CIB MARINE
BANCSHARES, INC.

March 7, 2013

Dear Shareholder,

CIB Marine is pleased to report earnings of $1.4 million for the year ended December 31, 2012. In addition, CIBM Bank reported its fourth consecutive quarter of earnings and earnings of $2.5 million for the full year of 2012. The favorable earning improvement for 2012 was driven by the resolution of problem assets. As a result, CIB Marine's overall financial position is stronger, demonstrating a solid capital position and reduced levels of problem assets, as compared to a year ago.

Results of Operations – Summary

Earnings for the fourth quarter and full year of 2012 were $0.2 million and $1.4 million, respectively, an improvement of $2.2 million compared to the net loss of $2.0 million for the fourth quarter of 2011 and $6.8 million compared to the net loss of $5.4 million for the full year of 2011. Basic earnings per share of common stock was $0.01 and $0.08, for the three and twelve months ended December 31, 2012, respectively, compared to losses per share of $0.12 and $0.30, respectively, for the same periods of 2011. On a diluted basis the earnings per share of common stock were $0.01 and $0.04 for the three and twelve months ended December 31, 2012, respectively. Below are some highlights for our 2012 operating results:

- The improvement in earnings was primarily due to a reduction in the provision for loan losses resulting from recoveries of loans previously charged-off, reduced net charge-offs and improved credit quality. The fourth quarter 2012 reversal of provision for loan losses was $0.7 million, an improvement of $2.7 million over the $2.0 million provision during the same period of 2011; and the reversal of provisions for the full year of 2012 was $3.2 million, an improvement of $9.6 million over the $6.4 million in provision expense during 2011. The reversal of provisions for loan losses were primarily the result of recoveries of prior charge-offs.
- Net interest income declined by $0.6 million from $5.0 million in the fourth quarter of 2011 to $4.4 million in the same period of 2012; and by $2.0 million from $20.2 million during the year 2011 to $18.2 million during the year 2012. The decline was primarily the result of a reduction in earning assets only partially offset by lower deposit costs.
- Noninterest income decreased during the fourth quarter of 2012 compared to the same period in 2011 from $0.6 million to $0.3 million, or by $0.3 million, due to a one-time gain on sale of loans in 2011; and decreased by $0.9 million from $1.7 million to $0.7 million for the years ended 2011 and 2012, respectively, due to net impairment losses on securities, offset partly by the gains on sale of securities.
- Noninterest expense decreased $0.8 million from $6.0 million during the fourth quarter of 2011 to $5.2 million in the same period of 2012. The decrease was primarily the result of reduced write downs and losses on assets and lower occupancy and premise expenses. Noninterest expense for the year 2012 was $20.7 million compared to $21.7 million during the same period of 2011. The $1.0 million decline was the result of reductions in professional, occupancy and premise, equipment, FDIC insurance, data processing and a number of other expenses partially offset by an increase in compensation and employee benefits.

Financial Condition - Summary

During the year 2012, CIB Marine improved in certain key asset quality measures and the balance sheet decline slowed. The book value per share of common stock was $0.42 at December 31, 2012, compared to $0.23 at December 31, 2011. Total assets declined by $29 million during 2012. The decline was primarily the result of reductions in the loan portfolio balances, a significant amount of which was lower quality assets and continued pay-downs in legacy assets from the Arizona market we exited during 2011. Other highlights include:

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- The December 31, 2012, Tier 1 leverage ratio for CIB Marine improved to 14.39% from 13.15% at December 31, 2011. The improvement was from a combination of earnings for the year 2012 and a smaller balance sheet.
- Non-accrual loans improved to $8.9 million at December 31, 2012 from $19.6 million at December 31, 2011, and other real estate was up over the same time period by $3.4 million to $10.5 million at December 31, 2012.
- The Nonperforming asset ratio, or the sum of nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total assets, declined to 5.93% at December 31, 2012, from 7.42% at December 31, 2011. The improvement was primarily the result of a reduction in non-accrual loans.
- Net charge-offs annualized to average loans improved to 0.46% during the year 2012, compared to 1.28% during the year 2011; an improvement that resulted from both lower gross charge-offs and higher recoveries.

Attached please find financial results for the year ended December 31, 2012 – including selected financial information, a balance sheet and an income statement. Please visit our website, www.cibmarine.com, for additional financial information for both recent and prior periods, as well as a link to the quarterly reports we file with our regulators.

Future Shareholder Communications

As a reminder, we will continue to release our financial results on a quarterly basis via our website (www.cibmarine.com). Should you want a paper copy of our quarterly results, please contact Shareholder Relations Manager, Elizabeth Neighbors, directly at (262)695-6010 or Elizabeth.Neighbors@cibmarine.com and we will put you on our mailing list.

2013 Annual Meeting

We have scheduled our Annual Meeting of Shareholders for 1:00pm on May 23, 2013, at the Milwaukee Athletic Club. Additional information regarding the annual meeting, including the proxy statement and shareholder proxy card for voting, is forthcoming.

Concluding Comments

Our results in the fourth quarter of 2012 extend the progress that we reported for the full year of 2011 and for the first three quarters of 2012. We continue to see positive results from our customer initiatives in both our commercial and retail businesses and our bankers are beginning to overcome the loss of earning assets we have experienced as a result of our aggressive work to resolve problem assets.

An important part of our turnaround has been our effort toward revitalizing our retail business. Consequently, in 2013 we will be relocating our bank branches in Wauwatosa, Wisconsin and Indianapolis, Indiana to more modern and visible locations nearby. We also decided to close our Sidney, Illinois branch bank and serve our clients from the community at our Urbana, Illinois location. These changes will all be completed prior to the close of the second quarter of 2013. During the year we also began to enhance our electronic banking capabilities. In the first half of this year, we will introduce new mobile banking capabilities that will serve both our corporate and retail clients. We have also managed a steady improvement in our residential mortgage business, both in first and second mortgages. Our lending in this category has significantly eclipsed the volumes of business we were able to develop in each of the past several years.

Our commercial business is also seeing improvement. Although we experienced reductions in loan balances, over the course of 2012 our bankers have been actively developing business. They have been well received in the marketplace and our pipeline for new business in this category is significantly more robust than at year-end 2011. Just as importantly, we are clearly changing the mix of business that we serve and now have a heavier emphasis on commercial and industrial business and significantly less on real estate development and non-owner-occupied real estate.

In terms of serving our clients, over the past 18 months our company has summarized its approach by the words, “Service, Solutions and Integrity”. I routinely observe examples of these attributes, because the words accurately describe the characteristics of our employees. In other words, they are not a slogan, but genuinely reflect the manner in which our people conduct business every day. Importantly, we see employees across all areas of the company step up to the need to serve our clients, whether this is face-to-face interaction with our bankers or through our staff who support these activities in our “back-office”. It is this kind of commitment that has enabled us to report an annual profit after several years of losses.

Now our focus is on the future and sustaining our performance in the years ahead. In addition to prudently growing our core businesses, we must look to expand our product offerings and business lines in order to return the company to high-performing status. This is particularly critical given the outlook for the economy, monetary policy’s impact on interest rates and the increased regulatory burdens banks are facing.

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

Sincerely,

Chuck Ponicki
President & Chief Executive Officer

FORWARD-LOOKING STATEMENTS

CIB Marine has made statements in this Shareholder Letter that constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. CIB Marine intends these forward-looking statements to be subject to the safe harbor created thereby and is including this statement to avail itself of the safe harbor. Forward-looking statements are identified generally by statements containing words and phrases such as “may,” “project,” “are confident,” “should be,” “intend,” “predict,” “believe,” “plan,” “expect,” “estimate,” “anticipate” and similar expressions. These forward-looking statements reflect CIB Marine’s current views with respect to future events and financial performance that are subject to many uncertainties and factors relating to CIB Marine’s operations and the business environment, which could change at any time.

There are inherent difficulties in predicting factors that may affect the accuracy of forward-looking statements.

Stockholders should note that many factors, some of which are discussed elsewhere in this Shareholder Letter and in the documents that are incorporated by reference, could affect the future financial results of CIB Marine and could cause those results to differ materially from those expressed in forward-looking statements contained or incorporated by reference in this document. These factors, many of which are beyond CIB Marine’s control, include but are not limited to:

- operating, legal, and regulatory risks;
- economic, political, and competitive forces affecting CIB Marine’s banking business;
- the impact on net interest income and securities values from changes in monetary policy and general economic and political conditions; and
- the risk that CIB Marine’s analyses of these risks and forces could be incorrect and/or that the strategies developed to address them could be unsuccessful.

These factors should be considered in evaluating the forward-looking statements, and undue reliance should not be placed on such statements. Forward-looking statements speak only as of the date they are made. CIB Marine undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Forward-looking statements are subject to significant risks and uncertainties and CIB Marine’s actual results may differ materially from the results discussed in forward-looking statements.

CIB MARINE BANCSHARES, INC.
Selected Unaudited Consolidated Financial Data

	At or for the Years Ended December 31,				
	2012	2011	2010	2009	2008
	(Dollars in thousands, except share and per share data)				
Selected Statements of Operations Data					
Interest and dividend income	$ 21,404	$ 25,680	$ 30,290	$ 39,409	$ 56,111
Interest expense	3,218	5,469	9,269	23,926	34,501
Net interest income	18,186	20,211	21,021	15,483	21,610
Provision for (reversal of) loan losses	(3,213)	6,381	15,345	27,373	22,063
Net interest income (loss) after provision for (reversal of) loan losses	21,399	13,830	5,676	(11,890)	(453)
Noninterest income (1)	732	1,664	1,069	1,500	4,396
Noninterest expense	20,714	21,699	23,998	30,994	39,856
Income (loss) from continuing operations before income taxes	1,417	(6,205)	(17,253)	(41,384)	(35,913)
Income tax expense	50	—	—	99	320
Net income (loss) from continuing operations	1,367	(6,205)	(17,253)	(41,483)	(36,233)
Discontinued operations:					
Income from discontinued operations before income taxes	—	781	—	711	493
Income tax benefits	—	—	—	—	(1,341)
Net income from discontinued operations	—	781	—	711	1,834
Net income (loss) before extraordinary net gain	1,367	(5,424)	(17,253)	(40,772)	(34,399)
Extraordinary gain on extinguishment of junior subordinated debentures, net of amortization and reorganization costs	—	—	—	54,497	—
Net income (loss)	$ 1,367	$ (5,424)	$ (17,253)	$ 13,725	$ (34,399)
Common Share Data					
Basic (earnings) loss from continuing operations	$ 0.08	$ (0.34)	$ (0.95)	$ (2.28)	$ (1.98)
Diluted (earnings) loss from continuing operations	0.04	(0.34)	(0.95)	(2.28)	(1.98)
Basic net income (loss)	0.08	(0.30)	(0.95)	0.75	(1.88)
Diluted net income (loss)	0.04	(0.30)	(0.95)	0.75	(1.88)
Dividends	—	—	—	—	—
Book value per share	0.42	0.23	0.48	1.36	0.81
Weighted average shares outstanding-basic	18,127,892	18,127,892	18,127,892	18,217,608	18,333,779
Weighted average shares outstanding-diluted	35,631,892	18,127,892	18,127,892	18,313,520	18,333,779
Financial Condition Data					
Total assets excluding assets of company held for disposal	$ 475,129	$ 503,976	$ 587,943	$ 708,686	$ 905,408
Loans	318,503	357,632	415,778	470,668	555,207
Allowance for loan losses	(11,378)	(16,128)	(14,645)	(16,240)	(19,242)
Investment securities	89,753	89,009	126,878	182,971	280,452
Deposits	394,684	422,586	493,527	589,450	694,632
Borrowings, including junior subordinated debentures	10,414	14,784	22,761	30,572	151,663
Stockholders' equity	67,629	64,222	68,753	84,695	14,802
Financial Ratios and Other Data					
Performance Ratios:					
Net interest margin (2)	3.80%	3.80%	3.27%	1.92%	2.21%
Net interest spread (3)	3.59	3.54	2.95	1.56	1.71
Noninterest income (loss) to average assets (4)	(0.01)	0.30	0.14	0.12	0.44
Noninterest expense to average assets	4.22	3.94	3.62	3.77	3.97
Efficiency ratio (5)	114.16	99.20	109.40	188.62	153.26
Earnings (loss) on average assets (6)	0.28	(1.13)	(2.60)	(5.04)	(3.61)
Earnings (loss) on average equity (7)	2.06	(9.15)	(21.34)	(2,016.67)	(84.32)
Asset Quality Ratios:					
Nonaccrual loans to total loans (8)	2.80%	5.48%	8.04%	10.80%	2.71%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (8)	5.55	8.47	9.37	10.97	2.90
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total asset (8)	5.93	7.42	7.53	7.40	1.89
Allowance for loan losses to total loans	3.57	4.51	3.52	3.45	3.47
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (8)	64.38	53.23	37.58	31.45	119.43
Net charge-offs to average loans	0.46	1.28	3.90	5.82	3.90
Capital Ratios:					
Total equity to total continuing assets	14.23%	12.74%	11.69%	11.95%	1.63%
Total risk-based capital ratio	19.34	16.93	15.47	16.51	10.04
Tier 1 risk-based capital ratio	18.07	15.64	14.20	15.24	5.02
Leverage capital ratio	14.39	13.15	11.80	12.08	3.58
Other Data:					
Number of employees (full-time equivalent)	137	137	145	165	197
Number of banking facilities	12	13	15	17	18

(1) Noninterest income from continuing operations includes pretax gains on investment securities of $0.8, $0.2 million and $0.6 million for the years ended December 31, 2012, 2010 and 2009, respectively. There were no pretax gains on investment securities in 2011 and 2008.
(2) Net interest margin is the ratio of net interest income 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 plus noninterest income, excluding gains and losses on securities.
(6) Loss on average assets is net loss from continuing operations divided by average total assets.
(7) Loss on average equity is net loss from continuing operations divided by average common equity.
(8) Excludes loans held for sale from nonaccrual loans, nonperforming assets and 90 days or more past due and still accruing

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

	At December 31, 2012	At December 31, 2011
	(Dollars in thousands, except share data)	
Assets		
Cash and due from banks	$ 53,530	$ 44,828
Investment securities:		
Securities available for sale	86,480	89,009
Trading securities	3,273	—
Total investment securities	89,753	89,009
Loans held for sale	347	2,120
Loans	318,503	357,632
Allowance for loan losses	(11,378)	(16,128)
Net loans	307,125	341,504
Federal Home Loan Bank stock	2,956	11,555
Premises and equipment, net	4,161	4,559
Accrued interest receivable	1,298	1,648
Other real estate owned, net	10,493	7,088
Bank owned life insurance	4,000	—
Other assets	1,466	1,665
Total assets	$ 475,129	$ 503,976
Liabilities and Stockholders' Equity		
Deposits:		
Noninterest-bearing demand	$ 54,163	$ 58,884
Interest-bearing demand	31,496	29,080
Savings	154,124	154,365
Time	154,901	180,257
Total deposits	394,684	422,586
Short-term borrowings	10,414	9,784
Long-term borrowings	—	5,000
Accrued interest payable	271	376
Other liabilities	2,131	2,008
Total liabilities	407,500	439,754
Stockholders' Equity		
Preferred stock, $1 par value; 5,000,000 authorized shares; 7% fixed noncumulative perpetual issued-55,624 shares of Series A and 4,376 shares of Series B convertible; aggregate liquidation preference-$60,000	51,000	51,000
Common stock, $1 par value; 50,000,000 authorized shares;18,346,391 issued shares; 18,135,344 outstanding shares	18,346	18,346
Capital surplus	158,493	158,480
Accumulated deficit	(157,931)	(159,298)
Accumulated other comprehensive income related to available for sale securities	1,924	2,113
Accumulated other comprehensive loss related to non-credit other-than-temporary impairments	(3,674)	(5,890)
Accumulated other comprehensive loss, net	(1,750)	(3,777)
Treasury stock 218,499 shares at cost	(529)	(529)
Total stockholders' equity	67,629	64,222
Total liabilities and stockholders' equity	$ 475,129	$ 503,976

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

	Years Ended December 31, 2012	Years Ended December 31, 2011
	(Dollars in thousands)	
Interest Income		
Loans	$17,713	$20,201
Loans held for sale	127	377
Securities	3,434	5,008
Other investments	130	94
Total interest income	21,404	25,680
Interest Expense		
Deposits	3,069	5,116
Short-term borrowings	17	16
Federal Home Loan Bank advances	132	337
Total interest expense	3,218	5,469
Net interest income	18,186	20,225
Provision for (reversal of) loan losses	(3,213)	6,381
Net interest income after provision for (reversal of) loan losses	21,399	13,844
Noninterest Income		
Deposit service charges	499	651
Other service fees	202	166
Other income	130	122
Total other-than-temporary impairment losses		
Total impairment loss	(1,422)	(600)
Loss recognized in other comprehensive income	—	312
Net impairment loss recognized in earnings	(1,422)	(288)
Net gains on sale of securities	773	—
Net gains on sale of assets	550	1,013
Total noninterest income	732	1,664
Noninterest Expense		
Compensation and employee benefits	9,982	9,679
Equipment	860	1,044
Occupancy and premises	1,528	1,741
Data processing	598	707
Federal deposit insurance	1,043	1,198
Professional services	1,481	1,788
Telephone and data communication	427	479
Insurance	686	741
Write down and losses on assets	2,058	2,095
Other expense	2,051	2,227
Total noninterest expense	20,714	21,699
Income (loss) from continuing operations before income taxes	1,417	(6,205)
Income tax expense	50	—
Income (loss) from continuing operations	1,367	(6,205)
Income from discontinued operations	—	781
Net income (loss)	1,367	(5,424)
Preferred stock dividends	—	—
Net income (loss) allocated to common stockholders	$1,367	$(5,424)
Other comprehensive income (loss):		
Total other comprehensive income	2,027	871
Comprehensive income (loss)	$3,394	$(4,553)