution of this matter to have a material effect on its consolidated financial position, results of operations or cash flows beyond the amounts accrued.

Note 23 — Fair Value of Financial Instruments

The table below summarizes the information required by SFAS No. 107, Disclosures about Fair Value of Financial Instruments (SFAS 107).

	December 31, 2003	
	Carrying Amount	Estimated Fair Value
	(Dollars in thousands)	
Financial assets:		
Cash and cash equivalents	$ 120,426	$ 120,426
Loans held for sale	16,735	16,735
Securities available for sale	637,356	637,356
Loans, net	2,250,169	2,273,718
Accrued interest receivable	12,762	12,762
Financial liabilities:		
Deposit liabilities	2,821,218	2,848,210
Short-term borrowings	92,601	92,601
Long-term borrowings	46,276	47,401
Junior subordinated debentures	61,857	67,871
Accrued interest payable	9,399	9,399

	December 31, 2003		
	Contractual or Notional Amount	Carrying Amount	Estimated Fair Value
	(Dollars in thousands)		
Off-Balance Sheet Items:			
Commitments to extend credit	$469,664	$ —	$ —
Commitments to extend mortgage loans to be held for sale	67,697	239	239
Standby letters of credit	98,733	(16,009)	(16,009)
Interest rate swap agreements	76,100	3,568	3,568
Forward sale agreements	82,892	(156)	(156)

An accrued liability for probable losses on unfunded commitments to extend credit and standby letters of credit totaled $15.7 million at December 31, 2003.

	December 31, 2002	
	Carrying Amount	Estimated Fair Value
	(as restated) (Dollars in thousands)	
Financial assets:		
Cash and cash equivalents	$ 93,991	$ 93,991
Loans held for sale	229,554	229,554
Securities available for sale	516,744	516,744
Loans, net	2,638,884	2,672,525
Accrued interest receivable	16,669	16,669
Financial liabilities:		
Deposit liabilities	2,848,404	2,897,046
Short-term borrowings	386,945	386,945
Long-term borrowings	47,141	48,976
Guaranteed trust preferred securities	60,000	66,320
Accrued interest payable	11,113	11,113

	December 31, 2002		
	Contractual or Notional Amount	Carrying Amount	Estimated Fair Value
	(Dollars in thousands)		
Off-Balance Sheet Items:			
Commitments to extend credit	$623,921	$ —	$ —
Commitments to extend mortgage loans to be held for sale	275,656	2,273	2,273
Standby letters of credit	108,584	(1,408)	(1,408)
Interest rate swap agreements	134,250	5,749	5,749
Forward sale agreements	507,771	(4,188)	(4,188)

	December 31, 2001	
	Carrying Amount	Estimated Fair Value
	(As restated) (Dollars in thousands)	
Financial assets:		
Cash and cash equivalents	$ 59,000	$ 59,000
Loans held for sale	34,473	34,473
Securities available for sale	120,507	120,507
Loans, net	2,346,190	2,374,027
Accrued interest receivable	16,993	16,993
Financial liabilities:		
Deposit liabilities	2,269,710	2,287,168
Short-term borrowings	319,883	319,905
Long-term borrowings	61,987	62,718
Guaranteed trust preferred securities	40,000	40,918
Accrued interest payable	11,334	11,334

	December 31, 2001		
	Contractual or Notional Amount	Carrying Amount	Estimated Fair Value
	(Dollars in thousands)		
Off-Balance Sheet Items:			
Commitments to extend credit	$570,882	$ —	$ —
Commitments to extend mortgage loans to be held for sale	102,746	(1,585)	(1,585)
Standby letters of credit	95,078	848	848
Interest rate swap agreements	55,000	1,920	1,920
Forward sale agreements	137,041	2,950	2,950

An accrued liability for probable losses on unfunded commitments to extend credit and standby letters of credit totaled $1 million at December 31, 2002.

Fair value amounts represent estimates of value at a point in time. Significant estimates regarding economic conditions, loss experience, risk characteristics associated with particular financial instruments and other factors were used for the purposes of this disclosure. These estimates are subjective in nature and involve matters of judgment. Therefore, they cannot be determined with precision. Changes in the assumptions could have a material impact on the amounts estimated.

While these estimated fair value amounts are designed to represent estimates of the amounts at which these instruments could be exchanged in a current transaction between willing parties, it is CIB Marine's intent to hold most of its financial instruments to maturity. Therefore, it is not probable that the fair values shown will be realized in a current transaction.

The estimated fair values disclosed do not reflect the value of assets and liabilities that are not considered financial instruments. In addition, the value of long-term relationships with depositors (core deposit intangibles) are not reflected. The value of this item is significant.

Because of the wide range of valuation techniques and the numerous estimates that must be made, it may be difficult to make reasonable comparisons of CIB Marine's fair value to that of other financial institutions. It is important that the many uncertainties discussed above be considered when using the estimated fair value disclosures and to realize that because of these uncertainties the aggregate fair value should in no way be construed as representative of the underlying value of CIB Marine.

The following describes the methodology and assumptions used to estimate fair value of financial instruments required by SFAS 107.

Cash and Cash Equivalents

The carrying amount reported in the balance sheet for cash and cash equivalents approximates their fair value. For purposes of this disclosure only, cash equivalents include cash and due from banks, Federal Funds sold and repurchase agreements.

Available for Sale Securities

The estimated fair values of securities by type are provided in Note 5 to the consolidated financial statements. These are based on quoted market prices, when available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities or carrying values.

Loans Held for Sale

The fair value of loans held for sale, primarily conventional residential mortgage loans, are estimated using quoted market prices of similar loans. If a quoted market price is unavailable, the fair value is estimated using reasonable and supportable assumptions and projections.

Loans Receivable

For loans that reprice frequently, the carrying value approximates their value. The fair values of all other loans receivable were estimated by discounting the expected future cash flows using current interest rates at which similar loans would be made to borrowers with similar credit ratings and maturities. The carrying value and the fair value of loans receivable is net of the allowance for loan losses.

Accrued Interest Receivable

The carrying amounts of accrued interest approximate their fair values.

Deposit Liabilities

The carrying value of deposits with no stated maturity approximates their fair value as they are payable on demand. The estimated fair value of fixed time deposits is based on discounted cash flow analyses. The discount rates used in these analyses are based on market rates of alternative funding sources currently available for similar remaining maturities.

Short-term Borrowings

The carrying value of short-term borrowings payable within 3 months or less approximates their fair value. The estimated fair value of borrowed funds with a maturity greater than 3 months is based on quoted market prices, when available. Debt for which quoted prices were not available was valued using cash flows discounted at a current market rate for similar types of debt. For purposes of this disclosure, short-term borrowings are those borrowings with stated final maturities of less than or equal to one year, including securities sold under agreements to repurchase, U.S. Treasury tax and loan notes, lines of credit, commercial paper and other similar borrowings.

Long-term Borrowings

The carrying value of long-term borrowings payable within 3 months or less approximates their fair value. The estimated fair value of borrowed funds with a maturity greater than 3 months is based on quoted market prices, when available. Debt for which quoted prices were not available was valued using cash flows discounted at a current market rate for similar types of debt. For purposes of this disclosure, long-term borrowings are those borrowings with stated final maturity of more than one year, including Federal Home Loan Bank advances with stated final maturity of more than one year. Notwithstanding their stated final maturity of more than one year, guaranteed trust preferred securities are excluded from long-term borrowings.

Junior Subordinated Debentures and Guaranteed Trust Preferred Securities

The estimated fair value of junior subordinated debentures and guaranteed trust preferred securities is based on quoted market prices, when available. Debt for which quoted prices were not available was valued using cash flows discounted at a current market rate for similar types of debt.

Accrued Interest Payable

The carrying amounts of accrued interest approximate their fair values.

Off-Balance Sheet Instruments

The fair value of commitments to extend mortgage loans to be held for sale represents the fair value of commitments to make or purchase loans, primarily conventional mortgage loans, at an agreed upon interest rate. The fair value is based upon current market quotes, when available. If a quoted market price is not available, fair value is estimated using reasonable and supportable assumptions and projections.

The fair value of interest rate swaps is based upon quoted market prices, when available. If a quoted market price is not available, fair value is estimated based on the net of the discounted cash flows of the fixed leg and the floating leg of the swap using as a discount rate currently existing rates available for swaps of comparable remaining term, notional value, index and counterparty credit risk.

The fair value of letters of credit and unused and open ended lines of credit have been estimated based on the equivalent fees, net of expenses, that are or would be charged for comparable transactions. The carrying value of standby letters of credit represents the unearned fees charged for those commitments plus accrued amounts for probable losses.

The fair value of forward sale agreements represents the fair value of conditional forward contracts entered into to sell mortgage loans, and is related to CIB Marine's mortgage banking activities. The fair value is based upon quoted market prices, when available. If a quoted market price is not available, fair value is based upon an estimate of the fair value of the forward rate agreement given current interest rates for contracts with similar notional value, and underlying assets.

Note 24 — Business Segments

	At or For the Year Ended December 31, 2003				
	General Banking	Mortgage Banking	Corporate	Intercompany Eliminations	Consolidated Income From Continuing Operations
	(Dollars in thousands)				
Net interest income (loss)	$ 106,090	$ 3,120	$ (5,864)	$ 26	$ 103,372
Provision for credit losses	160,593	—	—	—	160,593
Net interest income (loss) after provision for credit losses	(54,503)	3,120	(5,864)	26	(57,221)
Noninterest income	6,536	9,520	23,558	(20,683)	18,931
Noninterest expense	79,417	8,297	28,494	(20,657)	95,551
Income (loss) from continuing operations before income taxes	(127,384)	4,343	(10,800)	—	(133,841)
Income tax expense (benefit)	(9,210)	1,441	4,621	—	(3,148)
Net income (loss) from continuing operations	$ (118,174)	$ 2,902	$(15,421)	$ —	$ (130,693)
Identifiable assets from continuing operations	$3,179,837	$19,798	$ 10,962	$(53,416)	$3,157,181
Assets of companies held for disposal	31,348	—	—	(2,292)	29,056
Total identifiable assets	$3,211,185	$19,798	$ 10,962	$(55,708)	$3,186,237

Notes to Consolidated Financial Statements — (Continued)

	At or For the Year Ended December 31, 2002				
	General Banking	Mortgage Banking	Corporate	Intercompany Eliminations	Consolidated Income From Continuing Operations
			(As restated) (Dollars in thousands)		
Net interest income (loss)	$ 110,062	$ 1,713	$ (5,187)	$ 78	$ 106,666
Provision for credit losses	46,510	—	—	—	46,510
Net interest income after provision for credit losses	63,552	1,713	(5,187)	78	60,156
Noninterest income	11,662	4,943	16,728	(16,800)	16,533
Noninterest expense	54,730	4,850	21,626	(16,722)	64,484
Income (loss) from continuing operations before income taxes	20,484	1,806	(10,085)	—	12,205
Income tax expense (benefit)	6,261	600	(4,265)	—	2,596
Net income (loss) from continuing operations	$ 14,223	$ 1,206	$ (5,820)	$ —	$ 9,609
Identifiable assets from continuing operations	$3,447,149	$233,112	$ 14,194	$(117,024)	$3,577,431
Assets of companies held for disposal	73,274	—	—	—	73,274
Total identifiable assets	$3,520,423	$233,112	$ 14,194	$(117,024)	$3,650,705

	At or For the Year Ended December 31, 2001				
	General Banking	Mortgage Banking	Corporate	Intercompany Eliminations	Consolidated Income From Continuing Operations
			(As restated) (Dollars in thousands)		
Net interest income (loss)	$ 91,079	$ 565	$(4,398)	$ 36	$ 87,282
Provision for credit losses	14,395	—	—	—	14,395
Net interest income after provision for credit losses	76,684	565	(4,398)	36	72,887
Noninterest income	12,543	5,253	12,460	(12,637)	17,619
Noninterest expense	44,953	2,848	16,177	(12,601)	51,377
Income (loss) from continuing operations before income taxes	44,274	2,970	(8,115)	—	39,129
Income tax expense (benefit)	14,849	1,152	(2,601)	—	13,400
Net income (loss) from continuing operations	$ 29,425	$ 1,818	$(5,514)	$ —	$ 25,729
Identifiable assets from continuing operations	$2,909,195	$37,839	$20,654	$(32,981)	$2,934,707
Assets of companies held for disposal	7,311	—	—	—	7,311
Total identifiable assets	$2,916,506	$37,839	$20,654	$(32,981)	$2,942,018

Note 25 — Parent Company Financial Statements

The condensed financial statements of the parent company only, are presented as follows:

Condensed Balance Sheets

	December 31,		
	2003	2002	2001
		(As restated)	(As restated)
	(Dollars in thousands)		
Assets			
Cash and due from banks	$ 1,341	$ 513	$ 751
Investments in subsidiaries	184,203	329,558	279,186
Loans	—	—	2,738
Loans to subsidiaries	8,561	5,553	13,590
Premises and equipment, net	1,802	1,171	780
Foreclosed properties	1,438	1,938	—
Other investments	6,120	5,734	5,211
Other assets	2,317	4,341	2,122
Total Assets	$205,782	$348,808	$304,378
Liabilities			
Short-term borrowings	$ 23,595	$ 36,811	$ 29,662
Accrued interest payable	1,850	1,417	1,392
Accrued income taxes	2,096	—	1,257
Junior subordinated debentures	61,857	61,857	41,238
Other liabilities	7,861	1,160	1,004
Total Liabilities	97,259	101,245	74,553
Stockholders' Equity			
Preferred stock, $1 par value; 5,000,000 shares authorized, none issued	—	—	—
Common stock, $1 par value; 50,000,000 shares authorized, 18,346,442, 18,312,242 and 17,876,752 issued and outstanding, respectively	18,346	18,312	17,877
Capital surplus	158,163	157,783	148,972
Retained earnings (deficit)	(62,759)	74,889	66,082
Accumulated other comprehensive income, net	2,184	4,516	4,331
Receivables from sale of stock	(5,208)	(7,937)	(7,437)
Treasury stock at cost, 86,611 shares acquired	(2,203)	—	—
Total Stockholders' Equity	108,523	247,563	229,825
Total Liabilities and Stockholders' Equity	$205,782	$348,808	$304,378

Notes to Consolidated Financial Statements — (Continued)

Condensed Statements of Operations

	Years Ended December 31,		
	2003	2002 (As restated)	2001 (As restated)
	(Dollars in thousands)		
Interest and Dividend Income			
Dividends from subsidiaries	$ 22,250	$ 1,300	$ 2,133
Loan interest from subsidiaries	298	258	60
Other	—	—	180
Total interest and dividend income	22,548	1,558	2,373
Interest Expense			
Short-term borrowings	965	922	615
Junior subordinated debentures	5,198	4,523	4,024
Total interest expense	6,163	5,445	4,639
Net interest income (loss)	16,385	(3,887)	(2,266)
Provision for credit losses	—	800	—
Net interest income (loss) after provision for credit losses	16,385	(4,687)	(2,266)
Noninterest income			
Equity in undistributed earnings (loss) of subsidiaries	(144,093)	13,952	29,228
Fees from subsidiaries	11,267	8,915	7,062
Other income	2,884	317	99
Total noninterest income (loss)	(129,942)	23,184	36,389
Noninterest expense			
Compensation and employee benefits	12,570	10,421	8,024
Equipment	678	443	340
Occupancy and premises	827	1,043	629
Professional services	769	454	515
Write down and losses on assets	2,406	—	—
Other	2,323	1,918	1,489
Total noninterest expense	19,573	14,279	10,997
Income (loss) before income taxes	(133,130)	4,218	23,126
Income tax expense (benefit)	4,518	(4,589)	(2,603)
Net income (loss)	$(137,648)	$ 8,807	$25,729

Condensed Statement of Cash Flows

	Years Ended December 31,		
	2003	2002 (As restated)	2001 (As restated)
	(Dollars in thousands)		
Cash Flows from Operating Activities:			
Net income (loss)	$(137,648)	$ 8,807	$ 25,729
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Equity in undistributed (earnings) loss of subsidiaries	144,093	(13,952)	(29,228)
Depreciation and amortization	454	260	194
Provision for credit losses	—	800	—
Deferred tax expense (benefit)	6,570	(77)	642
Write down and losses on assets	2,406	—	—
Loss on sale of other assets	2	—	229
(Increase) decrease in interest receivable and other assets	(3,107)	(1,460)	202
Increase (decrease) in interest payable and other liabilities	4,880	(1,693)	436
Net cash provided by (used in) operating activities	17,650	(7,315)	(1,796)
Cash Flows from Investing Activities:			
Decrease (increase) in investment in limited partnerships and other investments	899	(301)	(2,269)
Net (increase) decrease in loans	(3,008)	8,537	(11,248)
Net increase in investment in subsidiaries	(23,081)	(37,258)	(16,510)
Dividends received from subsidiaries	22,250	1,300	2,133
Proceeds from sale of fixed assets	—	—	59
Capital expenditures	(1,080)	(646)	(413)
Net cash used in investing activities	(4,020)	(28,368)	(28,248)
Cash Flows from Financing Activities:			
Proceeds from issuance of junior subordinated debt	—	19,550	14,550
Proceeds from issuance of common stock	—	7,436	3,650
Proceeds from stock options exercised	414	1,310	307
Proceeds paid for merger dissenters shares	—	—	(238)
Net increase (decrease) in short-term borrowings	(13,216)	7,149	11,619
Net cash (used in) provided by financing activities	(12,802)	35,445	29,888
Net increase (decrease) in cash and cash equivalents	828	(238)	(156)
Cash and cash equivalents, beginning of year	513	751	907
Cash and cash equivalents, end of year	$ 1,341	$ 513	$ 751

Note 26 — Quarterly Consolidated Financial Information (Unaudited)

	First Quarter (As restated)	Second Quarter (As restated)	Third Quarter	Fourth Quarter	Total
	(Dollars in thousands, except share data)				
2003					
Total interest income	$51,164	$ 50,505	$ 45,713	$ 42,175	$ 189,557
Total interest expense	23,106	22,705	21,074	19,300	86,185
Net interest income	28,058	27,800	24,639	22,875	103,372
Provision for credit losses	24,640	34,910	75,010	26,033	160,593
Net interest income after provision for credit losses	3,418	(7,110)	(50,371)	(3,158)	(57,221)
Gain on investment securities, net	—	—	—	—	—
Other noninterest income	5,881	5,031	4,830	3,189	18,931
Impairment of goodwill and other intangible assets(1)	—	—	—	14,359	14,359
Other noninterest expense	18,067	18,265	20,414	24,446	81,192
Loss from continuing operations before income taxes	(8,768)	(20,344)	(65,955)	(38,774)	(133,841)
Income tax expense (benefit) (2)	(3,566)	(7,968)	6,023	2,363	(3,148)
Loss from continuing operations	(5,202)	(12,376)	(71,978)	(41,137)	(130,693)
Discontinued operations(3)					
Net income (loss) from discontinued operations	(380)	(3,006)	(5,191)	1,622	(6,955)
Net loss	$(5,582)	$(15,382)	$(77,169)	$(39,515)	$(137,648)
Earnings per share:					
Basic					
Loss from continuing operations	$ (0.28)	$ (0.68)	$ (3.94)	$ (2.25)	$ (7.15)
Discontinued operations	(0.02)	(0.16)	(0.29)	0.09	(0.38)
Net loss	$ (0.30)	$ (0.84)	$ (4.23)	$ (2.16)	$ (7.53)
Diluted					
Loss from continuing operations	$ (0.28)	$ (0.68)	$ (3.94)	$ (2.25)	$ (7.15)
Discontinued operations	(0.02)	(0.16)	(0.29)	0.09	(0.38)
Net loss	$ (0.30)	$ (0.84)	$ (4.23)	$ (2.16)	$ (7.53)

(1) In the fourth quarter of 2003, CIB Marine wrote off $14.4 million in goodwill and other intangibles. See Note 8 — Intangible Assets for further information.

(2) In the third and fourth quarter of 2003, a valuation allowance was provided by way of a charge to tax expense to reduce the net deferred tax assets. See Note 22 — Income Taxes for further information.

(3) In the fourth quarter of 2003, CIB Marine recorded a $1.1 million recovery on impairment losses recognized during prior quarters and a $0.5 million tax benefit.

RESTATEMENT ADJUSTMENTS(1):

	First Quarter	Second Quarter	Total
	(Dollars in thousands, except share data)		
2003			
Total interest income	$ (561)	$ (1,295)	$ (1,856)
Total interest expense	—	—	—
Net interest income	(561)	(1,295)	(1,856)
Provision for credit losses	15,418	24,535	39,953
Net interest income after provision for credit losses	(15,979)	(25,830)	(41,809)
Gain on investment securities, net	—	—	—
Other noninterest income	(155)	(163)	(318)
Impairment of goodwill and other intangible assets	—	—	—
Other noninterest expense	21	21	42
Loss from continuing operations before income taxes	(16,155)	(26,014)	(42,169)
Income tax (benefit)	(5,923)	(9,697)	(15,620)
Loss from continuing operations	(10,232)	(16,317)	(26,549)
Discontinued operations			
Net loss from discontinued operations	—	—	—
Net loss	$(10,232)	$(16,317)	$(26,549)
Earnings per share:			
Basic			
Loss from continuing operations	$ (0.55)	$ (0.90)	$ (1.45)
Discontinued operations	—	—	—
Net loss	$ (0.55)	$ (0.90)	$ (1.45)
Diluted			
Loss from continuing operations	$ (0.55)	$ (0.90)	$ (1.45)
Discontinued operations	—	—	—
Net loss	$ (0.55)	$ (0.90)	$ (1.45)

AS PREVIOUSLY REPORTED:

	First Quarter	Second Quarter	Total
	(Dollars in thousands, except share data)		
2003			
Total interest income	$51,725	$51,800	$103,525
Total interest expense	23,106	22,705	45,811
Net interest income	28,619	29,095	57,714
Provision for credit losses	9,222	10,375	19,597
Net interest income after provision for credit losses	19,397	18,720	38,117
Gain on investment securities, net	—	—	—
Other noninterest income	6,036	5,194	11,230
Impairment of goodwill and other intangible assets	—	—	—
Other noninterest expense	18,046	18,244	36,290
Loss from continuing operations before income taxes	7,387	5,670	13,057
Income tax expense	2,357	1,729	4,086
Loss from continuing operations	5,030	3,941	8,971
Discontinued operations			
Net loss from discontinued operations	(380)	(3,006)	(3,386)
Net loss	$ 4,650	$ 935	$ 5,585
Earnings per share:			
Basic			
Loss from continuing operations	$ 0.27	$ 0.22	$ 0.49
Discontinued operations	(0.02)	(0.17)	(0.19)
Net loss	$ 0.25	$ 0.05	$ 0.30
Diluted			
Loss from continuing operations	$ 0.27	$ 0.22	$ 0.49
Discontinued operations	(0.02)	(0.17)	(0.19)
Net loss	$ 0.25	$ 0.05	$ 0.30

RESTATED:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	(Dollars in thousands, except share data)				
2002					
Total interest income	$48,392	$51,064	$51,903	$52,642	$204,001
Total interest expense	23,619	24,275	24,748	24,693	97,335
Net interest income	24,773	26,789	27,155	27,949	106,666
Provision for credit losses	3,966	8,086	13,459	20,999	46,510
Net interest income after provision for credit losses	20,807	18,703	13,696	6,950	60,156
Gain on investment securities, net	1,104	992	1,031	—	3,127
Other noninterest income	3,393	3,643	3,132	3,238	13,406
Noninterest expense	14,561	16,047	17,439	16,437	64,484
Income from continuing operations before income taxes	10,743	7,291	420	(6,249)	12,205
Income tax expense (benefit)	3,754	2,300	(605)	(2,853)	2,596
Income from continuing operations	6,989	4,991	1,025	(3,396)	9,609
Discontinued operations					
Net loss from discontinued operations	—	—	—	(802)	(802)
Net income	$ 6,989	$ 4,991	$ 1,025	$(4,198)	$ 8,807
Earnings per share:					
Basic					
Income from continuing operations	$ 0.39	$ 0.27	$ 0.06	$ (0.18)	$ 0.53
Discontinued operations	—	—	—	(0.05)	(0.05)
Net income	$ 0.39	$ 0.27	$ 0.06	$ (0.23)	$ 0.48
Diluted					
Income from continuing operations	$ 0.38	$ 0.27	$ 0.05	$ (0.18)	$ 0.52
Discontinued operations	—	—	—	(0.05)	(0.05)
Net income	$ 0.38	$ 0.27	$ 0.05	$ (0.23)	$ 0.47

RESTATEMENT ADJUSTMENTS(1):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	(Dollars in thousands, except share data)				
2002					
Total interest income	$(32)	$ (42)	$ (45)	$ (72)	$ (191)
Total interest expense	—	—	—	—	—
Net interest income	(32)	(42)	(45)	(72)	(191)
Provision for credit losses	(15)	305	1,745	8,750	10,785
Net interest income after provision for credit losses	(17)	(347)	(1,790)	(8,822)	(10,976)
Gain on investment securities, net	—	—	—	—	—
Other noninterest income	—	—	—	—	—
Noninterest expense	—	—	—	—	—
Income from continuing operations before income taxes	(17)	(347)	(1,790)	(8,822)	(10,976)
Income tax expense (benefit)	(54)	(129)	(590)	(3,379)	(4,152)
Income (loss) from continuing operations	37	(218)	(1,200)	(5,443)	(6,824)
Discontinued operations					
Net loss from discontinued operations	—	—	—	—	—
Net income (loss)	$ 37	$ (218)	$(1,200)	$(5,443)	$ (6,824)
Earnings per share:					
Basic					
Income from continuing operations	$ —	$(0.02)	$ (0.06)	$ (0.30)	$ (0.38)
Discontinued operations	—	—	—	—	—
Net income	$ —	$(0.02)	$ (0.06)	$ (0.30)	$ (0.38)
Diluted					
Income from continuing operations	$ —	$(0.01)	$ (0.07)	$ (0.29)	$ (0.37)
Discontinued operations	—	—	—	—	—
Net income	$ —	$(0.01)	$ (0.07)	$ (0.29)	$ (0.37)

AS PREVIOUSLY REPORTED:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	(Dollars in thousands, except share data)				
2002					
Total interest income	$48,424	$51,106	$51,948	$52,714	$204,192
Total interest expense	23,619	24,275	24,748	24,693	97,335
Net interest income	24,805	26,831	27,200	28,021	106,857
Provision for credit losses	3,981	7,781	11,714	12,249	35,725
Net interest income after provision for credit losses	20,824	19,050	15,486	15,772	71,132
Gain on investment securities, net	1,104	992	1,031	—	3,127
Other noninterest income	3,393	3,643	3,132	3,238	13,406
Noninterest expense	14,561	16,047	17,439	16,437	64,484
Income from continuing operations before income taxes	10,760	7,638	2,210	2,573	23,181
Income tax expense (benefit)	3,808	2,429	(15)	526	6,748
Income from continuing operations	6,952	5,209	2,225	2,047	16,433
Discontinued operations					
Net loss from discontinued operations	—	—	—	(802)	(802)
Net income	$ 6,952	$ 5,209	$ 2,225	$ 1,245	$ 15,631
Earnings per share:					
Basic					
Income from continuing operations	$ 0.39	$ 0.29	$ 0.12	$ 0.12	$ 0.91
Discontinued operations	—	—	—	(0.05)	(0.05)
Net income	$ 0.39	$ 0.29	$ 0.12	$ 0.07	$ 0.86
Diluted					
Income from continuing operations	$ 0.38	$ 0.28	$ 0.12	$ 0.11	$ 0.88
Discontinued operations	—	—	—	(0.04)	(0.04)
Net income	$ 0.38	$ 0.28	$ 0.12	$ 0.07	$ 0.84

(1) Quarters ending prior to September 30, 2003 have been restated. See Note 2 — Restatement for further information.

Note 27 — Subsequent Events

Sale of CIB — Chicago

In November 2004, CIB Marine sold CIB — Chicago to an unrelated banking organization. The final sale price was $67.4 million in cash, of which $5.4 million was used by CIB Marine to repay a short-term loan from the purchaser. The purpose of the loan was to fund the purchase by CIB Marine of CIB — Chicago's interest in MICR, CIB Construction, including Canron, and the loans and related claims against the borrowers in a Chicago condominium development loan. In connection with the sale of CIB — Chicago, CIB Marine pledged the stock of Central Illinois Bank to the purchaser to secure certain indemnification obligations with respect to CIB Marine's trust preferred securities. CIB Marine also represented to the purchaser that for the 2004 tax year, the sum of certain tax benefits, such as gross built-in losses and Federal net operating loss carry forwards, would not be less than $60 million for CIB — Chicago. CIB Marine agreed to indemnify the purchaser for any losses arising out of a breach of this representation and certain other customary representations and warranties. No claims have been made by the purchaser related to this indemnification obligation. At the time of sale, CIB — Chicago operated 16 banking facilities in the Chicago metropolitan area and had approximately $1.2 billion in assets and $1.1 billion in deposits. The sale of CIB — Chicago reduced consolidated loan totals by $682.8 million, nonaccrual loans by $60.3 million and the allowance for loan loss by $38.1 million.

CIB Marine used $23.6 million of the proceeds to repay all indebtedness under CIB Marine's revolving line of credit and injected $15.0 million of new capital into Central Illinois Bank. The balance of the proceeds is being utilized to help fund ongoing operations. The sale resulted in a pre-tax gain for financial statement purposes of approximately $15.2 million. The total consolidated assets of CIB Marine immediately after the sale were approximately $1.4 billion. The Grand Cayman Islands branch banking facility of CIB — Chicago, which was established to accept Eurodollar deposits, was closed in conjunction with the sale of the bank.

Sale and Wind Down of Nonbank Subsidiaries

During 2004, CIB Marine divested itself of certain nonbank subsidiaries and commenced the wind down of certain other nonbank subsidiaries in order to more narrowly focus its resources on its core commercial and retail banking strategies.

CIB Marine Commercial Finance, LLC. In June 2004, CIB — Chicago sold to an unrelated party substantially all of the business assets and the business of its factoring subsidiary, CIB Marine Commercial Finance LLC. The pre-tax gain on the sale of this operation was $0.2 million. Total assets were $10.9 million at the time of sale. This company was fully dissolved in November 2004.

Mortgage Services, Inc. During the third quarter of 2004, CIB Marine sold to unrelated parties substantially all of the assets and operations of Mortgage Services, Inc. The sale of the operations was accomplished through two separate transactions and resulted in a combined net pretax loss of $0.7 million on the sales. CIB Marine is in the process of winding down the remaining affairs of this company and has incurred certain liabilities with respect to the operations of the mortgage company. These liabilities, totaling $1.8 million and $1.7 million as of December 31, 2004 and September 30, 2005, respectively, include repurchase obligations relative to certain mortgage loans as a result of external fraud and/or documentation issues, and certain reporting penalties.

CIB Marine Capital, LLC. During 2004, CIB Marine continued the wind down of its mezzanine lending company, CIB Marine Capital, LLC. At December 31, 2004, total loans outstanding were $3.4 million as compared to $19.0 million at December 31, 2003. At September 30, 2005, total loans outstanding were $0.9 million.

Canron. During 2004, Canron sold certain of its properties and substantially all of its equipment for $7.6 million. Substantially all of the proceeds were used to reduce secured debt to CIB Marine. In April 2005, Canron sold its Rexdale, Ontario facility for $8.2 million, and a portion of the proceeds was used to pay off the remaining balance of its debt to CIB Marine. Canron no longer owns any real estate. Canron is continuing to collect both on and off-balance sheet receivables and settle and resolve payables and claims through the voluntary liquidation process. In August 2005, Canron authorized and began liquidation distributions to its shareholders. CIB Marine received $0.8 million and recorded the amount as a reduction of its investment in Canron. As of September 30, 2005, CIB Marine's net investment in CIB Construction was approximately $0.3 million.

MICR, Inc. In January 2005, CIB Marine retained the services of an investment banker to assist in the marketing and sale of MICR. In 2005, MICR met the accounting criteria as an asset held for sale. Based upon new valuation information received in the third quarter of 2005, an impairment loss was recognized in the amount of $1.3 million to record MICR at its fair value less costs to sell.

Foreclosed Properties

In December 2003, CIB — Chicago acquired the title to a commercial office building that was being converted into residential condominiums. The property was acquired through a Deed in Lieu of Foreclosure Settlement Agreement ("DIL Agreement") from a borrower who was in default on its obligation. The property is included in foreclosed properties at December 31, 2003. Pursuant to the DIL Agreement, CIB — Chicago acquired the property subject to the first lien held by an outside financial institution and assumed the borrower's financial obligation relating to that first lien. At December 31, 2003, the assumed financial obligation is reported as an outstanding non-recourse mortgage note payable.

During the second quarter of 2004, CIB — Chicago transferred all of its rights, title and interest in the property, along with the borrower's obligation under the related mortgage note, to the first lien holder. CIB — Chicago transferred the property based upon its evaluation that the amount of additional funds necessary to complete the project was greater than the financial benefits and risks associated therewith. The property was transferred without any further liability or obligation to the first lien position holder and CIB — Chicago reserved its legal rights to pursue the borrower and guarantors. The transfer to the first lien holder resulted in no additional gain or loss to CIB Marine. CIB Marine charged-off $41.7 million of the loan to its allowance for loan loss with respect to this borrowing relationship and also recorded a $1.5 million market value write down on the property. In July 2004, CIB — Chicago commenced Federal Court litigation against the borrower, guarantors and their related interests for collection of the losses incurred by CIB Marine based upon state law claims of breach of agreements, fraud, conversion and other theories of recovery, including Federal RICO violations. In November 2004, CIB — Chicago assigned the loans and claims related to this development to CIB Marine in conjunction with the sale of CIB — Chicago. In April 2005, the Federal Court dismissed the RICO claim and, as a result, lacks jurisdiction over the state law claims. In April 2005, CIB Marine commenced a state court action against the defendants on the state law claims. In the event that there are any recoveries with respect to these loans and claims, CIB Marine has agreed to pay the purchaser of CIB — Chicago ten percent of any recovery after collection costs. To date, CIB Marine has not made any recoveries with respect to such loans and claims.

Regulatory Orders and Agreements

In May 2004, CIB — Chicago, Central Illinois Bank, Marine — Wisconsin and CIB — Indiana entered into Cease and Desist Orders with their respective banking regulators. The Memorandum entered into by CIB — Chicago in January 2003 was released as a result of entering into the Cease and Desist Order. CIB Marine subsequently sold CIB — Chicago in November 2004. In May 2004, CIB Marine entered into a Written Agreement with the Federal Reserve Bank of Chicago. In August 2004, Citrus Bank entered into a Written Agreement with the Office of the Comptroller of the Currency. The Orders and Agreements impose certain restrictions and reporting requirements on CIB Marine and such subsidiaries, and require various actions to be taken. The items include, among others:

- Maintenance of minimum capital levels;
- Restrictions on dividend payments and redemption of shares without regulatory approval;
- Limitations on asset and loan growth;
- Adoption of a comprehensive plan to improve earnings;
- Development of a plan to reduce concentrations of credit and loan relationships classified as substandard or doubtful;
- Development of a system to correct loan administration deficiencies; and
- Development of a plan to correct and prevent violations of banking laws and regulations related to affiliate transactions.

These regulatory Orders and Agreements were filed with the SEC during 2004. In April 2005, the Cease and Desist Orders at Marine — Wisconsin and CIB — Indiana were each released and replaced with a Memorandum of Understanding, which were entered into in March 2005, as a result of improvements at such banks. Pursuant to the Memoranda, the banks agreed to maintain minimum capital levels, correct loan administration deficiencies, reduce concentrations and problem credits and not declare or pay cash dividends without regulatory approval. In April 2005, Central Illinois Bank, Marine — Wisconsin and CIB — Indiana each entered into a Memorandum of Understanding with the FDIC and its applicable state banking regulators as a result of deficiencies in information technology. The banks agreed to take certain actions to document and fully implement its information security program, exercise appropriate diligence in overseeing service providers arrangements, and assess, develop and implement security standards and procedures. Management believes that CIB Marine, Central Illinois Bank, Marine — Wisconsin, CIB — Indiana and Citrus Bank have complied with the majority of the provisions of the respective Orders and Agreements and are in the process of complying with the remaining provisions.

Liquidity

During 2004, some of the borrowing sources customarily utilized by CIB Marine were restricted or were contingent on subsidiary bank pledges of fixed income investment securities. See Note 12 — Short-term Borrowings for further information.

FDIC Deposit Insurance Premiums

FDIC deposit insurance premiums represented $0.5 million of the $0.9 million in FDIC and state assessments in 2003. Due to the increase in the risk profile of CIB Marine's subsidiary banks, deposit insurance premiums significantly increased to $4.7 million in 2004. Excluding CIB — Chicago, deposit insurance premiums were $0.3 million, $1.4 million, and $1.2 million in 2003, 2004 and for the nine months ended September 30, 2005, respectively.

Credit Concentrations

At December 31, 2003, CIB Marine had fifteen secured borrowing relationships (loans to one borrower or a related group of borrowers) and loans to ten industries or industry groups that exceeded 25% of stockholders' equity. As of December 31, 2004, CIB Marine had one secured borrowing relationship and loans to seven industries or industry groups that exceeded 25% of stockholders' equity. The decreases were due to the sale of CIB — Chicago, management's strategy to reduce these types of exposures and, to a lesser extent, the increase in stockholders' equity from the $15.2 million pre-tax gain on the sale of CIB — Chicago on November 30, 2004. At September 30, 2005, there were loans to seven industries or industry groups that exceeded 25% of CIB Marine's stockholders' equity, and there was one loan to one borrower or a related group of borrowers that exceeded 25% of stockholders' equity.

Stock Options

As a result of retirements, resignations and other management and Board of Directors changes, the volume of lapsed and surrendered stock options increased substantially in 2004 and the first nine months of 2005. During this period, 873,513 shares previously granted pursuant to stock options lapsed and/or were surrendered and became available for future grants under CIB Marine's 1999 Stock Option and Incentive Plan. In September 2005, 523,750 options were granted to various employees of the company at an exercise price of $4.10 each. As of September 30, 2005, there were 1,090,087 options outstanding with a weighted average exercise price of $10.69.

Treasury Stock and Receivables from Sale of Stock

As a result of the sale of CIB — Chicago, receipt of additional collateral and other actions, the balance of loans classified as receivables from sale of stock has been reduced to $0.3 million as of September 30, 2005.

During 2004, CIB Marine reduced its treasury stock by $2.6 million, or 210,950 shares, as a result of the sale of CIB — Chicago. In the third quarter of 2004, a subsidiary bank of CIB Marine acquired 7,452 shares of CIB Marine stock through loan collection efforts. At September 30, 2005, treasury stock held by CIB Marine was $0.2 million and included 12,663 shares.

ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE*

There were no disagreements or reportable events of the nature required to be disclosed pursuant to Item 304 (b) of Regulation S-K.

ITEM 9A. CONTROLS AND PROCEDURES

a. Evaluation of Disclosure Controls and Procedures

CIB Marine's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of CIB Marine's disclosure controls and procedures on December 31, 2003, have concluded that because of certain deficiencies identified and described below which were determined to be material weaknesses in internal controls as of such date, CIB Marine did not maintain effective disclosure controls and procedures to ensure that material information relating to CIB Marine and its consolidated subsidiaries would be made known to them and by others within those entities.

(i) CIB Marine's control environment did not sufficiently promote effective internal control over financial reporting, and this material weakness was a contributing factor in the development of other material weaknesses described below. Specifically, deficiencies in the control environment included insufficient oversight and direction provided by Management and the Board of Directors, promotion of aggressive loan growth irrespective of inadequate human resources as well as the safety and soundness of such growth and a lack of adequate policies and procedures to enable the timely preparation of reliable financial statements.

(ii) CIB Marine's policies and procedures over the determination of the allowance for loan losses were not effective.

- Policies and procedures to identify credit downgrades on a timely basis and establish suitable loan workout plans were not effectively followed;
- Lack of adequate credit procedures to analyze borrowers' global cash flow; and
- Lack of adequate procedures to monitor loan collateral and valuation on collateral dependent loans.

As a result of the these internal control deficiencies, pertinent information was not identified, captured and communicated in a form and timeframe that enabled CIB Marine to analyze the appropriateness of the allowance for loan losses. Consequently, the allowance for loan losses was materially understated in previously issued consolidated financial statements for the fiscal quarters ended March 31 and June 30, 2003 and the years ended December 31, 2002 and 2001. These consolidated financial statements have been restated to reflect the correction of the aforementioned errors.

(iii) CIB Marine's policies and procedures were not effective with regard to coins, jewelry and precious metals loan collateral held, by failing to adequately appraise collateral in its possession, control access by the borrower to such collateral and periodically inspect the collateral using persons with expertise in such collateral. As a result, internal controls designed to prevent and/or detect significant losses were not effective. Consequently, CIB Marine sustained a significant credit loss and did not detect the loss on a timely basis. This deficiency results in more than a remote likelihood that a material misstatement of CIB Marine's annual or interim consolidated financial statements would not be prevented or detected.

(iv) CIB Marine did not have sufficient policies and procedures to track loans secured by the common stock of CIB Marine or used by borrowers to purchase common stock of CIB Marine. Consequently, information necessary to make credit decisions in conformity with sound and safe banking practices was not identified, captured and communicated and this also resulted in erroneous accounting for and reporting of these loans in the consolidated financial statements of CIB Marine which resulted in a restatement of the consolidated financial statements for the fiscal quarters ended March 31 and

June 30, 2003 and the years ended December 31, 2002 and 2001, of CIB Marine and resulted in noncompliance with certain banking regulations.

(v) CIB Marine did not have sufficient or adequate policies and procedures over Information Technology (IT) change management. Specifically, CIB Marine did not have policies and procedures designed to prevent unauthorized changes to IT programs, queries and calculations. This deficiency results in more than a remote likelihood that a material misstatement of CIB Marine's annual or interim consolidated financial statements would not be prevented or detected.

b. Changes in Internal Controls

Significant changes to improve internal controls within CIB Marine during the fourth quarter of 2003 included the realignment of reporting lines of the loan review function from Credit Administration to the Chief Financial Officer and the hiring of a new head of Credit Administration, the naming of a new Chief Lending Officer, substantial completion of an assessment of impairment of the loan portfolios at all of CIB Marine's affiliates for determining the adequacy of allowance for loan losses, and a change in policy prohibiting any additional loans secured by CIB Marine stock.

PART III

ITEM 10. *DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT*

The following table sets forth the names and ages of all directors of CIB Marine at December 31, 2003, the period that each has held any position with CIB Marine, a brief account of each director's business experience during at least the past five years, and the expiration of such director's term. CIB Marine did not hold an annual meeting of shareholders during 2004. Directors whose term would have otherwise expired during 2004 remained on the Board of CIB Marine.

Directors

Name and Age	Serving Since	Term Scheduled to Expire	Position with CIB Marine or Other Principal Occupation and Other Directorships
José Araujo (58)	1988	2005	International Business Development Officer of Citrus Bank since April 2003; President of Joaraucar Consulting, Inc., an industrial gas service company, since October 1997; and President of Gascarb, a carbon dioxide manufacturing company, from February 1969 to September 1997.
C. Todd Atkins (37)	2003	2006	Real estate developer and investor through various closely held real estate and investment companies since 1997; associate of The Atkins Group, a real estate management and development company, since 1990. Director of Central Illinois Bank since 1992(1).
Norman E. Baker (57)	1988	2004	President and Chief Executive Officer of Estoy Pronto, Inc., a consulting and investment company, since July 1994; and President and Chief Executive Officer of Associated Storage and Transfer, a warehousing and trucking company, from July 1969 to July 1996.

Name and Age	Serving Since	Term Scheduled to Expire	Position with CIB Marine or Other Principal Occupation and Other Directorships
John T. Bean (42)	1998	2006	President, Chief Executive Officer and Director of CIB — Chicago since January 1997; Executive Vice President of Central Illinois Bank MC, a subsidiary bank of CIB Marine, from October 1994 to January 1997; and Senior Vice President of Central Illinois Bank from November 1993 to October 1994(2).
W. Scott Blake (43)	1987	2004	President of Blake Capital Corp., a real estate development, investment and property management company, since July 1998; and President of Blake-Weise Real Estate Corp., a real estate development, investment and property management company, from October 1988 to June 1998(3).
Dean M. Katsaros (47)	1995	2004	Owner of Katsaros & Associates, a tax and accounting business, since September 1981; General Partner, KB Consultants, a computer equipment sales and computer consulting services company, from May 1990 to September 2002(4).
Jerry D. Maahs (72)	1987	2005	Chairman and Chief Executive Officer of Alto Shaam, Inc. since 2001; President and Chief Executive Officer of Alto Shaam, Inc. from 1968 to 2001; President and Chief Executive Officer of Enthermics, Inc., manufacturers of food service equipment, since 1968; and President and Chief Executive Officer of AS International, an international sales company since 1975.
J. Michael Straka (66)	1987	2006	President and Chief Executive Officer of CIB Marine since 1987; and Director or Chairman and Director of each of CIB Marine's bank and nonbank subsidiaries, including Central Illinois Bank since 1987, CIB — Chicago since 1994, Marine — Wisconsin since 1997, CIB — Indiana since 1998, Marine — FSB since November 1999, Citrus Bank since 2001, CIB Marine Information Services, Inc. since 1990, Mortgage Services, Inc. since 1995, CIB Marine Capital, LLC since 2001, and CIB Marine Commercial Finance, LLC since 2002(5).
Donald M. Trilling (73)	1987	2004	Chairman of the Board of CIB Marine from September 1987 to February 2004; Secretary of Illini Tile Distributors Inc., an importer and distributor of ceramic tiles, from 1983 to 2002(6).
Howard E. Zimmerman (74) ...	1987	2005	Chairman of the Board of Zimmerman Real Estate Group, a real estate appraisal and consulting company, since 1986.

(1) C. Todd Atkins resigned from the Board of CIB Marine on April 15, 2004.

(2) John T. Bean resigned from all positions with CIB Marine and the Board of CIB Marine on March 3, 2004.

(3) W. Scott Blake was appointed Chairman of the Board of CIB Marine on February 26, 2004, to replace Donald M. Trilling who resigned as Chairman but continued as a board member.

(4) Dean M. Katsaros resigned from the Board of CIB Marine on November 30, 2004.

(5) J. Michael Straka is the father of Donald J. Straka, former Senior Vice President, Chief Legal Officer and Secretary of CIB Marine, and Patrick J. Straka, Senior Vice President and Chief Investment Officer of CIB Marine. Mr. J. Michael Straka resigned from all officer and board positions with CIB Marine on March 24, 2004.

(6) In September 2003, Illini Tile Distributors, Inc. entered into liquidation through an assignment for the benefit of creditors under Illinois law.

Executive Officers

The following table sets forth the names, ages and positions of all executive officers of CIB Marine at December 31, 2003, the period that each has held positions with CIB Marine, and a brief account of each officer's business experience during at least the past five years. Under CIB Marine's by-laws, executive officers are elected annually by the board of directors, and each executive officer holds office until his successor has been duly elected and qualified or until the earlier of his death, resignation or removal.

Name and Age	Office and Experience
J. Michael Straka (66)	Mr. Straka was the President and Chief Executive Officer of CIB Marine and held those positions since 1987. Prior to assuming those positions, Mr. Straka was head of the international division of a large Milwaukee-based regional bank where he was employed for 26 years(1).
Michael L. Rechkemmer (54) ..	Mr. Rechkemmer has been Executive Vice President of CIB Marine since July 1999 and Chief Operations Officer since April 2000. He was CIB — Chicago's Vice Chairman and Chief Operating Officer from January 1997 to June 1998 and its President and Chief Executive Officer from July 1994 to December 1996. Prior to joining CIB — Chicago, Mr. Rechkemmer was President and Chief Executive Officer of Mid America Bank N.A. from January 1991 to June 1994.
Michael J. Miller (52)	Mr. Miller is Executive Vice President and Chief Lending Officer and has held these positions since December 11, 2003. Prior to joining CIB Marine, Mr. Miller was Senior Vice President and Department Manager of U.S. Bank, N.A. since 1997, and held various positions at Bank One, N.A. since 1976. Effective April 2005, Mr. Miller was appointed President and CEO of Marine Wisconsin and ceased serving as Chief Lending Officer of Marine — Wisconsin.
Steven T. Klitzing (40)	Mr. Klitzing is Senior Vice President, Chief Financial Officer, Treasurer and Assistant Secretary of CIB Marine and has held those positions since December 1993. Mr. Klitzing has been with CIB Marine since 1986 and has held various positions with CIB Marine and its subsidiaries since that date.
Donald J. Straka (41)	Mr. Straka was Senior Vice President, Chief Legal Officer and Secretary of CIB Marine and held those positions since July 1997. Mr. Straka has been engaged in the practice of law since 1987. In 1992, Mr. Straka joined the law firm of Brashear & Ginn and he was a partner of that firm from 1995 to 1997(2).

Name and Age	Office and Experience
Patrick J. Straka (36)	Mr. Straka is Senior Vice President and Chief Investment Officer of CIB Marine and has held those positions since February 1999. He was a Vice President, Investment Officer and General Auditor of CIB Marine from 1995 to February 1999. Mr. Straka served in various positions with CIB Marine from 1992 to 1995.
Stephen C. Bonnell (53)	Mr. Bonnell had been a Senior Vice President of CIB Marine since October 1994 and Chief Credit Officer since January 1996. Mr. Bonnell served in various capacities with CIB Marine, its Subsidiaries and their predecessors from 1972 to October 1994(3).

(1) On April 12, 2004, Stanley J. Calderon was appointed President and CEO of CIB Marine and replaced Mr. Straka. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Subsequent Events — Management Changes" for additional information relative to management and Board of Directors changes.

(2) On April 15, 2005, Daniel J. Rasmussen was named Senior Vice President and General Counsel of CIB Marine. Mr. Rasmussen previously served as Vice President and Senior Attorney, and succeeded Donald J. Straka who was assigned other duties in April 2005 and resigned his employment with CIB Marine in June 2005. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Subsequent Events — Management Changes" for additional information relative to management and Board of Directors changes.

(3) On February 9, 2004, Margaret A. Incandela was appointed Chief Credit Officer of CIB Marine and Stephen C. Bonnell was appointed Chief Workout Manager. Mr. Bonnell resigned from all positions with CIB Marine on March 3, 2004. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Subsequent Events — Management Changes" for additional information relative to management and Board of Directors changes.

Audit Committee Financial Expert

At December 31, 2003, CIB Marine did not have an "audit committee financial expert," as that term is defined by SEC rules, serving on its Audit Committee. The Board believes that the Audit Committee members collectively have sufficient knowledge of financial and auditing matters to effectively oversee CIB Marine's accounting and financial reporting practices. The Board and the Audit Committee have the power to engage experts or consultants as they deem appropriate to carry out their responsibilities. In October 2004, Gary L. Longman joined the Board of CIB Marine and its Audit Committee. The Board has determined that Mr. Longman is a audit committee financial expert.

Code of Ethics

CIB Marine has adopted a Code of Ethics, which applies to all of CIB Marine's directors, officers and employees, and was most recently amended on October 28, 2004.

ITEM 11. *EXECUTIVE COMPENSATION*

The following table sets forth the cash and noncash compensation for each of the last three fiscal years awarded to or earned by the Chief Executive Officer of CIB Marine and the four other highest paid executive officers of CIB Marine (the "Named Executive Officers").

		Annual Compensation(1)		Long-Term Compensation	
Name and Principal Position	**Year**	**Salary**	**Bonus**	**Securities Underlying Stock Options (#)**	**All Other Comp.(2)**
J. Michael Straka	2003	$525,000	$ 0	0	$111,888
President and Chief Executive Officer	2002	500,000	0	0	88,702
	2001	400,000	32,423	34,950	86,302
Steven T. Klitzing	2003	$195,000	$ 0	0	$ 2,707
Senior Vice President, Chief Financial Officer	2002	180,000	0	0	4,232
and Treasurer	2001	161,250	12,963	13,543	9,111
Donald J. Straka	2003	$195,000	$ 0	0	$ 17,613
Senior Vice President, Chief Legal Officer and	2002	180,000	0	0	4,611
Secretary	2001	161,250	13,154	13,543	7,063
Stephen C. Bonnell	2003	$195,000	$ 0	0	$ 18,098
Senior Vice President and Chief Credit	2002	165,000	0	0	4,831
Officer	2001	143,000	11,725	8,912	5,312
Michael L. Rechkemmer	2003	$178,000	$ 0	0	$ 2,837
Executive Vice President and Chief Operating	2002	165,000	0	0	4,211
Officer	2001	150,000	12,104	9,830	5,506

(1) Includes amounts earned in the fiscal year, whether or not deferred. As permitted by rules established by the SEC, no amounts are shown with respect to certain "perquisites" where such amounts do not exceed in the aggregate the lesser of 10% of salary plus bonus or $50,000.

(2) All other compensation for each Named Executive Officer consists of the following:

Name	**Year**	**Board of Director Fees(a)**	**Life Insurance Premiums**	**ESOP Contribution**	**Vacation Payout**	**Total**
J. Michael Straka	2003	$105,450	$4,417	$2,021	$ —	$111,888
	2002	79,500	5,122	4,080	—	88,702
	2001	74,300	2,957	3,749	5,296	86,302
Steven T. Klitzing	2003	$ —	$ 686	$2,021	$ —	$ 2,707
	2002	—	245	3,987	—	4,232
	2001	—	185	3,749	5,177	9,111
Donald J. Straka	2003	$ 15,000(b)	$ 631	$1,982	$ —	$ 17,613
	2002	500	171	3,940	—	4,611
	2001	—	135	3,749	3,179	7,063
Stephen C. Bonnell	2003	$ 15,000(b)	$1,077	$2,021	$ —	$ 18,098
	2002	500	669	3,662	—	4,831
	2001	—	606	3,541	1,165	5,312
Michael L. Rechkemmer	2003	$ —	$1,021	$1,816	$ —	$ 2,837
	2002	—	561	3,650	—	4,211
	2001	—	555	3,653	1,298	5,506

(a) Includes payment for meetings of the Board of Directors of CIB Marine and its subsidiaries and for committee meetings of its subsidiaries.

(b) Includes fees for serving on the Board of Directors of Canron Corporation.

Options

No stock options were granted during 2003 to the Named Executive Officers.

The following table sets forth information regarding shares acquired on the exercise of stock options during 2003 and the year-end values of unexercised stock options held by the Named Executive Officers.

Name	Number of Shares Acquired on Exercise	Value Realized(2)	Total Number of Securities Underlying Unexercised Options Held at Fiscal Year End		Total Value of Unexercised, In-the-Money Options Held at Fiscal Year End(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
J. Michael Straka	—	—	128,818	39,130	—	—
Steven T. Klitzing	9,000	$186,930	49,258	14,404	—	—
Donald J. Straka	—	—	44,070	15,045	—	—
Stephen C. Bonnell	11,250	$233,663	47,412	10,681	—	—
Michael L. Rechkemmer	—	—	41,336	11,384	—	—

(1) This amount represents the difference between the fair market value of one share of CIB Marine common stock on December 31, 2003, $5.94 and the option exercise price times the total number of shares subject to exercisable or unexercisable options. Because there is no public market for CIB Marine common stock, the $5.94 per share fair market value was derived by using CIB Marine's book value at December 31, 2003.

(2) This amount is based on the difference between the estimated fair market value of the common stock as determined at the time the options were exercised and the exercise price paid.

Compensation of Directors

Directors' Fees and Compensation

During 2003, (i) each director, except John T. Bean, received an annual retainer fee in the amount of $10,000; (ii) each director, except Jose Araujo and John T. Bean, was paid a fee of $1,000 for each meeting of the Board of Directors attended; (iii) each director, except Mr. Bean, serving on the audit committee received $1,000 for each committee meeting attended; and (iv) each director, except Mr. Araujo and Mr. Bean, serving on another committee received $500 for each meeting attended during 2003. Mr. Araujo commenced employment as International Business Officer of Citrus Bank on April 15, 2003. Pursuant to his compensation agreement, Mr. Araujo no longer was paid fees for attending regularly scheduled CIB Marine board meetings. During 2003, Mr. Araujo was paid a salary of $28,333 and commissions of $234 in connection with his employment. Mr. Araujo received his retainer and $7,800 for Board fees attended prior to becoming an employee of Citrus Bank.

Directors' Deferred Compensation Plan

Effective December 1994, CIB Marine adopted a plan allowing directors to elect to defer receipt of all or a portion of their director fees. Under the plan, any director may enter into a written deferred compensation agreement under which that director's fees are retained by CIB Marine in a segregated account. These fees remain an asset of CIB Marine, subject to the claims of its creditors, until paid to the director under the agreement. The deferred directors' fees accrue interest, and a director has a right to cancel future deferrals at any time. The fees may be withdrawn and are payable in equal monthly installments over a period of five years at the time of retirement or upon the death of the director, either before or after retirement. If the director resigns from the Board, the deferred fees are paid in full in a single lump sum payment.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee of CIB Marine determines executive compensation and consists entirely of non-employee Directors, although J. Michael Straka, President and Chief Executive Officer of

CIB Marine, made recommendations to the Compensation Committee regarding compensation of officers other than himself. Mr. Straka determined the compensation of the executive officers of CIB Marine's subsidiaries, except that the Compensation Committee reviewed the compensation of John T. Bean.

Compensation Committee Report

The Compensation Committee of the Board of Directors is responsible for developing executive compensation philosophies, determining the components of the compensation to be paid to the President and Chief Executive Officer and the four other highest paid executive officers, and assuring that the compensation program is administered in a manner consistent with compensation objectives.

Executive Compensation

The Compensation Committee determines the salary of the President and Chief Executive Officer and the four other highest paid executive officers of CIB Marine. The Committee consulted with J. Michael Straka in 2003 relative to the setting of salaries and compensation of the four other highest paid executive officers of CIB Marine. Executive officers' compensation principally consists of a salary, bonus compensation under CIB Marine's bonus plan and stock options. The committee seeks to ensure that executive officer compensation is competitive, promotes both short and long-term interests of the shareholders, and includes a variable component linking a portion of compensation with the overall performance of CIB Marine.

Executive officers' base salaries are based upon CIB Marine's performance, individual performance evaluations, salary history and peer group information concerning the compensation levels of executive officers at comparable bank holding companies or banks. The Committee considers the payment of Board fees to J. Michael Straka as part of his annual compensation. In establishing the base salaries of the executive officers for 2003, the committee took into account CIB Marine's growth and performance in 2002.

The Compensation and Stock Option Committees periodically review salaries, stock options and other aspects of executive compensation in order to assure that CIB Marine's executive compensation remains competitive with other bank holding companies which are similar in asset size and operate in its geographic markets. The committee seeks to ensure that such compensation represents both the individual's performance as well as the current and past performance of CIB Marine.

Stock Options

The Compensation and Stock Option Committees believe it is appropriate to more closely align the interests of the executive officers to the future performance of CIB Marine, and to more closely align their interests with shareholders, through the granting of stock options. No stock options were granted to the executive officers during 2003 as shares available for future grants under the plan were limited and as a result of the financial condition of CIB Marine during 2003.

Bonus Program

Employees of CIB Marine and its subsidiaries, including executive officers, are eligible to participate in a cash bonus program provided that CIB Marine and the employee meet certain performance goals. Bonuses are based on a percentage of base salary, which increases in graduated steps in the event that CIB Marine achieves or surpasses budgeted earnings for the fiscal year. Since executive officers and other senior officers are in a better position to contribute to the achievement of such goals, the percentage of base salary that they are eligible to receive as a bonus is proportionately higher. The executive officers were not paid a bonus for 2003.

Other Benefit Programs

CIB Marine provides its employees with vacation, holiday and insurance protection plans, including medical, dental, life, accidental death and dismemberment, travel and accident, and disability. CIB Marine also makes available to its employees a 401(k) plan which permits participants to make voluntary tax deferred contributions up to the maximum permitted by law. Commencing January 1, 2003, CIB Marine began providing all employees of CIB Marine participating in the 401(k) Plan a match equal to 25% of the employee's deferral up to 1% of the employee's salary. CIB Marine also has an employee stock ownership plan for the benefit of employees who are eighteen years or older and have achieved a certain length of service. Executive officers are eligible to participate in all of these plans. During 2003, CIB Marine contributed approximately 1% of the employee's salary to the employee stock ownership plan.

Tax Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code (the "Code") and related regulations provide that a public company may not deduct, for federal income tax purposes, compensation in excess of $1 million per year paid to certain executive officers employed by CIB Marine at year-end, other than compensation which qualifies as "performance-based compensation" under the Code and related regulations or is otherwise exempt from the provisions of Section 162(m). In designing future compensation programs for the Chief Executive Officer and the other highly compensated executive officers, the committees will take into account the deductibility of such compensation under Section 162(m).

Respectfully Submitted,

The Compensation and Stock Option Committees

Howard E. Zimmerman (Committee Chairman)
Norman E. Baker
Steven C. Hillard
Donald M. Trilling

ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT*

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of December 31, 2003, with respect to CIB Marine's compensation plans under which equity securities are authorized for issuance:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for future issuance Under Equity Compensation Plans(1)
Equity compensation plans approved by security holders	1,439,850	$16.45	188,485
Equity compensation plans not approved by security holders	—	—	—
Total	1,439,850	$16.45	188,485

(1) All securities remaining available for future issuance will be issued under the 1999 Stock Option and Incentive Plan.

Security Ownership by Certain Beneficial Owners

The following persons are known to CIB Marine to be the beneficial owners of more than 5% of the outstanding common stock of CIB Marine as of December 31, 2003, based on information available to CIB Marine.

Name and Address of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned	Percent of Common Stock
Strategic Capital Trust Company 1608 Broadmoor Drive Champaign, Illinois 61820	993,652(1)	5.42%
John and Mary Lydia Hadley 915 W. Park Avenue Champaign, Illinois 61821	1,116,950(2)	6.09%

(1) Based solely on information provided by Strategic Capital Trust Company.

(2) Based solely on information in CIB Marine's stock transfer records.

Security Ownership of Management

The following table sets forth, as of December 31, 2003, the number of shares of common stock beneficially owned by (1) each director of CIB Marine (including nominees), (2) each of the Executive Officers, and (3) all directors and executive officers of CIB Marine as a group. Except as otherwise indicated, each person listed has sole voting and investment power over shares beneficially owned. For purposes of this table, all references to the right to acquire shares within 60 days refer to the 60 day period commencing December 31, 2003.

Name of Beneficial Owner	Common Shares Beneficially Owned	Percent of Class
José Araujo	111,890(1)	*
C. Todd Atkins	89,925(2)	*
Norman E. Baker	398,840(3)	2.17%
John T. Bean	90,105(4)	*
W. Scott Blake	162,590(5)	*
Stephen C. Bonnell	81,645(6)	*
Dean M. Katsaros	344,540(7)	1.88%
Steven T. Klitzing	76,911(8)	*
Jerry D. Maahs	313,940(9)	1.71%
Michael L. Rechkemmer	52,478(10)	*
Donald J. Straka	54,582(11)	*
J. Michael Straka	308,455(12)	1.68%
Patrick J. Straka	38,801(13)	*
Donald M. Trilling	228,222(14)	1.24%
Howard E. Zimmerman	136,990(15)	*
All directors and executive officers as a group (16 persons)	2,489,914(16)	13.57%

* **Less than one percent.**

(1) Includes 29,390 shares that Mr. Araujo has the right to acquire within 60 days upon the exercise of stock options.

(2) Includes 18,000 shares held in trust for the benefit of Mr. Atkins' children and 3,450 shares Mr. Atkins has the right to acquire within 60 days upon the exercise of stock options.

(3) Includes 29,390 shares Mr. Baker has the right to acquire within 60 days upon the exercise of stock options.

(4) Includes 7,500 shares jointly owned by Mr. Bean and his wife, 1,950 shares owned by Mr. Bean's wife, and 71,055 shares that Mr. Bean has the right to acquire within 60 days upon the exercise of stock options.

(5) Includes 29,390 shares that Mr. Blake has the right to acquire within 60 days upon the exercise of stock options.

(6) Includes 47,412 shares that Mr. Bonnell has the right to acquire within 60 days upon the exercise of stock options.

(7) Includes 120,559 shares jointly owned by Mr. Katsaros and his wife and 30,290 shares that Mr. Katsaros has the right to acquire within 60 days upon the exercise of stock options.

(8) Includes 49,258 shares that Mr. Klitzing has the right to acquire within 60 days upon the exercise of stock options.

(9) Includes 285,000 shares jointly owned by Mr. Maahs and his wife and 28,940 shares that Mr. Maahs has the right to acquire within 60 days upon the exercise of stock options.

(10) Includes 41,336 shares that Mr. Rechkemmer has the right to acquire within 60 days upon the exercise of stock options.

(11) Includes 800 shares jointly owned by Mr. Straka and his wife, 4,800 shares owned by a partnership with respect to which Mr. Straka shares voting and investment power, and 44,070 shares Mr. Straka has the right to acquire within 60 days upon exercise of stock options.

(12) Includes 110,055 shares jointly owned by Mr. Straka and his wife, 3,000 shares owned by Mr. Straka's wife, 6,300 shares owned by partnerships with respect to which Mr. Straka shares voting and investment power, and 128,818 shares that Mr. Straka has the right to acquire within 60 days upon the exercise of stock options.

(13) Includes 6,300 shares owned by partnerships with respect to which Mr. Straka shares voting and investment power and 24,848 shares that Mr. Straka has the right to acquire within 60 days upon the exercise of stock options.

(14) Includes 68,705 shares held in a trust for the benefit of Mr. Trilling's wife and 30,740 shares that Mr. Trilling has the right to acquire within 60 days upon the exercise of stock options.

(15) Includes 3,250 shares held in a trust for the benefit of Mr. Zimmerman's wife and 29,390 shares Mr. Zimmerman has the right to acquire within 60 days upon the exercise of stock options.

(16) Includes, in addition to those shares footnoted above, 24,848 shares which other executive officers as a group have the right to acquire within 60 days upon the exercise of stock options.

ITEM 13. *CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS*

CIB Marine has business relationships with entities in which directors and executive officers of CIB Marine or members of their immediate family have ownership interests. These business relationships are summarized below. CIB Marine believes each transaction described was on commercially reasonable terms.

J. Michael Straka was the President, Chief Executive Officer and a Director of CIB Marine in 2003. Karen Straka, his wife, operates a sole proprietorship known as Plank & Peg that sells antiques. During 2003, CIB Marine and its subsidiaries paid Plank & Peg $5,219.50 in connection with the purchase of antiques to furnish offices of CIB Marine and its subsidiaries. Additionally, Michael J. Straka, his son, operates a sole proprietorship known as Plank & Peg — TNG that sells antiques and office fixtures to CIB Marine and its subsidiaries. During 2003, CIB Marine and its subsidiaries paid Plank & Peg — TNG $97,529.15. Michael Straka was also an employee of CIB Marine, providing construction related services, and was paid $70,013.76 during 2003, which amount includes a salary of $36,600 and a bonus of $700.00.

ITEM 14. *PRINCIPAL ACCOUNTANT FEES AND SERVICES*

The following table presents fees for professional audit services rendered by KPMG LLP for the audit of CIB Marine's annual financial statements for 2003 and 2002, and fees billed for other services rendered by KPMG LLP.

	2003	2002
	(Dollars in thousands)	
Audit fees(1)	$1,541	$332
Audit related fees(2)	34	233
Tax fees(3)	537	163
Total fees	$2,112	$728

(1) Includes $0.1 million paid during both 2003 and 2002 for audit services related to Canron Corporation, a company in which CIB Marine acquired an 84% interest in October 2002 and which is held for disposal.

(2) Audit related fees consisted of audits of financial statements of certain employee benefit plans, audits of mortgage banking compliance and due diligence services, and included $0.2 million in fees for an audit of Canron during 2002.

(3) Tax fees consisted of fees for tax consultation and tax compliance services, and included $0.3 million and $0.1 million paid in relation to Canron during 2003 and 2002, respectively.

Pre-Approval Policy & Procedures

The Audit Committee must pre-approve all audit and non-audit services provided by the Company's independent auditors, as provided in its Charter adopted on April 9, 2003. The chair of the Audit Committee has the authority to grant pre-approvals of audit and non-audit services between meetings, provided that any such pre-approvals must be presented to and approved by the full Audit Committee at its next scheduled meeting.

13% of the fees charged by the independent auditors for tax related services were approved after the service commenced, in reliance on paragraph (c)(7)(i)(C) of Rule 2-01 under Regulation S-X.

Audit Committee Report

The Audit Committee of the Board of Directors of CIB Marine:

(1) Reviewed and discussed the audited financial statements with management;

(2) Discussed with its independent auditors, KPMG LLP, the matters required to be discussed by Statement on Auditing Standards No. 61;

(3) Received the written disclosures and the letter from KPMG LLP required by Independence Standards Board Standard No. 1; and

(4) Discussed with KPMG LLP the auditors' independence.

Based on these reviews and discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in CIB Marine's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.

The Audit Committee has considered whether the provision of non-audit services is compatible with the independent auditors' independence and satisfied itself as to the auditors' independence.

Respectfully Submitted,

The Audit Committee

Gary L. Longman (Committee Chairman)
Steven C. Hillard
Donald M. Trilling
Howard E. Zimmerman

PART IV

ITEM 15. ***EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K***

(a)(1) *Financial Statements*

The following financial statements of CIB Marine are filed as a part of this document under Item 8, Financial Statements and Supplementary Data.

- Report of Independent Registered Public Accounting Firm.
- Consolidated Balance Sheets as of December 31, 2003, 2002 and 2001.

- Consolidated Statements of Operations for the Years Ended December 31, 2003, 2002, and 2001.
- Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2003, 2002, and 2001.
- Consolidated Statements of Cash Flows for the Years Ended December 31, 2003, 2002, and 2001.
- Notes to Consolidated Financial Statements.

(a) (2) *Financial Statement Schedules*

All schedules have been omitted as the required information is either inapplicable or included in the Notes to Consolidated Financial Statements contained in Item 8.

(a) (3) *Exhibits*

Exhibit No.	Exhibit
3.1	Amended and Restated Articles of Incorporation of CIB Marine Bancshares, Inc.
3.2	Bylaws of CIB Marine Bancshares, Inc.
*10.1	CIB Marine Bancshares, Inc. 1999 Stock Option and Incentive Plan, as amended (incorporated by reference to Exhibit 10.1 to CIB Marine's Form 10-K filed with the Securities and Exchange Commission on March 31, 2003).
*10.2	First Amendment to the CIB Marine Bancshares, Inc. 1999 Stock Option and Incentive Plan.
*10.3	CIB Marine Bancshares, Inc. 1999 Stock Option and Incentive Plan Key Employee Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 99.1 of CIB Marine's Form 8-K filed with the Securities and Exchange Commission on September 23, 2005).
*10.4	CIB Marine Bancshares, Inc. 1999 Stock Option and Incentive Plan Key Employee Non-Qualified Stock Option Agreement (accelerated vesting upon sale of subsidiary bank) (incorporated by reference to Exhibit 99.2 of CIB Marine's Form 8-K filed with the Securities and Exchange Commission on September 23, 2005).
*10.5	Form of Deferred Compensation Agreement of CIB Marine (incorporated by reference to Exhibit 10.3 to CIB Marine's Form 10-K filed on April 30, 1998).
*10.6	Employment Agreement between Stanley J. Calderon and CIB Marine Bancshares, Inc. (incorporated by reference to Exhibit 99 to CIB Marine's Form 8-K filed November 22, 2004).
*10.7	Employment Agreements between Michael J. Miller and CIB Marine Bancshares, Inc. (incorporated by reference to Exhibit 99.1 to CIB Marine's Form 8-K filed December 27, 2004).
*10.8	Employment Agreements between Margaret A. Incandela and CIB Marine Bancshares, Inc. (incorporated by reference to Exhibit 99.2 to CIB Marine's Form 8-K filed December 27, 2004).
14.1	Code of Ethics (incorporated by reference to Exhibit 99 to the Company's Form 8-K filed November 2, 2004).
21	Subsidiaries of CIB Marine
23.1	Consent of KPMG LLP
31.1	Certification of Stanley J. Calderon, Chief Executive Officer, under Rule 13a-14(d)/15d-14(d).
31.2	Certification of Steven T. Klitzing, Chief Financial Officer, under Rule 13a-14(d)/15d-14(d).
32.1	Certification of Stanley J. Calderon, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
32.2	Certification of Steven T. Klitzing, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, CIB Marine is not filing certain documents. CIB Marine agrees to furnish a copy of each such document upon the request of the Commission.

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* Executive compensation plans

(b) For the quarter ended December 31, 2003, CIB Marine filed one Form 8-K on November 18, 2003. The Form 8-K reported information under Item 12 and did not include financial information.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CIB MARINE BANCSHARES, INC.
(registrant)

By: /s/ STANLEY J. CALDERON
Stanley J Calderon
President and Chief Executive Officer

Date: October 28, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ STANLEY J. CALDERON Stanley J Calderon	President and Chief Executive Officer (Principal Executive Officer) and Director	
/s/ STEVEN T. KLITZING Steven T. Klitzing	Chief Financial Officer (Principal Financial and Accounting Officer)	
/s/ JOSE ARAUJO Jose Araujo	Director	
/s/ NORMAN E. BAKER Norman E. Baker	Director	
/s/ W. SCOTT BLAKE W. Scott Blake	Chairman of the Board of Directors and Director	
/s/ STEVEN C. HILLARD Steven C. Hillard	Director	
/s/ GARY L. LONGMAN Gary L. Longman	Director	
/s/ JERRY D. MAAHS Jerry D. Maahs	Director	
/s/ DONALD M. TRILLING Donald M. Trilling	Director	
/s/ HOWARD E. ZIMMERMAN Howard E. Zimmerman	Director	

AMENDED AND RESTATED ARTICLES OF INCORPORATION

OF

CIB MARINE BANCSHARES, INC.

Pursuant to Section 180.1007 of the Wisconsin Business Corporation Law, these Amended and Restated Articles of Incorporation shall supersede and take the place of the Corporation's heretofore existing Articles of Incorporation and all amendments thereto.

ARTICLE 1
NAME

The name of the Corporation is CIB Marine Bancshares, Inc.

ARTICLE 2
REGISTERED OFFICE AND AGENT

The address of the registered office of the Corporation in the State of Wisconsin is N27 W24025 Paul Court, Pewaukee, Wisconsin 53072. The name of its registered agent at such address is Donald J. Straka.

ARTICLE 3
PURPOSE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Wisconsin Business Corporation Law.

ARTICLE 4
CLASSES OF STOCK

The total number of shares of all classes of capital stock which the Corporation has the authority to issue is fifty-five million (55,000,000) shares, which are divided into two classes as follows:

(a) five million (5,000,000) shares of capital stock designated as "Preferred Stock," with a par value of $1.00 per share; and

(b) fifty million (50,000,000) shares of capital stock designated as "Common Stock," with a par value of $1.00 per share (the "Common Stock").

ARTICLE 5
RIGHTS AND PREFERENCES OF CLASSES OF STOCK

The designations, preferences, voting powers and relative, participating, optional or other special rights and qualifications, limitations or restrictions of each of the classes of stock of the Corporation are as follows:

5.1 PREFERRED STOCK. Pursuant to Section 180.0602(1) of the Wisconsin Business Corporation Law, the Board of Directors is authorized, at any time and from time to time, to provide for the issuance of shares of Preferred Stock in one or more series with such designations, preferences, voting powers and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof as are stated and expressed in the resolution or resolutions providing for the issuance of such Preferred Stock adopted by the Board of Directors, and as are not stated and expressed in these Articles of Incorporation or any amendment thereto, including, but not limited to, determination of any of the following:

(a) the distinctive serial designation and the number of shares constituting a series;

(b) the dividend rate or rates, whether dividends are cumulative (and if so on what terms and conditions), the payment date or dates for dividends, and the participating or other special rights, if any, with respect to dividends;

(c) the voting rights, full or limited, if any, of the shares of the series, which may include the right to elect a specified number of directors if dividends on the series are not paid for in a specified period of time;

(d) whether the shares of the series are redeemable and, if so, the price or prices at which, and the terms and conditions on which, the shares may be redeemed, which prices, terms and conditions may vary under different conditions and at different redemption dates;

(e) the amount or amounts, if any, payable upon the shares of the series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation prior to any payment or distribution of the assets of the Corporation to any class or classes of stock of the Corporation ranking junior to the series;

(f) whether the shares of the series are entitled to the benefit of a sinking or retirement fund to be applied to the purchase or redemption of shares of the series and the amount of the fund and the manner of its application, including the price or prices at which the shares of the series may be redeemed or purchased through the application of the fund;

(g) whether the shares are convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same or any other class or classes of stock of the Corporation and the conversion price or prices, or the rates of exchange, and the adjustments thereof, if any, at which the conversion or exchange may be made, and any other terms and conditions of the conversion or exchange; and

(h) any other preferences, privileges and powers, and relative, participating, optional or other special rights, and qualifications, limitations or restrictions of a series, as the Board of Directors may deem advisable and as are not inconsistent with the provisions of these Articles of Incorporation.

5.2 COMMON STOCK.

(a) Dividends. Subject to the preferential rights of the Preferred Stock, the holders of the Common Stock are entitled to receive, to the extent permitted by law, such dividends as may be declared from time to time by the Board of Directors.

(b) Liquidation. In the event of the voluntary or involuntary liquidation, dissolution, distribution of assets or winding up of the Corporation, after distribution in full of the preferential amounts, if any, to be distributed to the holders of shares of Preferred Stock, holders of Common Stock shall be entitled to receive all of the remaining assets of the Corporation of whatever kind available for distribution to shareholders, ratably in proportion to the number of shares of Common Stock held by them respectively. The Board of Directors may distribute in kind to the holders of Common Stock such remaining assets of the Corporation or may sell, transfer or otherwise dispose of all or any part of such remaining assets to any other corporation, trust or other entity and receive payment therefor in cash, stock or obligations of such other corporation, trust, or other entity, or any combination hereof, and may sell all or any part of the consideration so received and distribute any balance thereof in kind to holders of Common Stock. Neither the merger or consolidation of the Corporation into or with any other corporation or corporations, nor the purchase or redemption of shares of stock of any class of the corporation, nor the sale or transfer by the corporation of all or any part of its assets, nor the reorganization or recapitalization of the corporation, shall be deemed to be a dissolution, liquidation or winding up of the corporation for the purposes of this paragraph.

(c) Voting Rights. Except as may be otherwise required by law or these Articles of Incorporation, each holder of Common Stock has one vote in respect of each share of stock held by the holder of record on the books of the Corporation on all matters voted upon by the shareholders.

5.3 CHANGES IN AUTHORIZED CAPITAL STOCK. The number of authorized shares of any class or series of stock may be increased or decreased without the approval of such class or series as a separate voting group, except to the extent that the Board of Directors shall specify, in the resolution or resolutions providing for the issuance of a series of stock, that the approval of the holders of such series shall be required to increase or decrease the number of authorized shares of such series.

ARTICLE 6
NO PREEMPTIVE RIGHTS

No shareholder shall have any preemptive right to subscribe to an additional issue of stock, whether now or hereafter authorized, of any class or series or to any securities of the Corporation convertible into such stock.

ARTICLE 7
DIRECTORS

7.1 NUMBER, ELECTION AND TERMS OF DIRECTORS.

(a) The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors. Subject to the rights of the holders of any class or series of Preferred Stock to elect additional directors under specified circumstances, the number of directors constituting the Board or Directors shall be initially fixed at ten and shall thereafter be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by the affirmative vote of a majority of the number of directors that the Corporation would have at the time if there were no vacancies existing in the Board of Directors (the "Whole Board").

(b) The Board of Directors, other than the directors who may be elected by the holders of any class or series of Preferred Stock under specified circumstances, shall be divided into three classes, as nearly equal in number as possible. The initial term of office of Class I directors shall expire at the annual meeting of shareholders to be held in 2000; the initial term of office of Class II directors shall expire at the annual meeting of shareholders to be held in 2001; and the initial term of office of Class III directors shall expire at the annual meeting of shareholders to be held in 2003, and in each case until their respective successors are elected and qualified. At each annual meeting of shareholders, directors shall be chosen to succeed those whose terms then expire and shall be elected for a term of office expiring at the third succeeding annual meeting of shareholders after their election, and in each case until their respective successors are elected and qualified.

7.2 INITIAL BOARD OF DIRECTORS. The initial Board of Directors shall consist of the following persons, each of whom shall serve as a member of the class of directors set forth below:

CLASS I (TERMS EXPIRE AT THE 2000 ANNUAL MEETING)

John T. Bean
1631 S. Highland
Arlington Heights, Illinois 60007

Steven C. Hillard
c/o Hilmun Holdings
P.O. Box 3966
Champaign, Illinois 61826

J. Michael Straka
N27 W24025 Paul Court
Pewaukee, Wisconsin 53072

CLASS II (TERMS EXPIRE AT THE 2001 ANNUAL MEETING)

Norman Baker
14493 S. Padre Island Drive
Suite A, Box 321
Corpus Christi, Texas 78418

W. Scott Blake
731 N. Jackson Street, Suite 400
Milwaukee, Wisconsin 53202

Dean Katsaros
2301 Village Green Place, Suite B
Champaign, Illinois 61821

Donald M. Trilling
c/o Illini Tile
1300 Touhy Avenue
Elk Grove Village, Illinois 60007-5304

CLASS III (TERMS EXPIRE AT THE 2002 ANNUAL MEETING)

Jose Araujo
Calle C RES DE MORO Valle Arriba
Caracas, Venezuela

Jerry D. Maahs
19385 Buckingham Place
Brookfield, Wisconsin 53045

Howard E. Zimmerman
111 W. Washington Street, Suite 902
Chicago, Illinois 60602

7.3 NEWLY CREATED DIRECTORSHIPS AND VACANCIES. Subject to the rights of any class or series of Preferred Stock then outstanding and unless the Board of Directors otherwise determines, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall be filled by a majority vote of the directors then in office, although less than a quorum, or by a sole remaining director.

Directors chosen to fill vacancies pursuant to this Section 5.2 shall hold office for a term expiring at the annual meeting of shareholders at which the term of the class to which they have been elected expires. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director. Newly created directorships shall be allocated among the classes of directors so that each class of directors shall consist, as nearly as possible, of one-third of the total number of directors.

7.4 REMOVAL. Subject to the rights of the holders of any class or series of Preferred Stock then outstanding, any director, or the entire Board of Directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least eighty percent (80%) of the outstanding shares of all classes of stock of the Corporation generally entitled to vote in the election of directors, considered for purposes of this Section 5.4 as one class.

ARTICLE 8
BY-LAWS

No provision of the by-laws of the Corporation may be amended, altered or repealed and no provision inconsistent with the by-laws of the Corporation may be adopted, except by (a) the affirmative vote of a majority of the members of the Whole Board, or (b) the affirmative vote of the holders of at least eighty percent (80%) of the outstanding shares of all classes of stock of the Corporation generally entitled to vote in the election of directors, considered for purposes of this Article 6 as one class.

ARTICLE 9
FAIR PRICE PROVISION

9.1 DEFINITIONS. For purposes of this Article 9, the following terms shall have the following meanings:

(a) "Business Combination" shall mean:

(i) any merger, consolidation or share exchange of the Corporation or any Subsidiary with or into (A) an Interested Shareholder or (b) any other person (whether or not itself an Interested Shareholder) which is, or after such merger, consolidation, or share exchange would be, an Affiliate or Associate of an Interested Shareholder; or

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with, or proposed by or on behalf of, an Interested Shareholder or an Affiliate or Associate of an Interested Shareholder of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value equal to or greater than one percent (1%) of the total assets of the Corporation as reported in the consolidated balance sheet of the Corporation as of the end of the most recent quarter with respect to which such balance sheet has been prepared; or

(iii) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary to, or proposed by or on behalf of, an Interested Shareholder or an Affiliate or Associate of an Interested Shareholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value equal to or greater than one percent (1%) of the total assets of the Corporation as reported in the consolidated balance sheet of the Corporation as of the end of the most recent quarter with respect to which such balance sheet has been prepared; or

(iv) any reclassification of securities (including any reverse stock split), recapitalization or reorganization of the Corporation or any Subsidiary, or any merger, consolidation or share exchange of the Corporation with any Subsidiary or any other transaction (whether or not with or into or otherwise involving an Interested Shareholder) which has the effect, directly or indirectly, of increasing the percentage of the outstanding shares of (A) any class of equity securities of the Corporation or any Subsidiary or (b) any class of securities of the Corporation or any Subsidiary convertible into equity securities of the Corporation or any Subsidiary, represented by securities of such class which are directly or indirectly owned by an Interested Shareholder and all of its Affiliates and Associates;

(v) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation or any Subsidiary or any spin-off or split-up of any kind of the Corporation or any Subsidiary proposed by or on behalf of the Interested Shareholder or any Affiliate or Associate of an Interested Shareholder; or

(vi) any agreement, contract, or other arrangement providing for any one or more of the actions specified in clauses (i) through (v) of this Section 9.1(a).

(b) "Affiliate" and "Associate" shall have the respective meanings given such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as in effect on the initial date of filing of these Articles of Incorporation.

(c) "Beneficial Owner" shall have the meaning given such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act, as in effect on the initial date of filing of these Articles of Incorporation, and a person shall "Beneficially Own" and have "Beneficial Ownership" of any securities of which such person is the Beneficial Owner.

(d) "Continuing Director" shall mean (i) any member of the Board of Directors of the Corporation who (A) is neither the Interested Shareholder involved in the Business Combination as to which a vote of Continuing Directors is provided for hereunder, nor an Affiliate, Associate, employee, agent or nominee of such Interested Shareholder, or the relative of any of the foregoing, and (B) was a member of the Board of Directors prior to the time that such Interested Shareholder became an Interested Shareholder; and (ii) any successor of a Continuing Director described in clause (i) who is recommended or elected to succeed a Continuing Director by the affirmative vote of a majority of Continuing Directors then on the Board of Directors of the Corporation.

(e) "Fair Market Value" shall mean (i) in the case of stock, the highest closing sales price during the 30-day period immediately preceding the date in question of a share of such stock on the principal national securities exchange on which such stock is listed or admitted to trading or on the Nasdaq Stock Market’s National Market, or, if such stock is not listed or admitted to trading on any such exchange or the Nasdaq Stock Market’s National Market, the highest last quoted price or, if not so quoted, the highest average high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System ("Nasdaq") or such system then in use during the 30-day period preceding the date in question, or, if no such quotation is available, the fair market value on the date in question of a share of such stock as determined by a majority of the Continuing Directors in good faith; and (ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the Continuing Directors in good faith.

(f) "Interested Shareholder" shall mean any person (other than the Corporation or a Subsidiary, any employee benefit plan maintained by the Corporation or any Subsidiary, or any trustee or fiduciary with respect to any such plan when acting in such capacity) who or which:

(i) is the Beneficial Owner of ten percent (10%) or more of the Voting Shares:

(ii) is an Affiliate or an Associate of the Corporation and at any time within the two -year period immediately prior to the date in question, was the Beneficial Owner of 10% or more of the voting power of the then- outstanding Voting Shares; or

(iii) is an assignee of, or has otherwise succeeded to, any shares of Voting Stock of the Corporation of which an Interested Shareholder was the Beneficial Owner at any time within the two-year period immediately prior to the date in question, if such assignment or succession shall have occurred in the course of a transaction, or series of transactions, not involving a public offering within the meaning of the Securities Act of 1933, as amended.

For the purpose of determining whether a person is an Interested Shareholder, the outstanding Voting Shares shall include unissued Voting Shares of which the Interested Shareholder is the Beneficial Owner but shall not include any other Voting Shares which may be issuable pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, warrants or options, or otherwise, to any person who is not an Interested Shareholder.

(g) A "person" shall include any individual, firm, corporation, partnership, trust or other entity, organization or association, as well as any syndicate or group deemed to be a person under Section 14(d)(2) of the Exchange Act.

(h) "Subsidiary" shall mean any corporation, limited partnership, general partnership or other firm or entity of which a majority of any class of equity security or other equity interests owned, directly or indirectly, by the Corporation; provided, however, that for purposes of the definition of Interested Shareholder set forth in paragraph (f) of this Section 9.1, the term "Subsidiary" shall mean only a corporation, limited partnership, general partnership or other firm or entity of which a majority of each class of equity security or other equity interest is owned, directly or indirectly, by the Corporation.

(i) "Voting Shares" shall mean the outstanding shares of all classes of stock of the Corporation generally entitled to vote in the election of directors, considered for purposes of this Article 9 as one class.

9.2 VOTE REQUIRED FOR CERTAIN BUSINESS TRANSACTIONS. In addition to any affirmative vote required by law or by these Articles of Incorporation, and except as otherwise expressly provided in Section 9.3 of this Article, any Business Combination shall require the affirmative vote of the holders of record of outstanding shares representing at least (a) eighty percent (80%) of the voting power of the then outstanding shares of the Voting Stock of the Corporation, voting together as a single class, and (b) sixty-six and two thirds percent (66-2/3%) of the voting power of the Voting Stock owned by Persons other than any Interested Shareholder and its Associates and Affiliates, notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

9.3 WHEN HIGHER VOTE IS NOT REQUIRED. The provisions of Section 9.2 of this Article shall not apply to a particular Business Combination, and such Business Combination shall require only such affirmative vote, if any, of the shareholders as is required by law and any other provision of these Articles of Incorporation, if all of the conditions specified in either of the following paragraphs (a) and (b) are met.

(a) Approval by Continuing Directors. The Business Combination has been approved by the affirmative vote of a majority of the Continuing Directors, even if the Continuing Directors do not constitute a quorum of the entire Board of Directors.

(b) Form of Consideration, Price and Procedure Requirements. All of the following conditions shall have been met:

(i) With respect to each share of each class of Voting Stock of the Corporation (including Common Stock), the holder thereof shall be entitled to receive on or before the date of the consummation of the Business Combination (the "Consummation Date") consideration, in the form specified in (b)(ii) hereof, with an aggregate Fair Market Value as of the Consummation Date at least equal to the highest of the following:

(A) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Shareholder to which the Business Combination relates, or by any Affiliate or Associate of such Interested Shareholder, for any shares of such class of Voting Stock acquired by it (1) within the two-year period immediately prior to the first public announcement of the proposal of the Business Combination (the "Announcement Date"), (2) within the two-year period prior to the Consummation Date or (3) within the two-year period prior to, or in the transaction in which it became, an Interested Shareholder, whichever is highest; plus, in any such case, interest compounded annually from the earliest date on which that highest per share acquisition price was paid through the Consummation Date at the rate for one-year United States Treasury obligations from time to time in effect, less the aggregate amount of any cash dividends paid and the Fair Market Value of any dividends paid other than in cash per share of such class of Voting Stock since that earliest date, up to the amount of that interest;

(B) the Fair Market Value per share of such class of Voting Stock of the Corporation on the Announcement Date or on the date on which the Interested Shareholder became an Interested Shareholder, whichever is higher; plus interest compounded annually from that date through the Commencement Date at the rate for one-year United States Treasury obligations from time to time in effect; less the aggregate amount of any cash dividends paid, and the Fair Market Value of any dividends paid other than in cash, per share of such class of Voting Stock since that date, up to the amount of that interest; and

(C) the highest preferential amount per share, if any, to which the holders of shares of such class of Voting Stock of the Corporation are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation; plus the aggregate amount of any dividends declared or due as to which those holders are entitled prior to payment of dividends on some other class or series of stock (unless the aggregate amount of those dividends is included in that preferential amount).

(ii) The consideration to be received by holders of a particular class of outstanding Voting Stock of the Corporation (including Common Stock) as described in Section 9.3(b)(i) hereof shall be in cash or, if the consideration previously paid by or on behalf of the Interested Shareholder in connection with its acquisition of beneficial ownership of shares of such class of Voting Stock consisted in whole or in part of consideration other than cash, then in the same form as such consideration. If such payment for shares of any class of Voting Stock of the Corporation has been made in varying forms of consideration, then the form of consideration for such class of Voting Stock shall be either cash or the form used to acquire the beneficial ownership of the largest number of shares of such class of Voting Stock previously acquired by the Interested Shareholder.

(iii) After such Interested Shareholder has become an Interested Shareholder and prior to the Consummation Date:

(A) except as approved by the affirmative vote of a majority of the Continuing Directors, there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) on the outstanding Preferred Stock of the Corporation, if any;

(B) there shall have been (1) no reduction in the annual rate of dividends paid on the Common Stock of the Corporation (except as necessary to reflect any subdivision of the Common Stock), except as approved by the affirmative vote of a majority of the Continuing Directors, and (2) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of Common Stock, unless the failure so to increase such annual rate is approved by the affirmative vote of a majority of the Continuing Directors; and (3) such Interested Shareholder shall not have become the Beneficial Owner of any additional shares of Voting Stock of the Corporation except (x) as part of the transaction which results in such Interested Shareholder becoming an Interested Shareholder, (y) by virtue of proportionate stock splits, stock dividends or other distributions of stock in respect of stock not constituting a Business Combination, or (z) through a Business Combination meeting all of the considerations of this Section 9.3.

(iv) After such Interested Shareholder has become an Interested Shareholder, neither such Interested Shareholder nor any Affiliate or Associate thereof shall have received the benefit, directly or indirectly (except proportionately as a shareholder of the Corporation), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation.

(v) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Exchange Act and the General Rules and Regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to the shareholders of the Corporation at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions thereof). Such proxy or information statement shall contain, (A) any recommendations as to the advisability (or inadvisability) of the Business Transaction that a majority of the Continuing Directors may choose to state, and (B) if a majority of the total number of Continuing Directors so requests, an opinion of a reputable investment banking firm (which firm shall be selected by a majority of the total number of Continuing Directors, furnished with all information it reasonably requests, and paid a reasonable fee for its services by the Corporation upon the Corporation's receipt of such opinion) as to the fairness (or lack of fairness) of the terms of the proposed Business Combination from the point of view of the holders of shares of Voting Stock (other than the Interested Shareholder).

9.4 POWERS OF CONTINUING DIRECTORS. A majority of the Continuing Directors shall have the power and duty to determine, on the basis of information known to them after reasonable inquiry, all facts necessary to determine compliance with this Article, including, without limitation, (A) whether a Person is an Interested Shareholder, (B) the number of shares of Voting Stock of the Corporation beneficially owned by any Person, (C) whether a Person is an Affiliate or Associate of another, (D) whether the requirements of paragraph (b) of Section 9.3 have been met with respect to any Business Combination, and (E) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value equal to or greater than one percent (1%) of the total assets of the Corporation as reported in the consolidated balance sheet of the Corporation as of the end of the most recent quarter with respect to which such balance sheet has been prepared; and the good faith determination of a majority of the Continuing Directors on such matters shall be conclusive and binding for all the purposes of this Article 9.

9.5 NO EFFECT ON FIDUCIARY OBLIGATIONS.

(a) Nothing contained in this Article shall be construed to relieve an Interested Shareholder or any Associate or Affiliate of an Interested Shareholder from any fiduciary obligation imposed by law.

(b) The fact that any Business Combination complies with the provisions of Section 9.3(b) of this Article shall not be construed to impose any fiduciary duty, obligation or responsibility on the Board of Directors, or any member thereof, to approve such Business Combination or recommend its adoption or approval to the shareholders of the Corporation, nor shall such compliance limit, prohibit or otherwise restrict in any manner the Board of Directors, or any member thereof, with respect to evaluations of or actions and responses taken with respect to such Business Combination.

ARTICLE 10
SHAREHOLDER ACTION BY WRITTEN CONSENT

Action required or permitted by the Wisconsin Business Corporation Law to be taken at a shareholders' meeting may be taken without a meeting without action by the board of directors only by all shareholders entitled to vote on the action.

ARTICLE 11
ELECTION TO BE SUBJECT TO CERTAIN PROVISIONS OF THE WISCONSIN BUSINESS CORPORATION LAW

The Corporation elects to be subject to Sections 180.1130 to 180.1134 and Section 180.1150 of the Wisconsin Business Corporation Law as if it were an issuing public corporation within the meaning of Section 180.1130(8) of the Wisconsin Business Corporation Law.

ARTICLE 12
AMENDMENTS TO THE ARTICLES

The Corporation reserves the right to amend, alter or repeal any provision contained in these Articles of Incorporation, in the manner now or hereafter prescribed by law, and all rights conferred upon shareholders and directors herein are granted subject to this reservation. Notwithstanding that a lesser or different percentage may be specified by the Wisconsin Business Corporation Law and in addition to any affirmative vote of any particular class or series of the capital stock that may be required by the Wisconsin Business Corporation Law and these Articles of Incorporation,

(a) the affirmative vote of the holders of at least eighty percent (80%) of the outstanding shares of all classes of stock of the Corporation generally entitled to vote in the election of directors, considered for purposes of this Article 12 as one class, shall be required to amend, alter or repeal in any respect, or adopt any provision inconsistent with,

(i) Section 5.1 of Article 5,

(ii) Sections 7.1, 7.3 and 7.4 of Article 7,

(iii) Article 8,

(iv) Article 10,

(v) Article 11, and

(vi) this Article 12(a);

provided, however, that if such amendment, alteration, repeal or adoption of an inconsistent provision is declared advisable by the Board of Directors by the affirmative vote of at least seventy-five percent (75%) of the Whole Board, such amendment, alteration, repeal or adoption of an inconsistent provision need only be approved by the vote then required under the Wisconsin Business Corporation Law; and

(b) the affirmative vote of the holders of at least eighty percent (80%) of the outstanding shares of all classes of stock of the Corporation generally entitled to vote in the election of directors, considered for purposes of this Article 12 as one class, shall be required to amend, alter or repeal in any respect, or adopt any provision inconsistent with Article 9 or this Article 12(b); provided, however, that if such amendment, alteration, repeal or adoption of an inconsistent provision is declared advisable by the Board of Directors by the affirmative vote of at least seventy-five percent (75%) of the Whole Board and a majority of the Continuing Directors, such amendment, alteration, repeal or adoption of an inconsistent provision need only be approved by the vote then required under the Wisconsin Business Corporation Law.

EXECUTED ON JUNE 28, 1999.

/s/ Donald J. Straka

Donald J. Straka, Senior Vice President,
General Counsel and Secretary

This document was drafted by Attorney Donald J. Straka, Wisconsin Bar No. 1011798, General Counsel of CIB Marine Bancshares, Inc., N27 W24025 Paul Court, Pewaukee, Wisconsin 53072 and Attorney Shirley M. Lukitsch, SCHIFF, HARDIN & WAITE, 6600 Sears Tower, 233 S. Wacker Drive, Chicago, Illinois 60606-6473.

RESTATED

BY-LAWS

OF

CIB MARINE BANCSHARES, INC.
A WISCONSIN CORPORATION
(ADOPTED JUNE 28, 1999)

ARTICLE I

OFFICES AND RECORDS

SECTION 1.1 PRINCIPAL AND BUSINESS OFFICES. The Corporation may have such principal and other business offices, either within or without the State of Wisconsin, as the Board of Directors may designate or as the business of the Corporation may require from time to time.

SECTION 1.2 REGISTERED OFFICE. The registered office of the Corporation required by the Wisconsin Business Corporation Law to be maintained in the State of Wisconsin may be, but need not be, identical with its principal office in the State of Wisconsin, and the address of the registered office may be changed from time to time by the Board of Directors or by the registered agent. The business office of the registered agent of the corporation shall be identical to such registered office.

ARTICLE II

SHAREHOLDERS

SECTION 2.1 ANNUAL MEETING. An annual meeting of the shareholders shall be held at such time and date as may be fixed each year by resolution of the Board of Directors for the purpose of electing directors and for the transaction of such other business as may come before the meeting.

SECTION 2.2 SPECIAL MEETINGS.

(a) Special meetings of the shareholders, for any purpose or purposes, unless otherwise prescribed by the Wisconsin Business Corporation Law, may be called only by the Chairman of the Board of Directors, the President, or the Board of Directors, and shall be called by the Chairman of the Board of Directors or President upon the demand, in accordance with this Section 2.2(a), of the holders of record of shares representing at least ten percent (10%) of all of the votes entitled to be cast on any issue proposed to be considered at the special meeting.

(b) In order that the Corporation may determine the shareholders entitled to demand a special meeting, the Board may fix a record date to determine the shareholders entitled to make such a demand (the "Demand Record Date"). The Demand Record Date shall not precede the date upon which the resolution fixing the Demand Record Date is adopted by the Board and shall be not more than 10 days after the date upon which the resolution fixing the Demand Record Date is adopted by the Board. Any shareholder of record seeking to have shareholders demand a special meeting shall send a written demand to the Secretary of the Corporation, in the form provided for in Section 2.2(d), by hand or by certified mail, return receipt requested, which includes a request that the Board fix a Demand Record Date. The Board shall promptly, but in all events within 10 days after the date on which a valid request to fix a Demand Record Date is received, adopt a resolution fixing the Demand Record Date and shall make a public announcement of such Demand Record Date. If no Demand Record Date has been fixed by the Board within 10 days after the date on which a valid request to fix a Demand Record Date is received by the Secretary, then the Demand Record Date shall be the 10th day after the first day on which a valid request to fix a Demand Record Date is first received by the Secretary.

(c) In order for a shareholder or shareholders to demand a Special Meeting, a written demand or demands for a Special Meeting by the holders of record as of the Demand Record Date of shares representing at least 10% of all the votes entitled to be cast on any issue proposed to be considered at the special meeting must be received by the Secretary by hand or by certified or registered mail, return receipt requested, within 70 days of the Demand Record Date.

(d) To be valid, any demand which includes a request to fix a Demand Record Date shall set forth the specific purpose or purposes for which the special meeting is to be held, shall be signed by one or more persons who, as of the date of the demand, are shareholders of record (or their duly authorized proxies or other representatives), shall bear the date of signature of each such shareholder (or proxy or other representative), and shall set forth the name and address, as they appear in the Corporation's books, of each shareholder signing such demand and the class or series and number of shares of the Corporation that are owned of record and beneficially by each such shareholder. Each demand submitted by any other shareholder in connection with the same meeting shall include the same information and shall be signed by one or more persons who, as of the Demand Record Date, are shareholders of record (or their duly authorized proxies or other representatives).

(e) The Corporation shall not be required to call a special meeting upon shareholder demand unless, in addition to the documents required by Section 2.2(b), (c) and (d), the Secretary receives a written agreement signed by each Soliciting Shareholder (as defined herein), pursuant to which each Soliciting Shareholder, jointly and severally, agrees to pay the Corporation's costs of holding the special meeting, including the costs of preparing and mailing proxy materials for the Corporation's own solicitation; provided that if each of the resolutions introduced by any Soliciting Shareholder at such meeting is adopted, and each of the individuals nominated by or on behalf of any Soliciting Shareholder for election as director at such meeting is elected, then the Soliciting Shareholders shall not be required to pay such costs. For purposes of this Section 2.2(e), the following terms shall have the meanings set forth below:

(i) "Affiliate" of any Person shall mean any Person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such first Person.

(ii) "Participant" shall have the meaning assigned to such term in Item 4 of Schedule 14A (Rule 14a-101) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

(iii) "Person" shall mean any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, as well as any syndicate or group deemed to be a person under Section 14(d)(2) of the Exchange Act.

(iv) "Proxy" shall have the meaning assigned to such term in Rule 14a-1 promulgated under the Exchange Act.

(v) "Solicitation" shall have the meaning assigned to such term in Rule 14a-1 promulgated under the Exchange Act.

(vi) "Soliciting Shareholder" shall mean, with respect to any special meeting demanded by a shareholder or shareholders, any of the following persons:

(A) if the number of shareholders signing the demand or demands for a meeting delivered to the corporation pursuant to Section 2.2(c) is ten or fewer, then each shareholder signing any such demand;

(B) if the number of shareholders signing the demand or demands for a meeting delivered to the corporation pursuant to Section 2.2(c) is more than ten, then each Person who either (I) was a Participant in any Solicitation of such demand or demands or (II) at the time of the delivery to the corporation of such demand or demands, had engaged or intended to engage in any Solicitation of Proxies for use at such special meeting (other than a Solicitation of Proxies on behalf of the Corporation); or

(C) any Affiliate of a Soliciting Shareholder, if a majority of the directors then in office determine, reasonably and in good faith, that such Affiliate should be required to sign the written demand described in Section 2.2(d) and/or the written agreement described in this subsection (e) in order to prevent the purposes of this Section 2.2 from being evaded.

(f) Except as provided in the following sentence, any special meeting shall be held at such hour and day as may be designated by whichever of the Chairman of the Board, the President or the Board shall have called such meeting. In the case of any special meeting called by the Chairman of the Board or the President upon the demand of shareholders (a "Demand Special Meeting"), such meeting shall be held at such hour and day as may be designated by the Board; provided, however, that the date of any Demand Special Meeting shall be not more than 70 days after the record date fixed for the special meeting pursuant to Section 2.5(a); and provided further that in the event that the directors then in office fail to designate an hour and date for a Demand Special Meeting within 10 days after the date that valid written demands for such meeting by the holders of record as of the Demand Record Date of shares representing at least 10% of all the votes entitled to be cast on any issue proposed to be considered at the special meeting are delivered to the corporation (the "Delivery Date"), then such meeting shall be held on the 100th day after the Delivery Date, or if such 100th day is not a Business Day (as defined below), on the first preceding Business Day. In fixing a meeting date for any special meeting, the Chairman of the Board, the President or the Board may consider such factors as he or it deems relevant within the good faith exercise of his or its business judgment, including, without limitation, the nature of the action proposed to be taken, the facts and circumstances surrounding any demand for such meeting, and any plan of the Board to call an annual meeting or a special meeting for the conduct of related business.

(g) Any special meeting may be adjourned by the chairman of the meeting from time to time and place to place without notice other than announcement at the meeting. At any adjourned special meeting the corporation may transact any business which might have been transacted at the special meeting as originally called. In accordance with the provisions of applicable law, the Board acting by resolution may postpone and reschedule any previously scheduled special meeting; provided, however, that a Demand Special Meeting shall not be postponed beyond the 100th day following the Delivery Date.

(h) For purposes of these by-laws, "Business Day" shall mean any day other than a Saturday, a Sunday, legal holiday for federal or state governmental agencies located in the State of Wisconsin, or a day on which banking institutions in the State of Wisconsin are obligated by law or executive order to close.

SECTION 2.3 PLACE OF SHAREHOLDER MEETINGS. The Board of Directors may designate any place, either within or without the State of Wisconsin, as the place of meeting for any annual or special meeting of shareholders. If no designation is made, the place of the meeting shall be at the principal office of the Corporation in the State of Wisconsin.

SECTION 2.4 NOTICE OF MEETINGS.

(a) Delivery of Notice. Written or printed notice stating the place, day and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days before the date of the meeting (unless a different time is provided by the Wisconsin Business Corporation Law or the Articles of Incorporation), or in the case of a merger, consolidation, share exchange, dissolution, or sale, lease, or exchange of assets, not less than twenty (20) nor more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the Chairman, President, or the Secretary to each shareholder of record entitled to vote at such meeting and to such other persons as required by the Wisconsin Business Corporation Law. In the event of any Demand Special Meeting, such notice shall be sent not more than 30 days after the Delivery Date. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, with postage thereon prepaid, addressed to the shareholder at his address as it appears on the records of the Corporation.

(b) Content of Notice. In the case of any special meeting, (i) the notice of meeting shall describe any business that the Board shall have theretofore determined to bring before the meeting, and (ii) in the case of a Demand Special Meeting, the notice of meeting (A) shall describe any business set forth in the statement of purpose of the demands received by the Corporation in accordance with Section 2.2(d) of these by-laws.

(c) Notice of Adjournments. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken; provided, however, that if a new record date for an adjourned meeting is or must be fixed, the Corporation shall give notice of the adjourned meeting to persons who are shareholders as of the new record date.

2.5 FIXING OF RECORD DATE.

(a) Shareholder Meetings. The Board of Directors may fix in advance a date as the record date for the purpose of determining shareholders entitled to notice of and to vote at any meeting of shareholders, shareholders entitled to demand a special meeting as contemplated by Section 2.2 hereof, shareholders entitled to take any other action, or shareholders for any other purpose. Such record date shall not be more than 70 days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. In the case of any Demand Special Meeting, (i) the record date for the special meeting shall not be later than the 30th day after the Delivery Date and (ii) if the

Board fails to fix a record date for such special meeting within 30 days after the Delivery Date, then the close of business on such 30th day shall be the record date for such special meeting. Except as provided by the Wisconsin Business Corporation Law for a court-ordered adjournment, a determination of shareholders entitled to notice of and to vote at a meeting of shareholders is effective for any adjournment of such meeting unless the Board of Directors fixes a new record date, which it shall do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

(b) Distributions. The record date for determining shareholders entitled to a distribution (other than a distribution involving a purchase, redemption or other acquisition of the corporation’s shares) or a share dividend is the date on which the Board of Directors authorized the distribution or share dividend, as the case may be, unless the Board of Directors fixes a different record date.

(c) Other Corporate Action. Subject to the procedures set forth in Section 2.2(b) relating to the fixing of a Demand Record Date, the Board may also fix a future date as the record date to determine the shareholders entitled to take any other action. Such record date may not be more than 70 days before the action requiring a determination of shareholders.

2.6 SHAREHOLDERS’ LIST FOR MEETINGS. After a record date for a special or annual meeting of shareholders has been fixed, the corporation shall prepare a list of the names of all of the shareholders entitled to notice of the meeting. The list shall be arranged by class or series of shares, if any, and show the address of and number of shares held by each shareholder. Such list shall be available for inspection by any shareholder, beginning two business days after notice of the meeting is given for which the list was prepared and continuing to the date of the meeting, at the Corporation’s principal office or at a place identified in the meeting notice in the city where the meeting will be held. A shareholder or his or her agent may, on written demand, inspect and, subject to the limitations imposed by the Wisconsin Business Corporation Law, copy the list, during regular business hours and at his or her expense, during the period that it is available for inspection pursuant to this Section 2.6. The Corporation shall make the shareholders’ list available at the meeting and any shareholder or his or her agent or attorney may inspect the list at any time during the meeting or any adjournment thereof. Refusal or failure to prepare or make available the shareholders’ list shall not affect the validity of any action taken at a meeting of shareholders.

SECTION 2.7 VOTING OF SHARES. Except as provided under the Wisconsin Business Corporation Law or otherwise provided in the Articles of Incorporation of the Corporation, each outstanding share of Common Stock shall be entitled to one vote upon each matter submitted to vote at a meeting of shareholders.

SECTION 2.8 PROXIES. At all meetings of shareholders, a shareholder may vote his or her shares in person or by proxy. A shareholder may appoint a proxy to vote or otherwise act for the shareholder by signing an appointment form, either personally or by his or her attorney-in-fact. An appointment of a proxy is effective when received by the Secretary or other officer or agent of the Corporation authorized to tabulate votes. An appointment form is valid for 11 months from the date of its signing unless a different period is expressly provided in the appointment form.

SECTION 2.9 CONDUCT OF MEETINGS; ADVANCE NOTICE PROCEDURES.

(a) Conduct of Meetings. The President or, in his absence, the Chairman of the Board or such other officer as may be designated by the Board of Directors, shall be the chairman at shareholders’ meetings. The Secretary of the Corporation or, in his absence, such person as the chairman of the meeting shall appoint, shall be the secretary at shareholders' meetings. The Board may, to the extent not prohibited by law, adopt by resolution such rules and regulations for the conduct of meeting of shareholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations adopted by the Board, the chairman of any meeting of shareholders shall have the right and authority to prescribe such rules, regulations or procedures and to do all acts as, in the judgment of the chairman, are appropriate for the conduct of the meeting.

(b) Conduct of Business at Annual Meetings. At any annual meeting of the shareholders of the corporation, only such business shall be conducted, and only nominations of persons for election to the Board of Directors shall be made, as shall have been properly brought before the meeting in accordance with these by-laws. Any nomination of persons for election to the Board of Directors or proposal of business shall be brought before an annual meeting (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors, or (iii) by any shareholder of the Corporation who was a shareholder of record at the time of giving of notice provided for in this Section 2.9(b), who is entitled to vote with respect thereto and who complies with the notice procedures set forth in this Section 2.9(b). For nominations or other business to be properly brought before an annual meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation and in conformance with the requirements of Section 2.9(d), and such other business must otherwise be a proper matter for shareholder action. To be timely, a shareholder's notice must be delivered to or mailed to and received by the Secretary at the principal executive offices of the Corporation not later than the close of business on the 60th day nor earlier than the close of business on the 90th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the shareholder to be timely must be so delivered not earlier than the close of business on the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such annual meeting is first made by the Corporation. In no event shall the public or other announcement of an adjournment of an annual meeting or the adjournment thereof commence a new time period for the giving of a shareholder's notice as described above.

Notwithstanding the foregoing, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public disclosure by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least 70 days before the first anniversary of the preceding year's annual meeting, a shareholder's notice required by this Section 2.9(b) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to or mailed to and received by the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public disclosure is first made by the Corporation.

(c) Conduct of Business at Special Meetings. At any special meeting of the shareholders, only such business shall be conducted as the Board of Directors shall have determined to bring before the special meeting and, in the case of a Demand Special Meeting, as shall have seen set forth in the statement of purpose of the demands received by the Corporation in accordance with Section 2.2. Nominations of persons for election to the Board of Directors of the Corporation may be made at a special meeting of shareholders at which directors are to be elected pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board of Directors or (ii) provided that the Board of Directors has determined that directors shall be elected at such special meeting, by any shareholder of the Corporation who (A) is a shareholder of record at the time of the giving of notice provided for in this Section 2.9(c),

(B) is entitled to vote for the election of directors at the meeting and (C) complies with the notice procedures set forth in this Section 2.9(c). Any shareholder desiring to nominate persons for election to the Board of Directors at a special meeting must deliver written notice of such shareholder's proposed nomination, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation. Such notice must be received by the Secretary not more than 90 days before such special meeting and not later than the close of business on the later of (i) the 60th day before such special meeting or (ii) the 10th day following the date on which a public announcement is first made of the date of such special meeting and of the nominees proposed by the Board to be elected at such meeting. In no event shall the public or other announcement of an adjournment of a special meeting or the adjournment thereof commence a new time period for the giving of a shareholder's notice as described above.

(d) Content of Notice. Each shareholder's notice to the Secretary of the Corporation shall set forth (i) as to each person whom such shareholder proposes to nominate for election or reelection as a director at an annual or special meeting, all information relating to such person that would be required to be disclosed in solicitations of proxies for election of directors in an election contest, or otherwise required, under Regulation 14A under the Securities Exchange Act of 1934 ("Regulation 14A") and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director, if elected), (ii) as to any other business such shareholder proposes to bring before an annual meeting, a brief description of the business desired to be brought before such annual meeting, the reasons for conducting such business at the annual meeting and any material interest in such business of such shareholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made or such business is to be brought, (i) the name and address of such shareholder, as they appear on the Corporation's books, and the name and address of such beneficial owner and (ii) the class, series (if applicable) and number of shares of the Corporation's capital stock that are owned beneficially and of record by such shareholder and such beneficial owner. The Corporation may require any proposed nominee for director to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

(e) Notwithstanding anything in these by-laws to the contrary, only such persons who are nominated in accordance with the procedures set forth in this Section 2.9 shall be eligible for election as directors and only such business shall be brought before or conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 2.9. The chairman of the annual or special meeting shall, if the facts so warrant, determine and declare to the meeting that a nomination was not made or business was not properly brought before the meeting in accordance with the provisions of this Section 2.9 and, if the chairperson should so determine, he or she shall so declare to the meeting and any such defective nomination shall be disregarded and/or any such business not properly brought before the special meeting shall not be transacted.

(f) For purposes of this Section 2.9, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(g) Notwithstanding the foregoing provisions of this Section 2.9, a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.9. Nothing in this Section 2.9 shall be deemed to affect any rights of (i) shareholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act, or (ii) holders of any class or series of the Corporation's preferred stock to elect directors under specified circumstances.

SECTION 2.10 QUORUM AND VOTING REQUIREMENTS.

(a) Quorum. Shares entitled to vote as a separate voting group may take action on a matter at a meeting only if a quorum of those shares exists with respect to that matter. If the Corporation has only one class of stock outstanding, such class shall constitute a separate voting group for purposes of this Section 2.10. Except as otherwise provided in the Articles of Incorporation, any by-law adopted under authority granted in the Articles of Incorporation, or the Wisconsin Business Corporation Law, a majority of the votes entitled to be cast on the matter shall constitute a quorum of the voting group for action on that matter. Once a share is represented for any purpose at a meeting, other than for the purpose of objecting to holding the meeting or transacting business at the meeting, it is considered present for purposes of determining whether a quorum exists for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for the adjourned meeting.

(b) Voting Requirements. If a quorum exists, except in the case of directors, action on a matter shall be approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless the Articles of Incorporation, any by-law adopted under authority granted in the Articles of Incorporation, or the Wisconsin Business Corporation Law requires a greater number of affirmative votes. Unless otherwise provided in the Articles of Incorporation, each director shall be elected by a plurality of the votes cast by the shares entitled to vote in the election of directors at a meeting at which a quorum is present.

(c) Adjournments. Though less than a quorum of the outstanding votes of a voting group are represented at a meeting, a majority of the votes so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

SECTION 2.11 ACCEPTANCE OF INSTRUMENTS SHOWING SHAREHOLDER ACTION. If the name signed on a vote, consent, waiver or proxy appointment corresponds to the name of a shareholder, the corporation, if acting in good faith, may accept the vote, consent, waiver or proxy appointment and give it effect as the act of a shareholder. If the name signed on a vote, consent, waiver or proxy appointment does not correspond to the name of a shareholder, the corporation, if acting in good faith, may accept the vote, consent, waiver or proxy appointment and give it effect as the act of the shareholder if any of the following apply:

(a) The shareholder is an entity and the name signed purports to be that of an officer or agent of the entity.

(b) The name purports to be that of a personal representative, administrator, executor, guardian or conservator representing the shareholder and, if the corporation requests, evidence of fiduciary status acceptable to the corporation is presented with respect to the vote, consent, waiver or proxy appointment.

(c) The name signed purports to be that of a receiver or trustee in bankruptcy of the shareholder and, if the corporation requests, evidence of this status acceptable to the corporation is presented with respect to the vote, consent, waiver or proxy appointment.

(d) The name signed purports to be that of a pledgee, beneficial owner, or attorney-in-fact of the shareholder and, if the corporation requests, evidence acceptable to the corporation of the signatory's authority to sign for the shareholder is presented with respect to the vote, consent, waiver or proxy appointment.

(e) Two or more persons are the shareholders as co-tenants or fiduciaries and the name signed purports to be the name of at least one of the co-owners and the person signing appears to be acting on behalf of all co-owners.

The corporation may reject a vote, consent, waiver or proxy appointment if the Secretary or other officer or agent of the corporation who is authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of the signature on it or about the signatory's authority to sign for the shareholder.

SECTION 2.12 INSPECTORS OF ELECTION. The President may, in advance of any meeting of shareholders, appoint one or more inspectors to act at the meeting and make a written report thereof. If no previously appointed inspector or alternate is able to act at a meeting of shareholders, the chairman of the meeting may appoint, at the meeting, one or more persons to act as inspectors. No director or candidate for director may be appointed as an inspector. Any inspector so appointed, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and to the best of his or her ability.

Any inspectors so appointed shall (i) ascertain the number of shares outstanding and the voting power of each, (ii) determine the number of shares represented at a meeting and the validity of proxies and ballots in accordance with applicable law, (iii) count all votes and ballots in accordance with applicable law, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares represented at the meeting and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors.

ARTICLE III

BOARD OF DIRECTORS

SECTION 3.1 GENERAL POWERS. The business and affairs of the Corporation shall be managed by or under the direction of its Board of Directors, subject to any limitation set forth in the articles of incorporation.

SECTION 3.2 NUMBER, TENURE AND QUALIFICATIONS.

(a) Subject to the rights of the holders of any class or series of Preferred Stock to elect additional directors under specified circumstances, the number of directors constituting the Board or Directors shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by the affirmative vote of a majority of the number of directors that the Corporation would have at the time if there were no vacancies existing in the Board of Directors (the "Whole Board").

(b) The Board of Directors, other than the directors who may be elected by the holders of any class or series of Preferred Stock under specified circumstances, shall be divided into three classes, as nearly equal in number as possible. The initial term of office of Class I directors shall expire at the annual meeting of shareholders to be held in 2000; the initial term of office of Class II directors shall expire at the annual meeting of shareholders to be held in 2001; and the initial term of office of Class III directors shall expire at the annual meeting of shareholders to be held in 2003, and in each case until their respective successors are elected and qualified. At each annual meeting of shareholders, directors shall be chosen to succeed those whose terms then expire and shall be elected for a term of office expiring at the third succeeding annual meeting of shareholders after their election, and in each case until their respective successors are elected and qualified.

(c) Subject to the rights of any class or series of Preferred Stock then outstanding and unless the Board of Directors otherwise determines, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall be filled by a majority vote of the directors then in office, although less than a quorum, or by a sole remaining director. Directors chosen to fill vacancies pursuant to this Section 3.2(c) shall hold office for a term expiring at the annual meeting of shareholders at which the term of the class to which they have been elected expires. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director. Newly created directorships shall be allocated among the classes of directors so that each class of directors shall consist, as nearly as possible, of one-third of the total number of directors.

(d) Subject to the rights of any class or series of Preferred Stock then outstanding, any director, or the entire Board of Directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least eighty percent (80%) of the outstanding shares of all classes of stock of the Corporation generally entitled to vote in the election of directors, considered for purposes of this Section 3.2(d) as one class. A director may be removed by the shareholders only at a meeting called for the purpose of removing the director, and the meeting notice shall state that the purpose, or one of the purposes, of the meeting is the removal of the director.

(e) A director may resign at any time by giving written notice to the Board of Directors, its

Chairman, or to the Corporation at the Corporation's principal or registered office. A resignation is effective when the notice is given unless the notice specifies a future date. A pending vacancy may be filled before the effective date, but the successor shall not take office until the effective date.

SECTION 3.3 REGULAR MEETINGS. A regular meeting of the Board of Directors shall be held without other notice than this by-law immediately after, and at the same place, as the annual meeting of shareholders, unless otherwise designated by the Board of Directors. The Board of Directors may, by resolution, provide the time and place for the holding of additional regular meetings without other notice than such resolution.

SECTION 3.4 SPECIAL MEETINGS. Special meetings of the Board of Directors may be called at the request of the Chairman, President or any two directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place as the place for holding any special meeting of the Board of Directors called by them.

SECTION 3.5 NOTICE; WAIVER.

(a) Notice of any special meeting shall be given by oral or written notice to each director at his or her business address. Any person or persons authorized to call special meetings of the Board of Directors shall deliver oral or written notice of such at least 24 hours prior to the time and date of the meeting in person or by telephone, facsimile transmission, telegram, overnight private or United States mail delivery service, or regular United States mail. If such notice is given by facsimile transmission, telegram or overnight private or U.S. mail delivery service, such notice shall be deemed delivered when the facsimile transmission is confirmed by the director or an agent of the director at his business address, when the telegram is delivered to the telegraph company, or the first business day following deposit with an overnight private or U.S. mail delivery service, or the fifth business day following deposit in regular United States mail.

(b) Attendance of a director at any meeting shall constitute a waiver of notice of such meeting except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

SECTION 3.6 QUORUM. A majority of the number of directors fixed by resolution adopted in accordance with Section 3.2(a) shall constitute a quorum for transaction of business at any meeting of the Board of Directors unless a greater number is required by the Articles of Incorporation or these by- laws; provided that if less than a majority of such directors is present at any meeting, a majority of the directors present may adjourn the meeting at any time without further notice until a quorum shall have been obtained. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of or greater number is required by the Wisconsin Business Corporation Law, the Articles of Incorporation or these by-laws.

SECTION 3.7 INFORMAL ACTION. Any action required or permitted by the Wisconsin Business Corporation Law to be taken at a meeting of the Board of Directors or a committee thereof created pursuant to Section 3.9 may be taken without a meeting if the action is taken by all members of the Board of Directors or such committee. The action shall be evidenced by one or more written consents describing the action taken, signed by each director or committee member and retained by the

Corporation. The action taken shall be effective when all the directors have approved the consent unless the consent specifies a different effective date.

SECTION 3.8 TELEPHONIC MEETINGS. The Board of Directors or any committee of the Board of Directors may, in addition to conducting meetings in which each director participates in person, and participate in and act at any meeting of such board or committee through the use of a telephone conference or other communications equipment by means of which all persons participating in the meeting can hear each other. Participation in such meetings shall constitute attendance and presence in person at the meeting of the person or persons so participating. If a meeting will be conducted in which any directors do not participate in person, all participating directors shall be informed that a meeting is taking place at which official business may be transacted.

SECTION 3.9 COMMITTEES.

(a) The Board of Directors, by resolution adopted by a majority of the directors then in office, may create one or more committees of the Board of Directors to serve on the committees, and designate other members of the Board of Directors to serve as alternates. Each committee shall have two or more members who shall, unless otherwise provided by the Board of Directors, serve at the pleasure of the Board of Directors. A committee may be authorized to exercise the authority of the Board of Directors, except that a committee may not do any of the following: (a) authorize distributions, (b) approve or propose to shareholders action that the Wisconsin Business Corporation Law requires to be approved by the shareholders, (c) fill vacancies on the Board of Directors or, unless the Board of Directors provides by resolution that vacancies on a committee shall be filled by the affirmative vote of the remaining committee members, on any Board committee, (d) amend the Corporation’s Articles of Incorporation, (e) adopt, amend, or repeal by-laws, (f) approve a plan of merger not requiring shareholder approval, (g) authorize or approve the reacquisition of shares, except according to a formula or method prescribed by the Board of Directors, and (h) authorize or approve the issuance or sale or contract for sale of shares, or determine the designation and relative rights, preferences, and limitations of a class or series of shares, except that the Board of Directors may authorize a committee to do so within the limits prescribed by the Board of Directors. Unless otherwise provided by the Board of Directors in creating the committee, a committee may employ counsel, accountants, and other consultants to assist it in the exercise of its authority.

(b) The standing committees of the Board of Directors shall include an audit committee and a compensation committee, each of which shall exercise such authority and fulfill such duties as may be fixed by resolution of the Board of Directors in accordance with Section 3.9(a).

(c) Unless the appointment by the Board of Directors requires a greater number, a majority of any committee shall constitute a quorum, and a majority of a quorum is necessary for committee action. A committee may act by unanimous consent in writing without a meeting and, subject to the provision of these by-laws or action by the Board of Directors, any committee by majority vote of its members shall determine the time and place of meetings and the notice required therefor. Each committee shall keep regular minutes of its proceedings and report the same to the Board when requested.

SECTION 3.10 PRESUMPTION OF ASSENT. A director of the Corporation who is present and is announced as present at a meeting of the Board of Directors or any committee created in accordance with Section 3.9 when corporate action is taken assents to the action taken unless any of the following occurs:

(a) The director objects at the beginning of the meeting or promptly upon his or her arrival to holding the meeting or transacting business at the meeting;

(b) The director's dissent or abstention from the action taken is entered in the minutes of the meeting; or

(c) The director delivers written notice that complies with the Wisconsin Business Corporation Law of his or her dissent or abstention to the presiding officer of the meeting before its adjournment or to the Corporation immediately after adjournment of the meeting.

Such right of dissent shall not apply to any director who votes in favor of the action taken.

SECTION 3.12 COMPENSATION. The Board of Directors, by the affirmative vote of a majority of directors then in office, and irrespective of any personal interest of any of its members, shall have authority to establish reasonable compensation of all directors for services to the Corporation as directors, officers, or otherwise. By resolution of the Board of Directors, the directors may be paid their expenses, if any, of attendance at each meeting of the Board. No such payment previously mentioned in this section shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE IV

OFFICERS

SECTION 4.1 NUMBER. The officers of the Corporation shall be a Chairman, a President, one or more Vice-Presidents, a Secretary, a Treasurer, and such other officers as may be elected or appointed by the Board of Directors. Any two or more offices may be held by the same person. The Secretary, any Assistant Secretary or such other officers as may be designated from time to time by the Board of Directors or the President shall have the authority to certify the By-Laws, resolutions of the shareholders and Board of Directors and committees thereof, and other documents of the Corporation as true and correct copies thereof.

SECTION 4.2 ELECTION AND TERM OF OFFICE. The officers of the Corporation shall be elected or appointed annually by the Board of Directors at the regular meeting of the Board of Directors or at a meeting held in lieu thereof. Vacancies may be filled or new offices created and filled at any meeting of the Board of Directors. Except as provided herein, each officer shall hold office until his or her successor shall have been duly elected and qualified or until his earlier death, resignation or removal. Election of an officer shall not of itself create any contract rights of that officer against the Corporation.

SECTION 4.3 CHAIRMAN. The Chairman shall serve as the Chairman of the Board of Directors. The Chairman shall preside at all meetings of the Board of Directors. The Chairman shall have power to sign, with the Secretary or Assistant Secretary, or any other proper officer of the Corporation thereunto authorized by the Board of Directors, certificates for shares of the Corporation, deeds, mortgages, bonds, contracts or other instruments which the Board of Directors has authorized to be executed except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Corporation or shall be required by law to be otherwise signed or executed. In the absence or disability of the President, the Chairman shall preside at all meetings of the shareholders. The Chairman shall also have such other powers and perform such other duties as from time to time may be delegated to him or her by the Board of Directors, or as may be prescribed by these By-Laws.

SECTION 4.4 PRESIDENT. The President shall serve as the Chief Executive Officer of the Corporation. The President shall preside at all meetings of the shareholders. Subject to the control of the Board of Directors, the President shall supervise and direct all of the business, financial, legal and shareholder affairs of the Corporation. The President shall be responsible for seeing that the policies of the Corporation as established by the Board of Directors are carried out. He or she shall be ex officio a member of all standing committees to which he or she is not appointed by the Board of Directors. The President shall have power to sign, with the Secretary or Assistant Secretary, or any other proper officer of the Corporation thereunto authorized by the Board of Directors, certificates for shares of the Corporation, deeds, mortgages, bonds, contracts or other instruments which the Board of Directors has authorized to be executed except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Corporation or shall be required by law to be otherwise signed or executed. In the absence or disability of the Chairman, the President shall preside at all meetings of the Board of Directors. In general, the President shall perform all duties incident to the office of the Chief Executive Officer and such other duties as may be prescribed by the Board of Directors from time to time.

SECTION 4.5 VICE PRESIDENTS. The Vice President (or if there be more than one, the Vice Presidents) shall assist the President in the discharge of his or her duties as the President may direct and shall perform such other duties as from time to time may be assigned to him by the President or by the Board of Directors. In the absence of the President or in the event of his or her death, inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order of their seniority as determined from time to time by the Board of Directors) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Except in those instances in which the authority to execute is expressly delegated to another officer or agent of the Corporation or a different mode of execution is expressly prescribed by the Board of Directors or these By-Laws, the Vice President (or each of them if there are more than one) may execute for the Corporation certificates for its shares and any contracts, deeds, mortgages, bonds or other instruments, which the Board of Directors has authorized to be executed, and he or she may accomplish such execution either under or without the seal of the Corporation and either individually or with the Secretary, any Assistant Secretary, or any other officer thereunto authorized by the Board of Directors, according to the requirements of the form of the instrument.

SECTION 4.6 SECRETARY. The Secretary shall (a) keep the minutes of the shareholders' and the Board of Directors' meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these By-Laws or as required by law; (c) be custodian of the corporate records and of the seal of the Corporation, if such a seal shall exist; (d) keep a register of the post office address of each shareholder which shall be furnished to the Secretary by each such shareholder; (e) sign with the Chairman, President or a Vice President, or any other officer thereunto authorized by the Board of Directors, certificates for shares of the Corporation, the issuance of which shall have been authorized by the Board of Directors and any contracts, deeds, mortgages, bonds, or other instruments which the Board of Directors has authorized to be executed, according to the requirements of the form of the instrument, except when a different mode of execution is expressly prescribed by the Board of Directors or these By-Laws; (f) have general charge of the stock transfer books of the Corporation; and (g) in general perform all duties incident to the office of Secretary and such other duties from time to time may be assigned to him by the President or the Board of Directors.

SECTION 4.7 TREASURER. The Treasurer shall be the principal accounting and financial officer of the Corporation. He or she shall (a) have charge and custody of and be responsible for all funds and securities of the Corporation, (b) receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, and deposit all such monies in the name of the Corporation in such banks, trust companies or other depositaries as shall be selected by the Board of Directors, (c) disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and (d) in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the President or the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond in such sum and with such surety or sureties as the Board of Directors shall determine, for the faithful discharge of his or her duties and for the restoration to the Corporation, in case of his or her death, resignation, retirement or removal from office, of all books, papers, vouchers, money, securities, and other property belonging to the Corporation in his possession or control.

SECTION 4.8 ASSISTANT TREASURERS AND ASSISTANT SECRETARIES. The Assistant Treasurer, or any of them if there be more than one, and the Assistant Secretary or any of them if there be more than one, shall perform such duties as shall be assigned to them by the Treasurer or the Secretary, respectively, or by the President or the Board of Directors. An Assistant Secretary may sign with the Chairman, President, or a Vice President, or any other officer thereunto authorized by the Board of Directors, certificates for shares of the Corporation, the issue of which shall have been authorized by the Board of Directors, and any contracts, deeds, mortgages, bonds, or other instruments which the Board of Directors has authorized to be executed, according to the requirements of the form of the instrument, except when a different mode of execution is expressly prescribed by the Board of Directors or these By-Laws. An Assistant Treasurer shall respectively, if required by the Board of Directors, give bonds for the faithful discharge of his or her duties in such sums and with such sureties as the Board of Directors shall determine.

SECTION 4.9 CONTROLLER. The Board of Directors may elect a Controller who shall be responsible for all accounting and auditing functions of the Corporation and who shall perform such other duties as may from time to time be required of him or her by the Board of Directors.

SECTION 4.10 APPOINTIVE OFFICERS. The President may appoint other officers and agents on a division basis or otherwise, as such divisions or other operating units are created by the Board of Directors, and such other officers and agents shall receive such compensation, have such tenure and exercise such authority as the President shall specify. All appointments made by the President hereunder and all the terms and conditions thereof shall be reported to the Board of Directors. No appointive officer shall have any contractual rights against the Corporation for compensation by virtue of such appointment beyond the date of the appointment of his or her successor, death, resignation, or removal, whichever event shall first occur, except as otherwise provided in an employment contract or under an employee deferred compensation plan.

SECTION 4.11 SALARIES. The salaries of the elected officers shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the Corporation.

SECTION 4.12 REMOVAL. Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors with or without cause, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. The appointment of an officer does not in and of itself create contract rights.

SECTION 4.13 RESIGNATION. An officer may resign at any time by delivering notice to the Corporation that complies with the Wisconsin Business Corporation Law. The resignation shall be effective when the notice is delivered, unless the notice specifies a later effective date and the Corporation accepts the later effective date.

SECTION 4.14 VACANCIES. A newly created office or a vacancy in any office because of death, resignation, removal, disqualification or otherwise may be filled by the Board of Directors for the unexpired portion of the term at any meeting of the Board of Directors. If a resignation of an officer is effective at a later date as contemplated by Section 4.13, the Board of Directors may fill the pending vacancy before the effective date if the Board provides that the successor may not take office until the effective date.

ARTICLE V

CERTIFICATES FOR SHARES AND THEIR TRANSFER

SECTION 5.1 CERTIFICATES FOR SHARES. Certificates representing shares of the Corporation shall be signed by the appropriate corporate officers, such as the President or a Vice President or by such officer as shall be designated by resolution of the Board of Directors, and by the Secretary or an Assistant Secretary, and shall be sealed with the seal or a facsimile of the seal of the corporation if the Corporation has a seal. If the signature of each officer be by facsimile, the certificate shall be manually signed by or on behalf of a duly authorized transfer agent or clerk. Each certificate representing shares shall be consecutively numbered or otherwise identified, and shall also state the name of the shareholder to whom issued, the number and class of shares (with designation of series, if any), the date of issue, and that the Corporation is organized under Wisconsin law. The certificate may state the par value or a statement that the shares are without par value, if applicable. If the Corporation is authorized and does issue shares of more than one class or of a series within a class, the certificate shall also contain such information or statement as may be required by law.

The name and address of each shareholder, the number and class of shares held and the date on which the certificates for the shares were issued shall be entered on the books of the Corporation. The shareholder in whose name shares are registered on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation.

Unless prohibited by the Articles of Incorporation, the Board of Directors may provide by resolution that some or all of any class or series of shares shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until the certificate has been surrendered to the Corporation. Within a reasonable time after the issuance or transfer of uncertificated shares, the Corporation shall send the registered owner thereof a written notice of all information that would appear on a certificate. Except as otherwise expressly provided by law, the rights and obligations of the holders of uncertificated shares shall be identical to those of the holders of certificates representing shares of the same class and series.

SECTION 5.2 TRANSFER OF SHARES. Transfer of shares of the Corporation shall be recorded on the books of the Corporation and, except in the case of a lost or destroyed certificate, shall be made on surrender for cancellation of the certificate for such shares. A certificate presented for transfer must be duly endorsed and accompanied by proper guaranty of signature and other appropriate assurances that the endorsement is effective. Transfer of an uncertified share shall be made on receipt by the Corporation of an instruction from the registered owner or other appropriate person. The instruction shall be in writing or be a communication in such form as may be agreed upon in writing by the Corporation.

SECTION 5.3 LOST CERTIFICATES. If a certificate representing shares has allegedly been lost or destroyed, the Board of Directors may in its discretion as may be required by law, direct that a new certificate be issued upon such indemnification and other reasonable requirements as it may impose.

ARTICLE VI

CONTRACTS, LOANS, CHECKS AND DEPOSITS

SECTION 6.1 CONTRACTS. The Board of Directors may authorize any officer or officers, agent or agents, of the Corporation, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

SECTION 6.2 LOANS. No loans shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances. The Corporation shall have the power to lend money to its directors, officers, employees and agents.

SECTION 6.3 CHECKS, DRAFTS, ETC. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation, shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

SECTION 6.4 DEPOSITS. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositaries as the Board of Directors may select.

ARTICLE VII

INDEMNIFICATION OF OFFICERS AND DIRECTORS

SECTION 7.1 MANDATORY INDEMNIFICATION.

(a) In all cases other than those set forth in Section 7.1(b) hereof, subject to the conditions and limitations set forth hereinafter in this Article 7, the Corporation shall indemnify and hold harmless any person who is or was a party, or is threatened to be made a party, to any Action (see Section 7.16 of this Article 7 for definitions of capitalized terms used herein) by reason of his or her status as an Executive, and/or as to acts performed in the course of such Executive’s duties to the Corporation and/or an Affiliate, against Liabilities and reasonable Expenses incurred by or on behalf of an Executive in connection with any Action, including, without limitation, in connection with the investigation, defense, settlement or appeal of any Action; provided, pursuant to Section 7.3 of this Article 7, that it is not determined by the Authority, or by a court, that the Executive engaged in misconduct which constitutes a Breach of Duty.

(b) To the extent an Executive has been successful on the merits or otherwise in connection with any Action, including, without limitation, the settlement, dismissal, abandonment, or withdrawal of any such Action where the Executive does not pay, incur, or assume any material Liabilities, or in connection with any claim, issue, or matter therein, he or she shall be indemnified by the Corporation against reasonable Expenses incurred by or on behalf of him or her in connection therewith. The Corporation shall pay such Expenses to the Executive (net of all Expenses, if any, previously advanced to the Executive pursuant to Section 7.2 of this Article 7), or to such other person or entity as the Executive may designate in writing to the Corporation, within ten days after the receipt of the Executive’s written request therefor, without regard to the provisions of Section 7.3 of this Article 7. In the event the Corporation refuses to pay such requested Expenses, the Executive may petition a court to order the Corporation to make such payment pursuant to Section 7.4 of this Article 7.

(c) Notwithstanding any other provision contained in this Article 7 to the contrary, the Corporation shall not:

(i) Indemnify, contribute, or advance Expenses to an Executive with respect to any Action initiated or brought voluntarily by the Executive and not by way of defense, except with respect to Actions:

(A) brought to establish or enforce a right to indemnification, contribution, and/or an advance of Expenses under Section 7.4 of this Article 7, under the Statute as it may then be in effect or under any other statute or law or otherwise as required;

(B) initiated or brought voluntarily by an Executive to the extent such Executive is successful on the merits or otherwise in connection with such an Action in accordance with and pursuant to Section 7.1(b) of this Article 7; or

(C) as to which the Board determines it to be appropriate.

(ii) indemnify the Executive under this Article 7 for any amounts paid in settlement of any Action effected without the Corporation's written consent.

The Corporation shall not settle in any manner which would impose any Liabilities or other type of limitation on the Executive without the Executive's written consent. Neither the Corporation nor the Executive shall unreasonably withhold their consent to any proposed settlement.

(d) An Executive's conduct with respect to an employee benefit plan sponsored by or otherwise associated with the Corporation and/or an Affiliate for a purpose he or she reasonably believes to be in the interests of the participants in and beneficiaries of such plan is conduct that does not constitute a breach or failure to perform his or her duties to the Corporation or an Affiliate, as the case may be.

SECTION 7.2 ADVANCE FOR EXPENSES.

(a) The Corporation shall pay to an Executive, or to such other person or entity as the Executive may designate in writing to the Corporation, his or her reasonable Expenses incurred by or on behalf of such Executive in connection with any Action, or claim, issue, or matter associated with any such Action, in advance of the final disposition or conclusion of any such Action (or claim, issue, or matter associated with any such Action), within ten days after the receipt of the Executive's written request therefor, provided, the following conditions are satisfied:

(i) The Executive has first requested an advance of such Expenses in writing (and delivered a copy of such request to the Corporation) from the insurance carrier(s), if any, to whom a claim has been reported under an applicable insurance policy purchased by the Corporation and each such insurance carrier, if any, has declined to make such an advance;

(ii) The Executive furnishes to the Corporation an executed written certificate affirming his or her good faith belief that he or she has not engaged in misconduct which constitutes a Breach of Duty; and

(iii) The Executive furnishes to the Corporation an executed written agreement to repay any advances made under this Section 7.2 if it is ultimately determined that he or she is not entitled to be indemnified by the Corporation for such Expenses pursuant to this Article 7.

(b) If the Corporation makes an advance of Expenses to an Executive pursuant to this Section 7.2, the Corporation shall be subrogated to every right of recovery the Executive may have against any insurance carrier from whom the Corporation has purchased insurance for such purpose.

SECTION 7.3 DETERMINATION OF RIGHT TO INDEMNIFICATION.

(a) Except as otherwise set forth in this Section 7.3 or in Section 7.1(c) of this Article 7, any indemnification to be provided to an Executive by the Corporation under Section 7.1(a) of this Article 7 upon the final disposition or conclusion of any Action, or any claim, issue, or matter associated with any such Action, unless otherwise ordered by a court, shall be paid by the Corporation to the Executive (net of all Expenses, if any, previously advanced to the Executive pursuant to Section 7.2 of this Article 7), or to such other person or entity as the Executive may designate in writing to the Corporation, within 60 days after the receipt of the Executive's written request therefor. Such request shall include an accounting of all amounts for which indemnification is being sought. No further corporate authorization for such payment shall be required other than this Section 7.3.

(b) Notwithstanding the foregoing, the payment of such requested indemnifiable amounts pursuant to Section 7.1(a) of this Article 7 may be denied by the Corporation if:

(i) the Board by a majority vote thereof determines that the Executive has engaged in misconduct which constitutes a Breach of Duty; or

(ii) a majority of the directors of the Corporation are a party in interest to such Action.

(c) In either event of nonpayment pursuant to Section 7.3(b) of this Article 7, the Board shall immediately authorize and direct, by resolution, that an independent determination be made as to whether the Executive has engaged in misconduct which constitutes a Breach of Duty and, therefore, whether indemnification of the Executive is proper pursuant to this Article 7.

(d) Such independent determination shall be made, at the option of the Executive(s) seeking indemnification, by:

(i) A panel of three arbitrators (selected as set forth below in Section 7.3(f) from the panels of arbitrators of the American Arbitration Association) in Milwaukee, Wisconsin, in accordance with the Commercial Arbitration Rules then prevailing of the American Arbitration Association;

(ii) An independent legal counsel mutually selected by the Executive(s) seeking indemnification and the Board by a majority vote of a quorum thereof consisting of directors who were not parties in interest to such Action (or, if such quorum is not obtainable, by the majority vote of the entire Board); or

(iii) A court in accordance with Section 7.4 of this Article 7.

(e) In any such determination there shall exist a rebuttable presumption that the Executive has not engaged in misconduct which constitutes a Breach of Duty and is, therefore, entitled to indemnification hereunder. The burden of rebutting such presumption by clear and convincing evidence shall be on the Corporation.

(f) If a panel of arbitrators is to be employed hereunder, one of such arbitrators shall be selected by the Board by a majority vote of a quorum thereof consisting of directors who were not parties in interest to such Action or, if such quorum is not obtainable, by an independent legal counsel chosen by the majority vote of the entire Board, the second by the Executive(s) seeking indemnification, and the third by the previous two arbitrators.

(g) The Authority shall make its independent determination hereunder within 60 days of being selected and shall simultaneously submit a written opinion of its conclusions to both the Corporation and the Executive.

(h) If the Authority determines that an Executive is entitled to be indemnified for any amounts pursuant to this Article 7, the Corporation shall pay such amounts to the Executive (net of all Expenses, if any, previously advanced to the Executive pursuant to Section 7.2 of this Article 7), including interest thereon as provided in Section 7.6(c) of this Article 7, or such other person or entity as the Executive may designate in writing to the Corporation, within ten days of receipt of such opinion.

(i) Except with respect to any judicial determination pursuant to Section 7.4 of this Article 7, the Expenses associated with the indemnification process set forth in this Section 7.3 of this Article 7, including, without limitation, the Expenses of the Authority selected hereunder, shall be paid by the Corporation.

SECTION 7.4. COURT-ORDERED INDEMNIFICATION AND ADVANCE FOR EXPENSES.

(a) An Executive may, either before or within two years after a determination, if any, has been made by the Authority, petition the court before which such Action was brought or any other court of competent jurisdiction to independently determine whether or not he or she has engaged in misconduct which constitutes a Breach of Duty and is, therefore, entitled to indemnification under the provisions of this Article 7. Such court shall thereupon have the exclusive authority to make such determination unless and until such court dismisses or otherwise terminates such proceeding without having made such determination. An Executive may petition a court under this Section 7.4 either to seek an initial determination by the court as authorized by Section 7.3(d) of this Article 7 or to seek review by the court of a previous adverse determination by the Authority.

(b) The court shall make its independent determination irrespective of any prior determination made by the Authority; provided, however, that there shall exist a rebuttable presumption that the Executive has not engaged in misconduct which constitutes a Breach of Duty and is, therefore, entitled to indemnification hereunder. The burden of rebutting such presumption by clear and convincing evidence shall be on the Corporation.

(c) In the event the court determines that an Executive has engaged in misconduct which constitutes a Breach of Duty, it may nonetheless order indemnification to be paid by the Corporation if it determines that the Executive is fairly and reasonably entitled to indemnification in view of all of the circumstances of such Action.

(d) In the event the Corporation does not:

(i) Advance Expenses to the Executive within ten days of such Executive’s compliance with Section 7.2 of this Article 7; or

(ii) Indemnify an Executive with respect to requested Expenses under Section 7.1(b) of this Article 7 within ten days of such Executive’s written request therefor, the Executive may petition the court before which such Action was brought, if any, or any other court of competent jurisdiction to order the Corporation to pay such reasonable Expenses immediately. Such court, after giving any notice it considers necessary, shall order the Corporation to pay such Expenses if it determines that the Executive has complied with the applicable provisions of Section 7.2 of this Article 7 or 7.1(b) of this Article 7, as the case may be.

(e) If the court determines pursuant to this Section 7.4 that the Executive is entitled to be indemnified for any Liabilities and/or Expenses, or to the advance of Expenses, unless otherwise ordered by such court, the Corporation shall pay such Liabilities and/or Expenses to the Executive (net of all Expenses, if any, previously advanced to the Executive pursuant to Section 7.2 of this Article 7), including interest thereon as provided in Section 7.6(c) of this Article 7, or to such other person or entity as the Executive may designate in writing to the Corporation, within ten days of the rendering of such determination.

(f) An Executive shall pay all Expenses incurred by such Executive in connection with the judicial determination provided in this Section 7.4, unless it shall ultimately be determined by the court that he or she is entitled, in whole or in part, to be indemnified by, or to receive an advance from, the Corporation as authorized by this Article 7. All Expenses incurred by an Executive in connection with any subsequent appeal of the judicial determination provided for in this Section 7.4 shall be paid by the Executive regardless of the disposition of such appeal.

SECTION 7.5. TERMINATION OF AN ACTION IS NONCONCLUSIVE. The adverse termination of any Action against an Executive by judgment, order settlement, conviction, or upon a plea of no contest or its equivalent, shall not, of itself, create a presumption that the Executive has engaged in misconduct which constitutes a Breach of Duty.

SECTION 7.6. PARTIAL INDEMNIFICATION; REASONABLENESS; INTEREST.

(a) If it is determined by the Authority, or by a court, that an Executive is entitled to indemnification as to some claims, issues, or matters, but not as to other claims, issues, or matters, involved in any Action, the Authority, or the court, shall authorize the proration and payment by the Corporation of such Liabilities and/or reasonable Expenses with respect to which indemnification is sought by the Executive, among such claims, issues, or matters as the Authority, or the court, shall deem appropriate in light of all of the circumstances of such Action.

(b) If it is determined by the Authority, or by a court, that certain Expenses incurred by or on behalf of an Executive are for whatever reason unreasonable in amount, the Authority, or the court, shall nonetheless authorize indemnification to be paid by the Corporation to the Executive for such Expenses as the Authority, or the court, shall deem reasonable in light of all of the circumstances of such Action.

(c) Interest shall be paid by the Corporation to an Executive, to the extent deemed appropriate by the Authority, or by a court, at a reasonable interest rate, for amounts for which the Corporation indemnifies or advances to the Executive.

SECTION 7.7. INSURANCE; SUBROGATION.

(a) The Corporation may purchase and maintain insurance on behalf of any person who is or was an Executive of the Corporation, and/or is or was serving as an Executive of an Affiliate, against Liabilities and/or Expenses asserted against him or her and/or incurred by or on behalf of him or her in any such capacity, or arising out of his or her status as such an Executive, whether or not the Corporation would have the power to indemnify him or her against such Liabilities and/or Expenses under this Article 7 or under the Statute as it may then be in effect. Except as expressly provided herein, the purchase and maintenance of such insurance shall not in any way limit or affect the rights and obligations of the Corporation and/or any Executive under this Article 7. Such insurance may, but need not, be for the benefit of all Executives of the Corporation and those serving as an Executive of an Affiliate.

(b) If an Executive shall receive payment from any insurance carrier or from the plaintiff in any Action against such Executive in respect of indemnified amounts after payments on account of all or part of such indemnified amounts have been made by the Corporation pursuant to this Article 7, such Executive shall promptly reimburse the Corporation for the amount, if any, by which the sum of such payment by such insurance carrier or such plaintiff and payments by the Corporation to such Executive exceeds such indemnified amounts; provided, however, that such portions, if any, of such insurance proceeds that are required to be reimbursed to the insurance carrier under the terms of its insurance policy, such as deductible, retention, or co-insurance amounts, shall not be deemed to be payments to such Executive hereunder.

(c) Upon payment of indemnified amounts under this Article 7, the Corporation shall be subrogated to such Executive’s rights against any insurance carrier in respect of such indemnified amounts and the Executive shall execute and deliver any and all instruments and/or documents and perform any and all other acts or deeds which the Corporation shall deem necessary or advisable to secure such rights. The Executive shall do nothing to prejudice such rights of recovery or subrogation.

SECTION 7.8. WITNESS EXPENSES. The Corporation shall advance or reimburse any and all reasonable Expenses incurred by or on behalf of an Executive in connection with his or her appearance as a Witness in any Action at a time when he or she has not been formally named a defendant or respondent to such an Action, within ten days after the receipt of an Executive’s written request therefor.

SECTION 7.9. CONTRIBUTION.

(a) Subject to the limitations of this Section 7.9, if the indemnity provided for in Section 7.1 of this Article 7 is unavailable to an Executive for any reason whatsoever, the Corporation, in lieu of indemnifying the Executive, shall contribute to the amount incurred by or on behalf of the Executive, whether for Liabilities and/or for reasonable Expenses in connection with any Action in such proportion as deemed fair and reasonable by the Authority, or by a court, in light of all of the circumstances of any such Action, in order to reflect:

(i) The relative benefits received by the Corporation and the Executive as a result of the event(s) and/or transaction(s) giving cause to such Action; and/or

(ii) The relative fault of the Corporation (and its other Executives, employees, and/or agents) and the Executive in connection with such event(s) and/or transaction(s).

(b) The relative fault of the Corporation (and its other Executives, employees, and/or agents), on the one hand, and of the Executive, on the other hand, shall be determined by reference to, among other things, the parties’ relative intent, knowledge, access to information, and opportunity to correct or prevent the circumstances resulting in such Liabilities and/or Expenses. The Corporation agrees that it would not be just and equitable if contribution pursuant to this Section 7.9 were determined by pro rata allocation or any other method of allocation which does not take account of the foregoing equitable considerations.

(c) An Executive shall not be entitled to contribution from the Corporation under this Section 7.9 in the event it is determined by the Authority, or by a court, that the Executive has engaged in misconduct which constitutes a Breach of Duty.

(d) The Corporation’s payment of, and an Executive’s right to, contribution under this Section 7.9 shall be made and determined in accordance with and pursuant to the provisions in Sections

7.3 and/or 7.4 of this Article 7 relating to the Corporation's payment of, and the Executive's right to, indemnification under this Article 7.

SECTION 7.10. INDEMNIFICATION OF EMPLOYEES. Unless otherwise specifically set forth in this Article 7, the Corporation shall indemnify and hold harmless any person who is or was a party, or is threatened to be made a party, to any Action by reason of his or her status as, or the fact that he or she is or was an employee or authorized agent or representative of the Corporation and/or an Affiliate, as to acts performed in the course and within the scope of such employee's, agent's, or representative's duties to the Corporation and/or an Affiliate, in accordance with and to the fullest extent permitted by the Statute as it may then be in effect.

SECTION 7.11. SEVERABILITY. If any provision of this Article 7 shall be deemed invalid or inoperative, or if a court of competent jurisdiction determines that any of the provisions of this Article 7 contravene public policy, this Article 7 shall be construed so that the remaining provisions shall not be affected, but shall remain in full force and effect, and any such provisions which are invalid or inoperative or which contravene public policy shall be deemed, without further Action or deed by or on behalf of the Corporation, to be modified, amended, and/or limited, but only to the extent necessary to render the same valid and enforceable, and the Corporation shall indemnify an Executive as to Liabilities and reasonable Expenses with respect to any Action to the full extent permitted by any applicable provision of this Article 7 that shall not have been invalidated and to the full extent otherwise permitted by the Statute as it may then be in effect.

SECTION 7.12. NONEXCLUSIVITY OF ARTICLE 7. The right to indemnification, contribution, and advancement of Expenses provided to an Executive by this Article 7 shall not be deemed exclusive of any other rights to indemnification, contribution, and/or advancement of Expenses which any Executive or other employee or agent of the Corporation and/or of an Affiliate may be entitled under any charter provision, written agreement, resolution, vote of shareholders or disinterested directors of the Corporation or otherwise, including, without limitation, under the Statute as it may then be in effect, both as to acts in his or her official capacity as such Executive or other employee or agent of the Corporation and/or of an Affiliate or as to acts in any other capacity while holding such office or position, whether or not the Corporation would have the power to indemnify, contribute, and/or advance Expenses to the Executive under this Article 7 or under the Statute; provided that it is not determined that the Executive or other employee or agent has engaged in misconduct which constitutes a Breach of Duty.

SECTION 7.13. NOTICE TO THE CORPORATION; DEFENSE OF ACTIONS.

(a) An Executive shall promptly notify the Corporation in writing upon being served with or having actual knowledge of any citation, summons, complaint, indictment, or any other similar document relating to any Action which may result in a claim of indemnification, contribution, or advancement of Expenses hereunder, but the omission so to notify the Corporation will not relieve the Corporation from any liability which it may have to the Executive otherwise than under this Article 7 unless the Corporation shall have been irreparably prejudiced by such omission.

(b) With respect to any such Action as to which an Executive notifies the Corporation of the commencement thereof:

(i) The Corporation shall be entitled to participate therein at its own expense; and

(ii) Except as otherwise provided below, to the extent that it may wish, the Corporation (or any other indemnifying party, including any insurance carrier, similarly notified by the Corporation or the Executive) shall be entitled to assume the defense thereof, with counsel selected by the Corporation (or such other indemnifying party) and reasonably satisfactory to the Executive.

(c) After notice from the Corporation (or such other indemnifying party) to the Executive of its election to assume the defense of an Action, the Corporation shall not be liable to the Executive under this Article 7 for any Expenses subsequently incurred by the Executive in connection with the defense thereof other than reasonable costs of investigation or as otherwise provided below. The Executive shall have the right to employ his or her own counsel in such Action but the Expenses of such counsel incurred after notice from the Corporation (or such other indemnifying party) of its assumption of the defense thereof shall be at the expense of the Executive unless:

(i) The employment of counsel by the Executive has been authorized by the Corporation;

(ii) The Executive shall have reasonably concluded that there may be a conflict of interest between the Corporation (or such other indemnifying party) and the Executive in the conduct of the defense of such Action; or

(iii) The Corporation (or such other indemnifying party) shall not in fact have employed counsel to assume the defense of such Action, in each of which cases the Expenses of counsel shall be at the expense of the Corporation. The Corporation shall not be entitled to assume the defense of any Derivative Action or any Action as to which the Executive shall have reached the conclusion provided for in clause (ii) above.

SECTION 7.14. CONTINUITY OF RIGHTS AND OBLIGATIONS. The terms and provisions of this Article 7 shall continue as to an Executive subsequent to the Termination Date and such terms and provisions shall inure to the benefit of the heirs, estate, executors, and administrators of such Executive and the successors and assigns of the Corporation, including, without limitation, any successor to the Corporation by way of merger, consolidation, and/or sale or disposition of all or substantially all of the assets or capital stock of the Corporation. Except as provided herein, all rights and obligations of the Corporation and the Executive hereunder shall continue in full force and effect despite the subsequent amendment or modification of the Corporation's Articles of Incorporation, as such are in effect on the date hereof, and such rights and obligations shall not be affected by any such amendment or modification, any resolution of directors or shareholders of the Corporation, or by any other corporate action which conflicts with or purports to amend, modify, limit, or eliminate any of the rights or obligations of the Corporation and/or of the Executive hereunder.

SECTION 7.15. AMENDMENT. This Article 7 may only be altered, amended, or repealed by the affirmative vote of a majority of the shareholders of the Corporation so entitled to vote; provided, however, that the Board may alter or amend this Article 7 without such shareholder approval if any such alteration or amendment:

(a) Is made in order to conform to any amendment or revision of the Wisconsin Business Corporation Law, including, without limitation, the Statute, which

(i) Expands or permits the expansion of an Executive's right to indemnification thereunder;

(ii) Limits or eliminates, or permits the limitation or elimination, of liability of the Executives; or

(iii) Is otherwise beneficial to the Executives; or

(b) In the sole judgment and discretion of the Board, does not materially adversely affect the rights and protections of the shareholders of the Corporation.

Any repeal, modification, or amendment of this Article 7 shall not adversely affect any rights or protections of an Executive existing under this Article 7 immediately prior to the time of such repeal, modification, or amendment and any such repeal, modification, or amendment shall have a prospective effect only.

SECTION 7.16. CERTAIN DEFINITIONS. The following terms as used in this Article 7 shall be defined as follows:

(a) "Action(s)" shall include, without limitation, any threatened, pending, or completed action, claim, litigation, suit, or proceeding, whether civil, criminal, administrative, arbitrative, or investigative, whether predicated on foreign, Federal, state, or local law, whether brought under and/or predicated upon the Securities Act of 1933, as amended, and/or the Securities Exchange Act of 1934, as amended, and/or their respective state counterparts and/or any rule or regulation promulgated thereunder, whether a Derivative Action and whether formal or informal.

(b) "Affiliate" shall include, without limitation, any corporation, partnership, joint venture, employee benefit plan, bust, or other similar enterprise that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Corporation.

(c) "Authority" shall mean the panel of arbitrators or independent legal counsel selected under Section 7.3 of this Article 7.

(d) "Board" shall mean the Board of Directors of the Corporation.

(e) "Breach of Duty" shall mean the Executive breached or failed to perform his or her duties to the Corporation or an Affiliate, as the case may be, and the Executive's breach of or failure to perform those duties constituted:

(i) A willful failure to deal fairly with the Corporation (or an Affiliate) or its shareholders in connection with a matter in which the Executive has a material conflict of interest;

(ii) A violation of the criminal law, unless the Executive:

(A) Had reasonable cause to believe his or her conduct was lawful; or

(B) Had no reasonable cause to believe his or her conduct was unlawful;

(iii) A transaction from which the Executive derived an improper personal profit (unless such profit is determined to be immaterial in light of all the circumstances of the Action); or

(iv) Willful misconduct.

(f) "Derivative Action" shall mean any Action brought by or in the right of the Corporation and/or an Affiliate.

(g) "Executive(s)" shall mean any individual who is, was, or has agreed to become a director and/or officer of the Corporation and/or an Affiliate.

(h) "Expenses" shall include, without limitation, all expenses, fees, costs, charges, attorneys' fees and disbursements, other out-of-pocket costs, reasonable compensation for time spent by the Executive in connection with the Action for which he or she is not otherwise compensated by the Corporation, any Affiliate, any third party or other entity, and any and all other direct and indirect costs of any type or nature whatsoever.

(i) "Liabilities" shall include, without limitation, judgments, amounts incurred in settlement, fines, penalties and, with respect to any employee benefit plan, any excise tax or penalty incurred in connection therewith, and any and all other liabilities of every type or nature whatsoever.

(j) "Statute" shall mean Wisconsin Business Corporation Law Sections 180.0850-180.0859 (or any successor provisions).

(k) "Termination Date" shall mean the date an Executive ceases, for whatever reason, to serve in an employment relationship with the Company and/or any Affiliate.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

SECTION 8.1 FISCAL YEAR. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

SECTION 8.2 DISTRIBUTIONS . The Board of Directors may from time to time declare, and the Corporation may pay distributions (dividends, redemptions and other transfers of money or property) to its shareholders on its outstanding shares in the manner and upon the terms and conditions provided by the Wisconsin Business Corporation Law and the Articles of Incorporation of the Corporation.

SECTION 8.3 SEAL. The Corporation may use a corporate seal which may be altered at pleasure, by causing it, or a facsimile thereof, to be impressed or affixed or in any other manner reproduced. The corporate seal shall have inscribed thereon the name of the Corporation and the words "Corporate Seal, Wisconsin". The affixing of a corporate seal to an instrument shall not give the instrument additional force or effect, or change the construction thereof and the use of the corporate seal is not mandatory.

SECTION 8.4 AUDITS. The Board of Directors shall determine whether the Corporation’s accounts, books and records shall be audited upon the conclusion of each fiscal year, and shall determine who performs that audit.

ARTICLE IX

AMENDMENTS

SECTION 9.1 AMENDMENTS. The By-Laws may contain any provisions for the regulation and management of the affairs of the Corporation not inconsistent with law or the Articles of Incorporation of the Corporation. These by-laws may be amended, altered or repealed, or a provision inconsistent with these by-laws may be adopted, only by (a) the affirmative vote of a majority of the members of the Whole Board (unless the shareholders, in adopting, amending or repealing a particular by-law, provide within the by-laws that the Board of Directors may not amend, repeal or readopt that by-law), or (b) notwithstanding any other provision of these by-laws or any provision of law which might permit a lesser vote or no vote, the affirmative vote of the holders of at least eighty percent (80%) of the outstanding shares of all classes of stock of the Corporation generally entitled to vote in the election of directors, considered for purposes of this Article IX as one class.

EXHIBIT 10.2

FIRST AMENDMENT TO THE
CIB MARINE BANCSHARES, INC.
1999 STOCK OPTION AND INCENTIVE PLAN

WHEREAS, CIB Marine Bancshares, Inc. (the "Company") maintains the CIB Marine Bancshares, Inc. 1999 Stock Option and Incentive Plan (the "Plan"); and

WHEREAS, the Company has reserved the right to amend the Plan and now deems it appropriate to do so in order to clarify the limit on the number of Options granted to Participants thereunder;

NOW, THEREFORE, BE IT RESOLVED, that Section 9(d) of the Plan is hereby amended, effective as of the date hereof, to read as follows:

> (d) Maximum Number of Shares Subject to Option. The total number of shares with respect to which Options may be granted under the 1999 Plan to any Participant during any 12-month period shall not exceed 150,000 shares; provided, however, that such number of shares may be adjusted from time to time in accordance with Section 12 hereof.

IN WITNESS WHEREOF, the Company has caused this First Amendment to be executed on its behalf, by its officer duly authorized, this 29th day of September, 2005.

CIB MARINE BANCSHARES, INC.

By: /s/ Illegible

Its: Secretary

Exhibit 21

SUBSIDIARIES OF CIB MARINE AS OF DECEMBER 31, 2003

<Table>
<Caption>

DIRECT SUBSIDIARIES	INDIRECT SUBSIDIARIES	STATE/JURISDICTION OF INCORPORATION
<S>	<C>	<C>
CIB MARINE BANCSHARES, INC.		Wisconsin
Central Illinois Bank		Illinois Commercial Bank
Hillside Investors (1)		Illinois Corporation
	CIB Bank (1)	Illinois Commercial Bank
	CIB Capital Holdings I, LLC	Delaware LLC
	CIB Capital I, LLC	Delaware LLC
	CIB Marine Commercial Finance, LLC (1)	Illinois LLC
	CIB Construction, LLC	Illinois LLC
	Canron Corporation (1)	Michigan Company
	MICR, Inc. d/b/a Maverick International (1)	Illinois Corporation
	CIB Development Company, LLC	Illinois LLC
		Illinois LLC
CIB Bank		Indiana Commercial Bank
First Ozaukee Capital Corp.		Wisconsin Corporation
	Marine Bank (2)	Wisconsin Commercial Bank
	Marine Investment Corporation	Nevada Subsidiary
Marine Bank (2)		Federal Savings Bank
CIB Marine Information Services, Inc.		Illinois Corporation
Mortgage Services, Inc. (1) Also doing business under the name of "Comcor Mortgage Corporation"		Illinois Corporation
CIB Marine Capital Trust I		Delaware Business Trust
CIB Statutory Trust III		Connecticut Statutory Trust
CIB Statutory Trust IV		Connecticut Statutory Trust
CIB Statutory Trust V		Delaware Business Trust
Citrus Financial Services, Inc.		Florida Corporation
	Citrus Bank, NA	National Banking Association
CIB Marine Capital, LLC (1)		Wisconsin Limited Liability Company

</Table>

(1) See Note 27 -- Subsequent Events regarding the sale, dissolution or wind down of these subsidiaries in 2004.

(2) During the third and fourth quarters of 2005, CIB Marine filed applications with the appropriate state and federal regulators to merge Marine FSB into Marine-Wisconsin. Prior to the merger, CIB Marine plans to sell the Omaha and Sun City branch facilities of Marine FSB to an unrelated party.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
CIB Marine Bancshares, Inc.

We consent to incorporation by reference in the registration statements (No. 338-85173, No. 333-72949 and No. 333-87268) on Form S-8 of CIB Marine Bancshares, Inc. of our report dated October 28, 2005 relating to the consolidated balance sheets of CIB Marine Bancshares, Inc. and Subsidiaries as of December 31, 2003, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2003, which report appears in the December 31, 2003, annual report on Form 10-K of CIB Marine Bancshares, Inc. Our report refers to a change in the method of accounting for goodwill in 2002 for the adoption of Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets and Statement of Financial Accounting Standards No. 147, Acquisitions of Certain Financial Institutions as discussed in Note 1 to the consolidated financial statements. In addition, our report refers to the restatement of the consolidated financial statements as of and for the years ended December 31, 2002 and 2001, as discussed in Note 2 to the consolidated financial statements.

/s/ KPMG LLP

Milwaukee, Wisconsin
October 28, 2005

Exhibit 31.1

CERTIFICATION

I, Stanley J. Calderon, Chief Executive Officer of CIB Marine Bancshares, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of CIB Marine Bancshares, Inc. for the year ended December 31, 2003;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Stanley J. Calderon
Stanley J. Calderon
Chief Executive Officer

Date: October 28, 2005

Exhibit 31.2

CERTIFICATION

I, Steven T. Klitzing, Chief Financial Officer, of CIB Marine Bancshares, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of CIB Marine Bancshares, Inc. for the year ended December 31, 2003;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Steven T. Klitzing

Steven T. Klitzing
Chief Financial Officer

Date: October 28, 2005

EXHIBIT 32.1

Certification Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of CIB Marine Bancshares, Inc. (the "Company") on Form 10-K for the period ending December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stanley J. Calderon, as Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ Stanley J. Calderon
Stanley J. Calderon
Chief Executive Officer

Date: October 28, 2005

EXHIBIT 32.2

Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of CIB Marine Bancshares, Inc. (the "Company") on Form 10-K for the period ending December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven T. Klitzing, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ Steven T. Klitzing

Steven T. Klitzing
Chief Financial Officer

Date: October 28, 2005