CIB MARINE BANCSHARES, INC.

Dear Shareholder, August 8, 2013

CIB Marine Bancshares, Inc. (OTCQB: CIBH) recently filed with the federal banking regulators its quarterly regulatory financial reports through the first six months of 2013. CIB Marine and its subsidiary, CIBM Bank, reported a loss for the quarter.

Results of Operations - Summary

CIB Marine reported a loss from operations of $0.9 million for the second quarter of 2013 compared to income of $0.9 million for the same period of 2012. Both basic and diluted loss per share of common stock were $0.05 for the second quarter of 2013 compared to net income per share of common stock of $0.05 and $0.03, respectively, for the same period of 2012.

- CIBM Bank reported a loss for the second quarter of 2013 of $0.5 million and a loss of $0.2 million for the six months ending June 30, 2013. Compared to the earnings reported for the first quarter of 2013, the loss in the second quarter of 2013 was primarily the result of net losses on other real estate owned versus a gain reported in the first quarter. Other contributing factors include expenses and write-downs on assets related to the announcement of the upcoming closure of our Franklin, Wisconsin office and a reduction in force - both of which should have a favorable effect on noninterest expenses in the future.
- The decline in earnings at CIB Marine in the second quarter of 2013 versus those reported for the second quarter of 2012 was primarily related to higher provisions for loan losses and lower net interest income, partly offset by improved noninterest income and lower noninterest expense.
- Provision for loan losses was $0.1 million during the second quarter of 2013 compared to a reversal of provisions of $2.7 million during the same period of 2012. The difference is primarily related to the $2.3 million received in net recoveries from the purchased home equity pools during the second quarter of 2012 compared to only a nominal net recovery during the same period of 2013.
- Net interest income declined from $4.6 million in the second quarter of 2012 to $3.8 million in the same period of 2013. The decline was primarily the result of a decline in yields on earning assets of 49 basis points versus a 16 basis points decline in the cost of interest bearing liabilities. The decline in earning asset yields was a result of declines in the yields for both loans and securities. In addition, the earning asset balances declined by $41 million from the second quarter of 2012 to the same period of 2013, however, interest earning due from balance declines represented $20 million of that decline.
- Noninterest income improved by $1.5 million from a negative $1.6 million during the second quarter of 2012 to a negative $0.1 million during the same period of 2013. The improvement was primarily related to the strategic write-down in investment securities taken during the second quarter of 2012. In addition, the negative reported for the second quarter of 2013 was comprised of noninterest income of $0.2 million in deposit and other banking fees reduced by net losses primarily in other real estate owned.
- Noninterest expense improved $0.2 million during the second quarter of 2013 compared to the same period in 2012 from $4.7 million during the second quarter of 2012 to $4.5 million in the related period of 2013. The decline was primarily the result of reduced expenses for federal deposit insurance and compensation and employee benefits, partially offset by higher expenses for professional services related to collection activities and occupancy expenses related to the announced closure of the Franklin branch.

Financial Condition - Summary

During the second quarter of 2013, CIB Marine showed improvement compared to one year ago in certain key asset quality and capital measures. Although total assets have declined by $13 million since December 31, 2012, it has been primarily the result of reduced cash and due from banks. Loan balances increased from $318.5 million at December 31, 2012, to $320.4 million at June 30, 2013.

- The June 30, 2013, Tier 1 leverage ratio for CIB Marine improved to 14.69% from 13.80% at June 30, 2012 and 14.39% at December 31, 2012. The June 30, 2013, Tier 1 leverage ratio for CIBM Bank improved to 12.60% from 12.24% at December 31, 2012.
- Nonaccrual loans were $9.7 million at June 30, 2013, an improvement from the $11.9 million reported at June 30, 2012, but up from the $8.9 million reported at December 31, 2012. Other real estate owned was $10.5 million at June 30, 2013, compared to $8.0 million reported at June 30, 2012, and $10.5 million at December 31, 2012.
- The ratio of nonaccrual loans, other real estate owned, restructured loans and loans 90 days or more past due and still accruing to total assets has improved from 6.10% at June 30, 2012, and 5.93% at December 31, 2012, to 5.90% at June 30, 2013.
- Net charge-offs annualized to average loans decreased to 0.79% during the second quarter of 2013, compared to 1.36% during the same period of 2012. The fall in net charge-offs was primarily within the commercial real estate loan segment.
- The allowance for loan losses to total loans was down to 2.71% at June 30, 2013, compared to 3.69% at June 30, 2012. The decline is primarily the result of the charge-offs of specific reserves for loans individually evaluated for impairment and improved asset quality in the loan portfolio.
- The book value per share of common stock was $0.34 at June 30, 2013, compared to $0.39 at June 30, 2012. The decline was related to year-to-date net loss reported as of June 30, 2013, and the greater accumulated other comprehensive loss reported for June 30, 2013 due to the increase in U.S. Treasury interest rates along the yield curve.

Also, attached please find unaudited financial results for the quarter and six months ending June 30, 2013 – including selected financial information, a balance sheet and an income statement. Please visit our website, www.cibmarine.com, for additional detailed information about our financial results for both recent and prior periods, as well as a link to the quarterly reports we file with our regulators.

Concluding Comments

We are obviously disappointed with the current quarter's loss and the associated loss for the first half of 2013. As I have commented previously, although our credit quality is dramatically improved and continues on that path, the resolution of asset quality issues introduces variability into our results due to related expenses.

We have taken a number of strategic and tactical actions over the course of 2013. Some have caused an increase in expenses in the second quarter, but were designed to reduce ongoing expenses and improve revenues in the future, as reflected in the following:

- Improve asset quality. We continue to make important progress as highlighted above. Improved asset quality over time is anticipated to have an important longer term effect on the value and performance of the company.
- Generate new, higher quality assets to replace those we are shedding through portfolio management. Both our retail and commercial groups turned in historically large loan origination volumes in the quarter. Our totals in residential real estate have grown about $6 million from December 31, 2012, and total loans by approximately $2 million over the same period. While these are small increases, they are further indication we are beginning to overcome the portfolio shrinkage caused by our asset quality management.
- Reduce expenses. During the quarter we announced the closure of our Franklin office and took action to reduce our work force. Along with some other expense reductions, these will have a downward

effect on our expenses in the future. These and other cost management initiatives in the quarter are anticipated to improve our costs by $0.8 million per annum.

- Introduce mobile banking services. This capability will be rolled out to our customers starting August 1st. Since smart-phones now account for about 50% of all mobile phones, our ability to facilitate our customers' banking with us in this manner is timely and important.
- Expand residential mortgage products and services. The announced acquisition of Avenue Mortgage gives us a platform to increase our mortgage offerings in all of our markets, including the 30 year fixed-rate mortgage product, and gives us a presence in the greater Chicago market. A mortgage often represents the opening of a retail relationship, helping create a potential long-term client of the bank. We are excited to make Avenue a part of our team and both companies are working hard on merger integration activities. We hope to close the transaction later in the 3rd quarter, upon regulatory approval.

With these and other previously reported actions, along with the support of the strong capital position we have developed, we remain optimistic about our results for the year and beyond. 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 and 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.

Shareholders should note that many factors, some of which are discussed elsewhere in this Shareholder Letter and in other documents made available by the Company, 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

	Quarters Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(Dollars in thousands, except share and per share data)			
Selected Statements of Operations Data				
Interest income	$4,467	$5,463	$8,957	$11,230
Interest expense	644	856	1,305	1,779
Net interest income	3,823	4,607	7,652	9,451
Provision for loan losses	86	(2,728)	164	(2,655)
Net interest income after provision for loan losses	3,737	7,335	7,488	12,106
Noninterest income (loss)	(97)	(1,639)	282	(1,945)
Noninterest expense	4,492	4,705	8,588	9,281
Income (loss) before income taxes	(852)	991	(818)	880
Income tax expense	—	50	—	50
Net income (loss)	$(852)	941	$(818)	$830
Common Share Data				
Basic net income (loss)	$(0.05)	$0.05	$(0.05)	$0.04
Diluted net income (loss)	$(0.05)	$0.03	$(0.05)	$0.02
Dividends	—	—	—	—
Book value per share	$0.34	$0.39	$0.34	$0.39
Weighted average shares outstanding-basic	18,127,892	18,127,892	18,127,892	18,127,892
Weighted average shares outstanding-diluted	18,127,892	35,631,892	18,127,892	35,631,892
Total assets	$461,835	$494,829	$461,835	$494,829
Loans	320,383	330,720	320,383	330,720
Allowance for loan losses	(8,694)	(12,208)	(8,694)	(12,208)
Investment securities	89,466	90,012	89,466	90,012
Deposits	390,316	412,411	390,316	412,411
Borrowings	3,776	13,420	3,776	13,420
Stockholders' equity	66,121	67,081	66,121	67,081
Financial Ratios and Other Data				
Performance ratios:				
Net interest margin (1)	3.44%	3.81%	3.43%	3.91%
Noninterest income (loss) to average assets (2)	(0.04)	(0.28)	0.12	(0.21)
Noninterest expense to average assets	3.87	3.81	3.70	3.75
Efficiency ratio (3)	119.06	110.39	108.17	103.95
Income (loss) on average assets (4)	(0.73)	0.76	(0.35)	0.34
Income (loss) on average equity (5)	(5.06)	5.72	(2.44)	2.56
Asset quality ratios:				
Nonaccrual loans to total loans (6)	2.95%	3.61%	2.95%	3.61%
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans (6)	5.23	6.70	5.23	6.70
Nonperforming assets, restructured loans and loans 90 days or more past due and still accruing to total assets (6)	5.90	6.10	5.90	6.10
Allowance for loan losses to total loans	2.71	3.69	2.71	3.69
Allowance for loan losses to nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing (6)	51.87	55.11	51.87	55.11
Net charge-offs annualized to average loans	0.79	1.36	1.80	0.73
Capital ratios:				
Total equity to total continuing assets	14.32%	13.56%	14.32%	13.56%
Total risk-based capital ratio	19.26	18.55	19.26	18.55
Tier 1 risk-based capital ratio	18.00	17.27	18.00	17.27
Leverage capital ratio	14.69	13.80	14.69	13.80
Other data:				
Number of employees (full-time equivalent)	127	140	127	140
Number of banking facilities	11	13	11	13

(1) Net interest margin is the ratio of net interest income to average interest-earning assets.
(2) Noninterest income (loss) to average assets excludes gains and losses on securities.
(3) The efficiency ratio is noninterest expense divided by the sum of net interest income plus noninterest income (loss), excluding gains and losses on securities. A lower ratio indicates greater efficiency.
(4) Income (loss) on average assets is net income (loss) from operations divided by average total assets.
(5) Income (loss) on average equity is net income (loss) from operations divided by average common equity.
(6) Excludes loans held for sale from nonaccrual loans, nonperforming assets and 90 days or more past due and still accruing loans.

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

	June 30, 2013	December 31, 2012
	(Dollars in thousands, except share data)	
Assets		
Cash and due from banks	$ 35,793	$ 53,530
Investment securities:		
Securities available for sale	87,264	86,480
Trading securities	2,202	3,273
Total investment securities	89,466	89,753
Loans held for sale	307	347
Loans	320,383	318,503
Allowance for loan losses	(8,694)	(11,378)
Net loans	311,689	307,125
Federal Home Loan Bank stock	2,170	2,956
Premises and equipment, net	4,487	4,161
Accrued interest receivable	1,254	1,298
Other real estate owned, net	10,508	10,493
Bank owned life insurance	4,045	4,000
Other assets	2,116	1,466
Total assets	$ 461,835	$ 475,129
Liabilities and Stockholders' Equity		
Deposits:		
Noninterest-bearing demand	$ 58,359	$ 54,163
Interest-bearing demand	29,435	31,496
Savings	152,627	154,124
Time	149,895	154,901
Total deposits	390,316	394,684
Short-term borrowings	3,776	10,414
Accrued interest payable	265	271
Other liabilities	1,357	2,131
Total liabilities	395,714	407,500
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	158,493
Accumulated deficit	(158,749)	(157,931)
Accumulated other comprehensive income related to available for sale securities	1,057	1,924
Accumulated other comprehensive loss related to non-credit other-than-temporary impairments	(3,497)	(3,674)
Accumulated other comprehensive loss, net	(2,440)	(1,750)
Treasury stock 218,499 shares at cost	(529)	(529)
Total stockholders' equity	66,121	67,629
Total liabilities and stockholders' equity	$ 461,835	$ 475,129

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

	Quarters Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(Dollars in thousands)			
Interest and Dividend Income				
Loans	$3,818	$4,510	$7,593	$9,214
Loans held for sale	3	35	(9)	69
Securities	621	882	1,322	1,889
Other investments	25	36	51	58
Total interest income	4,467	5,463	8,957	11,230
Interest Expense				
Deposits	641	799	1,299	1,666
Short-term borrowings	3	3	6	6
Federal Home Loan Bank advances	—	54	—	107
Total interest expense	644	856	1,305	1,779
Net interest income	3,823	4,607	7,652	9,451
Provision for (reversal of) loan losses	86	(2,728)	164	(2,655)
Net interest income after provision for loan losses	3,737	7,335	7,488	12,106
Noninterest Income				
Deposit service charges	110	124	213	258
Other service fees	46	61	92	119
Other income	38	79	74	91
Total other-than-temporary impairment losses				
Total impairment loss	—	(1,294)	—	(1,422)
Loss recognized in other comprehensive income	—	—	—	—
Net impairment loss recognized in earnings	—	(1,294)	—	(1,422)
Gain (loss) on sale of securities, net	(47)	—	(5)	—
Gains (loss) on sale of assets, net	(244)	(609)	(92)	(991)
Total noninterest income (loss)	(97)	(1,639)	282	(1,945)
Noninterest Expense				
Compensation and employee benefits	2,398	2,555	4,743	4,987
Equipment	212	219	437	421
Occupancy and premises	460	363	811	747
Data processing	150	144	300	286
Federal deposit insurance	158	263	286	529
Professional services	401	345	581	727
Telephone and data communication	95	110	198	214
Insurance	125	191	264	407
Other expense	493	515	968	963
Total noninterest expense	4,492	4,705	8,588	9,281
Income (loss) from continuing operations before income taxes	(852)	991	(818)	880
Income tax expense	—	50	—	50
Net income (loss)	(852)	941	(818)	830
Preferred stock dividends	—	—	—	—
Net income (loss) allocated to common stockholders	**$(852)**	**$941**	**$(818)**	**$830**
Other comprehensive income				
Total other comprehensive income	(711)	933	(690)	2,019
Comprehensive income	$(1,563)	$1,874	$(1,508)	$2,849