SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2003

Commission File number 000-24149

CIB MARINE BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Wisconsin	**37-1203599**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

N27 W24025 Paul Court, Pewaukee, Wisconsin 53072
(Address of principal executive offices, Zip Code)

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

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 ____

At August 8, 2003 CIB Marine had 18,259,831 shares of common stock outstanding.

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

CIB MARINE BANCSHARES, INC.

Consolidated Balance Sheet
(Unaudited)

	June 30, 2003	December 31, 2002
	(Dollars in thousands, except share data)	
Assets		
Cash and cash equivalents:		
Cash and due from banks	$ 58,944	$ 72,771
Federal funds sold	10,740	25,625
Total cash and cash equivalents	69,684	98,396
Loans held for sale	147,659	228,114
Securities:		
Available for sale, at fair value	505,382	443,871
Held to maturity (approximate fair value of $65,795 and $72,873, respectively)	62,518	70,132
Total securities	567,900	514,003
Loans	2,686,632	2,707,538
Less: allowance for loan losses	(60,551)	(52,369)
Net loans	2,626,081	2,655,169
Premises and equipment, net	29,945	28,087
Accrued interest receivable	15,889	16,669
Goodwill	13,122	13,122
Other intangible assets	1,444	1,700
Foreclosed properties	20,548	3,678
Assets of companies held for disposal	69,977	73,874
Other assets	34,746	32,749
Total Assets	$3,596,995	$3,665,561
Liabilities and Stockholders' Equity		
Deposits:		
Noninterest-bearing demand	$ 210,066	$ 204,267
Interest-bearing demand	64,805	58,889
Savings	690,555	574,083
Time	1,998,536	2,011,165
Total deposits	2,963,962	2,848,404
Short-term borrowings	204,878	386,945
Long-term borrowings	47,575	47,141
Guaranteed trust preferred securities	60,000	60,000
Accrued interest payable	10,025	11,108
Liabilities of companies held for disposal	31,750	37,171
Other liabilities	13,744	12,991
Total liabilities	3,331,934	3,403,760
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 and 18,312,242 issued, respectively	18,346	18,312
Capital surplus	158,163	157,783
Retained earnings	88,486	82,901
Accumulated other comprehensive income, net	2,269	2,805
Treasury stock, 86,611 shares acquired	(2,203)	—
Total stockholders' equity	265,061	261,801
Total Liabilities and Stockholders' Equity	$3,596,995	$3,665,561

See accompanying Notes to Unaudited Consolidated Financial Statements

CIB MARINE BANCSHARES, INC.

Consolidated Statements of Income (Unaudited)

	Quarter Ended June 30, 2003	Quarter Ended June 30, 2002	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
	(Dollars in thousands, except share and per share data)			
Interest and Dividend Income				
Loans	$ 45,550	$ 44,334	$ 91,109	$ 86,359
Loans held for sale	1,872	470	3,659	862
Securities:				
Taxable	3,468	5,418	6,959	10,509
Tax-exempt	573	630	1,152	1,261
Dividends	167	88	312	172
Federal funds sold	142	150	272	341
Total interest and dividend income	51,772	51,090	103,463	99,504
Interest Expense				
Deposits	20,132	21,379	40,478	42,033
Short-term borrowings	915	1,508	2,052	3,018
Long-term borrowings	294	326	588	719
Guaranteed trust preferred securities	1,303	1,062	2,623	2,124
Total interest expense	22,644	24,275	45,741	47,894
Net interest income	29,128	26,815	57,722	51,610
Provision for loan losses	8,875	7,782	17,597	11,763
Net interest income after provision for loan losses	20,253	19,033	40,125	39,847
Noninterest Income				
Loan fees	463	971	1,334	2,193
Mortgage banking revenue	6,328	1,998	12,819	3,561
Deposit service charges	852	820	1,785	1,589
Other service fees	96	66	189	143
Gain (loss) on sale of assets	45	(11)	(26)	(35)
Other income	97	977	154	1,496
Gain on investment securities, net	—	992	—	2,096
Total noninterest income	7,881	5,813	16,255	11,043
Noninterest Expense				
Compensation and employee benefits	12,750	10,155	25,686	19,932
Equipment	1,353	1,165	2,641	2,340
Occupancy and premises	1,282	1,097	2,560	2,155
Professional services	851	921	1,555	1,352
Advertising/marketing	327	361	598	765
Telephone & data communications	558	569	1,125	1,055
Impairment loss	2,748	—	2,748	—
Provision for off-balance sheet losses	1,500	—	2,000	—
Other expense	4,350	2,941	8,136	4,893
Total noninterest expense	25,719	17,209	47,049	32,492
Income before income taxes	2,415	7,637	9,331	18,398
Income tax expense	1,480	2,429	3,746	6,236
Net Income	$ 935	$ 5,208	$ 5,585	$ 12,162
Earnings Per Share				
Basic	$ 0.05	$ 0.29	$ 0.30	$ 0.67
Diluted	0.05	0.28	0.30	0.66
Weighted average shares — basic	18,314,607	18,217,578	18,313,713	18,056,383
Weighted average shares — diluted	18,687,900	18,611,380	18,682,989	18,438,800

See accompanying Notes to Unaudited Consolidated Financial Statements

CIB MARINE BANCSHARES, INC.

Consolidated Statements of Stockholders' Equity (Unaudited)

	Common Stock Shares	Common Stock Par Value	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
	(Dollars in thousands, except share data)						
Balance, December 31, 2001	17,876,752	$17,877	$148,972	$67,270	$ 3,023	$ —	$237,142
Comprehensive income:							
Net income	—	—	—	12,162	—	—	12,162
Other comprehensive income:							
Unrealized securities holding gains arising during the period	—	—	—	—	1,788	—	1,788
Reclassification adjustment for gains included in net income	—	—	—	—	(2,096)	—	(2,096)
Income tax effect	—	—	—	—	137	—	137
Total comprehensive income							11,991
Common stock issuance	341,772	342	7,594	—	—	—	7,936
Exercise of stock options	19,500	19	207	—	—	—	226
Balance, June 30, 2002	18,238,024	$18,238	$156,773	$79,432	$ 2,852	$ —	$257,295
Balance, December 31, 2002	18,312,242	$18,312	$157,783	$82,901	$ 2,805	$ —	$261,801
Comprehensive income:							
Net income	—	—	—	5,585	—	—	5,585
Other comprehensive income:							
Unrealized securities holding losses arising during the period	—	—	—	—	(2,571)	—	(2,571)
Income tax effect	—	—	—	—	1,001	—	1,001
Foreign currency translation adjustment	—	—	—	—	1,034	—	1,034
Total comprehensive income							5,049
Exercise of stock options	34,200	34	380	—	—	—	414
Acquisition of treasury stock (86,611 shares)	—	—	—	—	—	(2,203)	(2,203)
Balance, June 30, 2003	18,346,442	$18,346	$158,163	$88,486	$ 2,269	$(2,203)	$265,061

See accompanying Notes to Unaudited Consolidated Financial Statements

CIB MARINE BANCSHARES, INC.

Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
	(Dollars in thousands)	
Cash Flows from Operating Activities		
Net income	$ 5,585	$ 12,162
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Deferred loan fee amortization	(4,319)	(5,503)
Depreciation and other amortization	4,687	2,590
Provision for loan losses	17,597	11,763
Originations of loans held for sale	(278,963)	(101,125)
Purchases of loans held for sale	(918,158)	(335,157)
Proceeds from sale of loans held for sale	1,275,870	441,054
Deferred tax benefit	(5,131)	(4,174)
Impairment and off-balance sheet losses	4,748	—
Loss on the sale of other assets	26	35
Gain on sale of securities	—	(2,096)
Decrease (increase) in interest receivable and other assets	110	(3,179)
Increase in interest payable and other liabilities	5,613	527
Net cash provided by operating activities	107,665	16,897
Cash Flows from Investing Activities		
Maturities of securities available for sale	102,689	106,587
Maturities of securities held to maturity	6,186	13,100
Purchase of securities available for sale	(134,441)	(195,809)
Purchase of securities held to maturity	(2,450)	(3,707)
Proceeds from sales of securities available for sale	999	63,565
Repayments of mortgage backed securities held to maturity	3,917	4,858
Repayments of mortgage backed securities available for sale	106,159	28,867
Purchase of mortgage backed securities available for sale	(141,799)	(84,893)
Net increase in other equities (including FHLB stock)	—	(660)
Net decrease in other investments	284	314
Net increase in loans	(4,586)	(181,345)
(Increase) decrease in net assets of companies held for disposal	(5,025)	1,100
Proceeds from sale of foreclosed properties	1,392	992
Capital expenditures	(3,735)	(1,251)
Net cash used in investing activities	(70,410)	(248,282)
Cash Flows from Financing Activities		
Increase in deposits	115,686	332,918
Proceeds from issuance of common stock	—	7,936
Proceeds from stock options exercised	414	226
Net decrease in short-term borrowings	(182,067)	(74,840)
Net cash provided by (used in) financing activities	(65,967)	266,240
Net increase (decrease) in cash and cash equivalents	(28,712)	34,855
Cash and cash equivalents, beginning of period	98,396	59,000
Cash and cash equivalents, end of period	$ 69,684	$ 93,855
Supplemental Cash Flow Information		
Cash paid during the period for:		
Interest	$ 46,824	$ 47,881
Income taxes	4,111	9,722
Supplemental Disclosures of Noncash Activities		
Transfer of loans to foreclosed properties	18,193	805
Loans repaid with treasury shares	2,203	—

See accompanying Notes to Unaudited Consolidated Financial Statements

Note 1 — Basis of Presentation

The accompanying unaudited consolidated financial statements should be read in conjunction with CIB Marine Bancshares, Inc.'s 2002 Annual Report on Form 10-K. In the opinion of management, the unaudited consolidated financial statements included in this report reflect all adjustments which are necessary to present fairly CIB Marine's financial condition, results of operations, and cash flows as of and for the quarter and six month periods ended June 30, 2003 and 2002. The results of operations for the six-month period ended June 30, 2003 are not necessarily indicative of results to be expected for the entire year. 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.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 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.

In April 2003, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (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 is not expected to materially affect the consolidated results of operations or financial position.

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 amends SFAS No. 128, *Earnings Per Share*, and SFAS No. 133, *Accounting For Derivative Instruments and Hedging Activities*, and nullifies (or partially nullifies) various Emerging Issues Task Force consensuses. 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 June 30, 2003 that would require reclassification as a result of SFAS No. 150.

In November 2002, the FASB issued Interpretation No. 45 (FIN 45) *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, to clarify accounting and disclosure requirements relating to a guarantor's issuance of certain types of guarantees. FIN 45 requires entities to disclose additional information about certain guarantees, or groups of similar guarantees, even if the likelihood of the guarantor's having to make any payments under the guarantee is remote. For certain guarantees, the interpretation also requires that guarantors recognize a liability equal to the fair value

Note 1 — Basis of Presentation — Continued

of the guarantee upon its issuance. CIB Marine adopted FIN 45 on January 1, 2003. Adoption of FIN 45 did not have a material impact on CIB Marine's financial statements.

In January 2003, the FASB issued Interpretation No. 46 (FIN 46), *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 46, consolidation generally occurred when an enterprise controlled another entity through voting interests. The accounting provisions for existing unconsolidated entities of FIN 46 must be adopted immediately for variable interest entities formed after January 31, 2003 and on July 1, 2003 for existing variable interest entities. CIB Marine has no newly formed variable interest entities subject to the January 31, 2003 effective date. CIB Marine is a limited partner in various affordable housing partnerships which have been determined to be variable interest entities. CIB Marine is not the primary beneficiary of these partnerships and accordingly is not required to consolidate these entities. CIB Marine's aggregate investment in these limited partnerships was $4.1 million at June 30, 2003. CIB Marine was also committed to provide additional funding of $1.8 million as of that date. These amounts, along with the potential recapture of $0.6 million of tax credits, represent CIB Marine's maximum exposure to loss as a result of its involvement in these limited partnerships. Adoption of FIN 46 is not expected to materially affect the consolidated results of operations or financial position.

Reclassifications have been made to certain amounts as of and for the quarter and six-month periods ended June 30, 2002 to be consistent with classifications for 2003.

Note 2 — Securities

The amortized cost, gross unrealized gains and losses, and approximate fair values of securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(Dollars in thousands)		
Securities Available For Sale				
June 30, 2003				
U.S. Treasuries and agencies	$194,176	$1,885	$ —	$196,061
Obligations of states and political subdivisions	8,703	58	3	8,758
Other notes and bonds	600	—	—	600
Commercial paper	6,500	1	—	6,501
Mortgage backed securities	282,464	2,012	1,809	282,667
Federal Home Loan Bank stock	10,795	—	—	10,795
	$503,238	$3,956	$1,812	$505,382
December 31, 2002				
U.S. Treasuries and agencies	$150,710	$1,457	$ —	$152,167
Obligations of states and political subdivisions	6,478	55	7	6,526
Other notes and bonds	600	—	—	600
Commercial paper	8,300	4	—	8,304
Mortgage backed securities	262,674	3,320	114	265,880
Federal Home Loan Bank stock	10,394	—	—	10,394
	$439,156	$4,836	$ 121	$443,871

Note 2 — Securities — Continued

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in thousands)			
Securities Held to Maturity				
June 30, 2003				
U.S. Treasuries and agencies	$ 500	$ 4	$ —	$ 504
Obligations of states and political subdivisions	56,352	3,123	12	59,463
Other notes and bonds	450	—	12	438
Mortgage backed securities	5,216	174	—	5,390
	$ 62,518	$3,301	$ 24	$ 65,795
December 31, 2002				
U.S. Treasuries and agencies	$ 4,499	$ 24	$ —	$ 4,523
Obligations of states and political subdivisions	56,107	2,310	18	58,399
Other notes and bonds	450	—	—	450
Mortgage backed securities	9,076	425	—	9,501
	$ 70,132	$2,759	$ 18	$ 72,873

Assets, primarily securities, carried at approximately $185.7 million and $200.1 million at June 30, 2003 and December 31, 2002, respectively, were pledged to secure public deposits, Federal Home Loan Bank advances, and for other purposes as required or permitted by law. The approximate fair value of these assets was $189.3 million and $203.3 million at June 30, 2003 and December 31, 2002, respectively.

Note 3 — Loans

The components of loans are as follows:

	June 30, 2003	December 31, 2002
	(Dollars in thousands)	
Commercial	$ 748,840	$ 803,929
Factored receivables	7,131	6,779
Commercial real estate	1,340,850	1,332,455
Commercial real estate construction	546,372	513,804
Residential real estate	32,639	37,628
Home equity	13,215	14,526
Consumer	4,194	5,895
Gross loans	2,693,241	2,715,016
Deferred loan fees	(6,609)	(7,478)
Allowance for loan losses	(60,551)	(52,369)
Loans, net	$2,626,081	$2,655,169

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. Such loans totaled $55.2 million and $51.2 million at June 30, 2003 and December 31, 2002, respectively.

Note 4 — Goodwill and Other Intangible Assets

CIB Marine's intangible asset values are as follows:

	June 30, 2003		
	Gross Carrying Amount	Accumulated Amortization	Net Intangible
	(Dollars in thousands)		
Amortizing intangible assets:			
Core deposits	$3,959	$2,791	$ 1,168
Customer base of factoring business	390	116	274
Mortgage servicing rights	19	17	2
Total amortizing intangible assets	$4,368	$2,924	1,444
Nonamortizing goodwill			13,122
Total intangible assets, net			$14,566

Note 5 — Companies Held For Disposal

CIB Marine has acquired two companies through loan collection activities that are classified as held for disposal. The gross assets and liabilities of these companies are reported on the Consolidated Balance Sheet. Intercompany loan and cash balances and interest income and expense between the two companies and CIB Marine have been eliminated from the totals shown on the Consolidated Financial Statements. The financial statements of these companies shown below include all adjustments necessary to reflect the fair values of the assets and liabilities at date of acquisition.

Canron Corporation

CIB Marine acquired Canron, a steel fabrication and erection company, in October 2002 from the Borrower pursuant to a Settlement Order entered in the Bankruptcy Court. CIB Marine continues to explore various exit strategies relative to Canron, all of which CIB Marine management has authority to do, including the immediate sale of its equity interest in the company. Canron is also exploring an orderly liquidation of its assets, as well as other strategies to wind up its affairs. As a result of Canron's lack of bonding and decrease in backlog, Canron closed certain of its facilities and reduced its work force during the second quarter of 2003, and will consider additional closings and reductions as warranted. An impairment loss of $2.7 million was recorded in June 2003 to reduce CIB Marine's equity investment in Canron to its estimated fair market value of $0.9 million.

At June 30, 2003, CIB Marine also had $32.0 million in loans outstanding and received interest income of $0.9 million during the first six months of 2003 from Canron, both of which are eliminated in the Consolidated Financial Statements of CIB Marine. These loans are collateralized by a first lien on essentially all of the business assets of Canron, including accounts receivable, certain inventories, equipment and real estate. CIB Marine had an additional $6.8 million of unfunded loan commitments and letters of credit available to Canron on June 30, 2003.

Canron's functional currency is the Canadian dollar. The translation from Canadian dollars to U.S. dollars for balance sheet accounts is based upon current exchange rates in effect at the balance sheet date and for revenue and expense is based on the weighted average exchange rate during the period. The gain or loss resulting from translation is included in accumulated other comprehensive income. As gains related to translation are considered to be reinvested in Canron, no provision for deferred income taxes has been made for such gains.

Note 5 — Companies Held For Disposal — Continued

The following table summarizes the composition of Canron's balance sheet:

	June 30, 2003	December 31, 2002
	(Dollars in thousands)	
Assets:		
Cash on deposit at CIB Marine	$ 487	$ 327
Accounts receivable	31,942	33,610
Inventories and contracts in progress	6,827	7,629
Other assets	4,681	4,195
Current assets	43,937	45,761
Deferred tax asset	3,415	3,869
Property and equipment, net	20,062	18,026
Total assets	$67,414	$67,656
Liabilities and stockholders' equity:		
Current portion of loans payable to CIB Marine	$21,653	$ 3,921
Other liabilities	29,210	33,880
Current liabilities	50,863	37,801
Loans payable to CIB Marine	10,344	22,272
Subordinated loan payable to unaffiliated bank	1,814	1,814
Total liabilities	63,021	61,887
Stockholders' equity	4,393	5,769
Total liabilities and stockholders' equity	$67,414	$67,656

CIB Marine's 84% equity interest in Canron's pre-tax loss is included in CIB Marine's Other Income for the quarter and six months ended June 30, 2003. Canron's results of operations are as follows:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	(Dollars in thousands)			
Contract revenue earned	$25,855	$49,905	$48,039	$90,468
Cost of contract revenue	24,174	42,680	44,446	78,272
Gross profit	1,681	7,225	3,593	12,196
Selling, general and administrative expenses	2,365	4,978	4,908	9,597
Interest on CIB Marine debt	468	660	880	1,235
Other interest expense	32	36	72	72
Income (loss) before income taxes	(1,184)	1,551	(2,267)	1,292
Income tax expense	236	713	339	582
Net income (loss)	$(1,420)	$ 838	$(2,606)	$ 710

The following represents supplemental pro forma disclosure required by Statement of Financial Accounting Standards No. 141, *Business Combinations,* of CIB Marine's consolidated net income and earnings per share as though the business combination had been completed as of January 1, 2002:

	Quarter Ended June 30, 2002	Six Months Ended June 30, 2002
	(Dollars in thousands, except per share data)	
Net income	$5,913	$12,759
Basic earnings per share	0.32	0.71
Diluted earnings per share	0.32	0.69

Note 5 — Companies Held For Disposal — Continued

See Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Companies Held for Disposal — Canron Corporation" for additional information regarding the Borrower and Canron.

MICR, Inc.

CIB Marine acquired and/or assumed, through MICR, Inc., a wholly owned subsidiary of CIB-Chicago, the business and certain assets and liabilities of a manufacturer of payment processing systems in October 2000. This business is classified as a held for sale asset. Pre-tax income was $0.7 and $0.8 million for the six months ended June 30, 2003 and 2002, respectively. Dividends totalling $0.8 million and $1.1 million were paid by MICR to CIB Marine for the six months ended June 30, 2003 and 2002, respectively. Pre-tax income related to this business is classified as Other Income in the Consolidated Statements of Income. CIB Marine management, which has authority to do so, has developed and is implementing a plan to sell this business.

The following table summarizes the composition of MICR's balance sheet:

	June 30, 2003	December 31, 2002
	(Dollars in thousands)	
Assets:		
Accounts receivable	$ 541	$ 430
Inventory	840	1,024
Other current assets	324	502
Property and equipment, net	457	433
Goodwill, net	4,156	4,156
Total assets	$6,318	$6,545
Liabilities and stockholder's equity:		
Liabilities	$ 658	$ 558
Stockholder's equity	5,660	5,987
Total liabilities and stockholder's equity	$6,318	$6,545

Note 6 — Other Assets

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

	June 30, 2003	December 31, 2002
	(Dollars in thousands)	
Prepaid expenses	$ 1,271	$ 1,293
Accounts receivable	902	551
Fair value of derivatives	6,632	8,022
Trust preferred securities underwriting fee, net of amortization	1,527	1,555
Other investments	9,771	9,999
Income tax receivable	—	2,877
Deferred tax asset	12,901	6,688
Other	1,742	1,764
	$34,746	$32,749

Other investments include interests in three limited partnerships. The carrying value of these investments was $2.9 million at June 30, 2003 and $3.0 million at December 31, 2002. Equity income recorded on the limited partnerships was $0.4 million for both of the six-month periods ended June 30, 2003 and 2002. There is currently no public market for these investments, and it is unlikely that such a market will develop. These investments were purchased from the Borrower in September 1999 to provide the Borrower with cash to meet

Note 6 — Other Assets — Continued

its current obligations to CIB Marine and other lenders. In December 2001, CIB Marine purchased shares of the common stock of a closely held information services company, which represents less than a 5% interest in the company, at a public sale from one of its subsidiary banks as a result of a defaulted loan. The common stock was owned by the Borrower and held as collateral for certain loans made to the Borrower. The amount of this investment is carried at the lower of cost or estimated fair market value which was estimated to be $1.6 million at both June 30, 2003 and December 31, 2002. See Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations — Companies Held for Disposal — Canron Corporation" for additional information regarding the Borrower.

Other investments also include investments in various affordable housing partnerships. The carrying value of these investments, accounted for under the equity method, was $4.1 million at June 30, 2003 and $4.2 million at December 31, 2002. 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.

Note 7 — Short-term Borrowings

The following table presents information regarding short-term borrowings:

	June 30, 2003		December 31, 2002	
	Balance	Rate	Balance	Rate
	(Dollars in thousands)			
Federal funds purchased and securities sold under repurchase agreements	$164,722	1.29%	$243,187	1.27%
Federal Home Loan Bank notes	—	—	100,500	2.20
Revolving lines of credit	27,607	3.12	36,685	3.09
Commercial paper	2,813	1.81	4,436	2.04
Treasury, tax, and loan notes	9,736	0.99	2,137	0.99
	$204,878	1.53%	$386,945	1.69%

At June 30, 2003, CIB Marine was not in compliance with certain provisions of its revolving lines of credit. CIB Marine has obtained waivers with respect to these matters.

Note 8 — Long-term Borrowings

The following table presents information regarding amounts payable to the Federal Home Loan Bank of Chicago that are included in long-term borrowings:

	June 30, 2003		December 31, 2002		Scheduled	Callable @
	Balance	Rate	Balance	Rate	Maturity	Par After
	(Dollars in thousands)					
	$ 3,500	5.12%	$ 3,500	5.12%	5/01/04	N/A
	5,000	5.12	5,000	5.12	5/01/04	N/A
	3,250	4.95	3,250	4.95	1/16/08	1/16/01
	2,500	4.95	2,500	4.95	1/16/08	1/16/01
	2,000	4.95	2,000	4.95	1/16/08	1/16/01
	2,000	5.09	2,000	5.09	2/20/08	2/20/01
	23,901	7.07	23,810	7.07	6/30/08	N/A
	42,151	6.19%	42,060	6.19%		
Interest rate swap	5,424		5,081			
Total	$47,575		$47,141			

Note 8 — Long-term Borrowings — Continued

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 and ranges from 60% on loans held for sale to 90% on certain types of government securities. CIB Marine had collateral of $210.0 million and $316.2 million at June 30, 2003 and December 31, 2002, respectively. As of June 30, 2003, this collateral consisted of securities with a fair market value of $57.5 million and 1-4 family residential mortgages of $152.5 million. The residential mortgages used as collateral consisted primarily of loans held for sale.

Note 9 — Stockholders' Equity

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. There are five capital categories defined in the regulations: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. 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 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. At June 30, 2003, all of the bank subsidiaries were categorized as well-capitalized under the regulatory framework for prompt corrective action. 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.

On January 30, 2003, CIB-Chicago entered into a Memorandum of Understanding (the "Memorandum") with the Illinois Office of Banks and Real Estate (OBRE) and the FDIC (together the "Regulators"). The Memorandum was entered into as a result of 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 OBRE's regular examination of CIB-Chicago which commenced on September 23, 2002.

Pursuant to the Memorandum, CIB-Chicago has agreed to take certain actions to correct the deficiencies noted within the examination report. In addition, during the period in which the Memorandum is in effect, CIB-Chicago has agreed to maintain a Tier 1 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 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. At June 30, 2003, CIB-Chicago's Tier 1 capital to total assets ratio was 8.53%. Also, unless prior written consent is received from the Regulators, CIB-Chicago has agreed to restrict its loan growth to no more than 2% during any consecutive three-month period and to suspend the declaration or payment of dividends.

The Memorandum is not a formal supervisory action. Failure to comply with the Memorandum can lead to a formal enforcement action which could have a material adverse affect on CIB Marine and its operations. CIB Marine has initiated action plans to correct the deficiencies noted in the examination report.

Note 10 — Earnings Per Share Computations

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

	Quarter Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	(Dollars in thousands, except share and per share data)			
Net income	$ 935	$ 5,208	$ 5,585	$ 12,162
Weighted average shares outstanding:				
Basic	18,314,607	18,217,578	18,313,713	18,056,383
Effect of dilutive stock options outstanding	373,293	393,802	369,276	382,417
Diluted	18,687,900	18,611,380	18,682,989	18,438,800
Earnings per share:				
Basic	$ 0.05	$ 0.29	$ 0.30	$ 0.67
Effect of dilutive stock options outstanding	—	(0.01)	—	(0.01)
Diluted	$ 0.05	$ 0.28	$ 0.30	$ 0.66

Note 11 — Stock Option Plans

The following is a reconciliation of stock option activity for the six months ended June 30, 2003:

	Number of Shares	Range of Option Prices Per Share	Weighted Average Exercise Price
Shares under option December 31, 2002	1,533,251	$4.95–$25.08	$16.27
Granted	—	—	—
Lapsed or surrendered	—	—	—
Exercised	(34,200)	4.95–13.07	5.90
Shares under option June 30, 2003	1,499,051	$8.50–$25.08	$16.50
Shares exercisable at June 30, 2003	941,746	$8.50–$23.66	$14.37

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.

Note 11 — Stock Option Plans — Continued

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 pro forma net income and earnings per share would have been as follows:

		Quarter Ended June 30, 2003	Quarter Ended June 30, 2002	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
		(Dollars in thousands, except per share data)			
Net income	As reported	$ 935	$5,208	$5,585	$12,162
	Assumed compensation cost, net of tax	(327)	(330)	(653)	(663)
	Pro forma	$ 608	$4,878	$4,932	$11,499
Basic earnings per share	As reported	$ 0.05	$ 0.29	$ 0.30	$ 0.67
	Pro forma	0.03	0.27	0.27	0.64
Diluted earnings per share	As reported	0.05	0.28	0.30	0.66
	Pro forma	0.03	0.26	0.26	0.62

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% for 2002. The per share weighted average fair value of stock options granted during the six months ended June 30, 2002 was $9.94 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.

Note 12 — Business Segments

CIB Marine has determined that its two reportable business segments are General Banking and Mortgage Banking. General Banking consists of making loans, accepting deposits, and providing other traditional banking services to CIB Marine's commercial and retail customers. These products and services are provided primarily by CIB Marine's subsidiary banks through its branch network. Mortgage banking primarily includes the operations of our mortgage banking subsidiary, Mortgage Services, Inc. Mortgage Services originates and purchases residential mortgages through a network of brokers, correspondent banks, and CIB Marine's banking facilities. The majority of these loans are sold into the secondary market with servicing rights released.

Management reviews the operating performance of these segments using primarily legal entity based financial reports. Management support services are provided to the business segments by the holding company and an information services subsidiary. The remaining unrecovered expenses of the holding company are shown as corporate overhead in the business segment table below.

	At or For the Quarter Ended June 30, 2003				
	General Banking	Mortgage Banking	Corporate Overhead	Intercompany Eliminations	Consolidated
	(Dollars in thousands)				
Net interest income	$ 29,816	$ 911	$(1,417)	$ (182)	$ 29,128
Provision for loan losses	8,875	—	—	—	8,875
Net interest income after provision for loan losses	20,941	911	(1,417)	(182)	20,253
Noninterest income	1,397	6,288	5,215	(5,019)	7,881
Noninterest expense	19,318	5,340	6,262	(5,201)	25,719
Income (loss) before income taxes	3,020	1,859	(2,464)	—	2,415
Income tax expense (benefit)	1,748	651	(919)	—	1,480
Net income (loss)	$ 1,272	$ 1,208	$(1,545)	$ —	$ 935
Identifiable assets	$3,527,634	$150,451	$23,490	$(104,580)	$3,596,995

	At or For the Quarter Ended June 30, 2002				
	General Banking	Mortgage Banking	Corporate Overhead	Intercompany Eliminations	Consolidated
	(Dollars in thousands)				
Net interest income	$ 27,832	$ 214	$(1,245)	$ 14	$ 26,815
Provision for loan losses	7,782	—	—	—	7,782
Net interest income after provision for loan losses	20,050	214	(1,245)	14	19,033
Noninterest income	3,793	2,033	4,561	(4,574)	5,813
Noninterest expense	13,760	2,484	5,525	(4,560)	17,209
Income (loss) before income taxes	10,083	(237)	(2,209)	—	7,637
Income tax expense (benefit)	3,043	(112)	(502)	—	2,429
Net income (loss)	$ 7,040	$ (125)	$(1,707)	$ —	$ 5,208
Identifiable assets	$3,243,815	$ 32,045	$17,712	$ (61,367)	$3,232,205

Note 12 — Business Segments — Continued

	At or For the Six Months Ended June 30, 2003				
	General Banking	Mortgage Banking	Corporate Overhead	Intercompany Eliminations	Consolidated
	(Dollars in thousands)				
Net interest income	$ 59,272	$ 1,753	$(2,930)	$ (373)	$ 57,722
Provision for loan losses	17,597	—	—	—	17,597
Net interest income after provision for loan losses	41,675	1,753	(2,930)	(373)	40,125
Noninterest income	2,892	12,793	10,296	(9,726)	16,255
Noninterest expense	34,505	10,123	12,520	(10,099)	47,049
Income (loss) before income taxes	10,062	4,423	(5,154)	—	9,331
Income tax expense (benefit)	4,048	1,618	(1,920)	—	3,746
Net income (loss)	$ 6,014	$ 2,805	$(3,234)	$ —	$ 5,585
Identifiable assets	$3,527,634	$150,451	$23,490	$(104,580)	$3,596,995

	At or For the Six Months Ended June 30, 2002				
	General Banking	Mortgage Banking	Corporate Overhead	Intercompany Eliminations	Consolidated
	(Dollars in thousands)				
Net interest income	$ 53,601	$ 407	$(2,428)	$ 30	$ 51,610
Provision for loan losses	11,763	—	—	—	11,763
Net interest income after provision for loan losses	41,838	407	(2,428)	30	39,847
Noninterest income	7,683	3,535	8,725	(8,900)	11,043
Noninterest expense	26,489	4,213	10,660	(8,870)	32,492
Income (loss) before income taxes	23,032	(271)	(4,363)	—	18,398
Income tax expense (benefit)	7,517	(131)	(1,150)	—	6,236
Net income (loss)	$ 15,515	$ (140)	$(3,213)	$ —	$ 12,162
Identifiable assets	$3,243,815	$ 32,045	$17,712	$ (61,367)	$3,232,205

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis presents CIB Marine's consolidated financial condition as of June 30, 2003 and results of operations for the quarter and six months ended June 30, 2003. This discussion should be read together with the consolidated financial statements and accompanying notes contained in Part I, Item 1 of this report, as well as CIB Marine's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.

FORWARD-LOOKING STATEMENTS

CIB Marine has made statements in this report 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 business conditions in the banking industry generally and in the markets in which CIB Marine operates;
- CIB Marine's ability to correct the deficiencies identified in the Memorandum;
- 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 non-financial institutions;
- CIB Marine's ability to generate or obtain the funds necessary to achieve its future growth objectives;
- CIB Marine's ability to manage its future growth;
- CIB Marine's ability to identify attractive acquisition and growth opportunities;
- CIB Marine's ability to attract and retain key personnel;
- 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 such borrowers;
- 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;
- The costs and effects of unanticipated litigation and of unexpected or adverse outcomes in such litigations; 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.

Results of Operations

Overview

CIB Marine's net income decreased $4.3 million, or 82.0%, from $5.2 million for the second quarter of 2002 to $0.9 million for the second quarter of 2003. The decrease in net income was primarily the result of a $2.7 million impairment loss associated with Canron, a $1.5 million provision for an off-balance sheet loss, and a $1.1 million increase in the provision for loan losses. Additional information about the impairment and off-balance sheet loss is discussed in "Noninterest Expense." Other factors affecting the change in net income between the periods were increases in net interest income of $2.3 million and noninterest income of $2.1 million, partially offset by an increase in operating expenses of $4.3 million.

Diluted earnings per share decreased $0.23, or 82.1%, from $0.28 for the second quarter of 2002 to $0.05 for the second quarter of 2003. The return on average assets was 0.10% for the second quarter of 2003, as compared to 0.66% for the second quarter of 2002. The return on average equity was 1.39% for the second quarter of 2003, as compared to 8.17% for the second quarter of 2002.

CIB Marine's net income decreased $6.6 million, or 54.1%, from $12.2 million for the six months ended June 30, 2002 to $5.6 million for the six months ended June 30, 2003. The decrease in net income was primarily the result of a $5.8 million increase in the provision for loan losses, a $2.7 million impairment loss associated with Canron, and a $2.0 million provision for an off-balance sheet loss. Additional information about these items is discussed in "Provision for Loan Losses" and "Noninterest Expense". Other factors affecting the change in net income between the periods were increases in net interest income of $6.1 million and noninterest income of $5.2 million, partially offset by an increase in operating expenses of $9.8 million.

Diluted earnings per share decreased $0.36, or 54.5%, from $0.66 for the six months ended June 30, 2002 to $0.30 for the six months ended June 30, 2003. The return on average assets was 0.31% for the six months ended June 30, 2003 compared to 0.79% for the same period of 2002. The return on average equity was 4.19% for the six months ended June 30, 2003 compared to 9.85% for the same period of 2002.

As described in Note 12 to the Consolidated Financial Statements, CIB Marine's reportable business segments are General Banking and Mortgage Banking. CIB Marine's profitability is primarily dependent on the net interest revenue, noninterest income, noninterest expense, and the provision for loan losses of its General Banking segment. The consolidated discussion included herein is therefore predominantly describing the General Banking segment. For a discussion of the Mortgage Banking segment, refer to specific discussions of mortgage banking related revenue and expense contained within "Noninterest Income" and "Noninterest Expense."

The following table sets forth the percentage change in the average balance sheet or income statement items for the June 2003 periods compared to the same periods of 2002:

	Quarter Ended June 30, 2003 vs. June 30, 2002	Six Months Ended June 30, 2003 vs. June 30, 2002
Selected Average Balance Sheet Items		
Total loans	8.19%	10.17%
Total interest-earning assets	11.50	13.34
Total assets	14.37	16.11
Total deposits	16.09	17.82
Total interest-bearing liabilities	12.83	14.57
Selected Income Statement Items		
Net interest income (TE)	8.40%	11.68%
Provision for loan losses	14.05	49.60
Noninterest income	35.58	47.20
Noninterest expense	49.45	44.80
Net income	(82.05)	(54.08)
Diluted earnings per share	(82.14)	(54.55)

(TE) Tax-equivalent basis at 35%

CIB Marine's historical asset growth has been largely attributable to the implementation of its business strategy, which includes focusing on the development of banking relationships with small to medium-sized businesses, offering more personalized service to banking customers, hiring experienced personnel, and expanding in both new and existing markets. CIB Marine had 57 banking facilities and 895 full-time equivalent employees at June 30, 2003, as compared to 51 banking facilities and 751 full-time equivalent employees at June 30, 2002. CIB Marine opened five new branches in the second quarter of 2003, three located in Florida and two in the Chicago metropolitan area.

The following table sets forth selected unaudited consolidated financial data. The selected financial data should be read in conjunction with the Unaudited Consolidated Financial Statements, including the related notes.

Selected Consolidated Financial Data

	At or For the Quarter Ended June 30,		At or For the Six Months Ended June 30,	
	2003	2002	2003	2002
	(Dollars in thousands, except share and per share data)			
Selected Statement of Income Data				
Interest and dividend income	$ 51,772	$ 51,090	$ 103,463	$ 99,504
Interest expense	22,644	24,275	45,741	47,894
Net interest income	29,128	26,815	57,722	51,610
Provision for loan losses	8,875	7,782	17,597	11,763
Net interest income after provision for loan losses	20,253	19,033	40,125	39,847
Noninterest income(1)	7,881	5,813	16,255	11,043
Noninterest expense	25,719	17,209	47,049	32,492
Income before income taxes	2,415	7,637	9,331	18,398
Income tax expense	1,480	2,429	3,746	6,236
Net income	$ 935	$ 5,208	$ 5,585	$ 12,162
Common Share Data				
Basic earnings per share	$ 0.05	$ 0.29	$ 0.30	$ 0.67
Diluted earnings per share	0.05	0.28	0.30	0.66
Dividends	—	—	—	—
Book value per share	$ 14.52	$ 14.11	$ 14.52	$ 14.11
Weighted average shares outstanding-basic	18,314,607	18,217,578	18,313,713	18,056,383
Weighted average shares outstanding-diluted	18,687,900	18,611,380	18,682,989	18,438,800
Financial Condition Data				
Total assets	$ 3,596,995	$ 3,232,205	$ 3,596,995	$ 3,232,205
Loans	2,686,632	2,571,589	2,686,632	2,571,589
Securities	567,900	467,527	567,900	467,527
Deposits	2,963,962	2,604,228	2,963,962	2,604,228
Borrowings, including guaranteed trust preferred securities	312,453	347,811	312,453	347,811
Stockholders' equity	265,061	257,295	265,061	257,295
Financial Ratios and Other Data				
Performance ratios:				
Net interest margin(2)	3.42%	3.51%	3.43%	3.48%
Net interest spread(3)	3.10	3.10	3.11	3.06
Noninterest income to average assets(4)	0.87	0.61	0.91	0.58
Noninterest expense to average assets	2.83	2.17	2.63	2.11
Efficiency ratio(5)	68.61	53.56	62.78	52.84
Return on average assets(6)	0.10	0.66	0.31	0.79
Return on average equity(7)	1.39	8.17	4.19	9.85

	At or For the Quarter Ended June 30,		At or For the Six Months Ended June 30,	
	2003	2002	2003	2002
	(Dollars in thousands, except share and per share data)			
Asset quality ratios:				
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans	2.27%	2.23%	2.27%	2.23%
Nonperforming assets and loans 90 days or more past due and still accruing to total assets	2.27	1.86	2.27	1.86
Allowance for loan losses to total loans	2.25	1.63	2.25	1.63
Allowance for loan losses to nonaccrual, restructured loans and loans 90 days or more past due and still accruing	99.23	73.21	99.23	73.21
Net charge-offs annualized to average loans	0.80	0.51	0.69	0.32
Capital ratios:				
Total equity to total assets	7.37%	7.96%	7.37%	7.96%
Total risk-based capital ratio	10.79	10.61	10.79	10.61
Tier 1 risk-based capital ratio	9.54	9.36	9.54	9.36
Leverage capital ratio	8.53	8.94	8.53	8.94
Other data:				
Number of employees (full-time equivalent) (8)	895	751	895	751
Number of banking facilities	57	51	57	51

(1) Noninterest income includes pre-tax gains on investment securities of $1.0 million for the quarter ended June 30, 2002 and $2.1 million for the six months ended June 30, 2002.

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

(3) Net interest rate spread is the difference between the average rates on interest-earning assets and 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 annualized net income divided by average total assets.

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

(8) Does not include employees of companies held for disposal of 712 in 2003 and 40 in 2002.

Net Interest Income

The following tables set forth information regarding average balances, interest income and interest expense, and the average rates earned or paid for each of CIB Marine's major asset, liability and stockholders' equity categories as applicable. The tables express interest income 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 investment securities has been adjusted to reflect the income tax savings provided by these assets. The tax-equivalent adjustment was based on CIB Marine's effective federal income tax rate of 35%.

	Quarter Ended June 30,					
	2003			2002		
	Average Balance	Interest Earned/Paid	Average Yield/Cost	Average Balance	Interest Earned/Paid	Average Yield/Cost
	(Dollars in thousands)					
Assets						
Interest-earning Assets (TE)						
Securities:						
Taxable	$ 492,794	$ 3,635	2.95%	$ 462,985	$ 5,506	4.76%
Tax-exempt	62,204	882	5.67	57,788	997	6.90
Total securities	554,998	4,517	3.26	520,773	6,503	5.00
Loans(1)(2):						
Commercial	774,930	12,407	6.42	809,820	13,035	6.46
Commercial real estate	1,915,117	32,454	6.80	1,665,345	30,418	7.33
Consumer	53,392	857	6.44	60,653	1,010	6.68
Total loans	2,743,439	45,718	6.68	2,535,818	44,463	7.03
Federal funds sold	36,949	142	1.54	30,015	150	2.00
Loans held for sale	138,705	1,872	5.41	29,261	470	6.44
Total interest-earning assets (TE)	3,474,091	52,249	6.03	3,115,867	51,586	6.64
Noninterest-earning Assets						
Cash and due from banks	51,024			29,153		
Premises and equipment	29,506			27,919		
Allowance for loan losses	(60,327)			(38,728)		
Accrued interest receivable and other assets	146,805			49,339		
Total noninterest-earning assets	167,008			67,683		
Total assets	$3,641,099			$3,183,550		
Liabilities and Stockholders' Equity						
Interest-bearing Liabilities						
Deposits:						
Interest-bearing demand deposits	$ 67,807	$ 180	1.06%	$ 58,194	$ 150	1.03%
Money market deposits	410,373	1,832	1.79	243,428	1,214	2.00
Other savings deposits	240,910	1,197	1.99	102,929	582	2.27
Time deposits(5)	2,044,393	16,923	3.32	1,993,886	19,433	3.91
Total interest-bearing deposits	2,763,483	20,132	2.92	2,398,437	21,379	3.58
Borrowings — short-term	231,723	915	1.58	267,012	1,508	2.27
Borrowings — long-term(5)	47,112	294	2.50	44,126	326	2.96
Guaranteed trust preferred Securities	60,000	1,303	8.69	40,000	1,062	10.62
Total borrowed funds	338,835	2,512	2.97	351,138	2,896	3.30
Total interest-bearing Liabilities	3,102,318	22,644	2.93	2,749,575	24,275	3.54
Noninterest-bearing Liabilities						
Noninterest-bearing demand deposits	206,132			159,483		
Accrued interest and other liabilities	62,000			18,676		
Total noninterest-bearing liabilities	268,132			178,159		
Stockholders' equity	270,649			255,816		
Total liabilities and stockholders' equity	$3,641,099			$3,183,550		
Net Interest Income (TE) and Interest Rate Spread(3)		$29,605	3.10%		$27,311	3.10%
Net Interest Margin (TE)(4)			3.42%			3.51%

(TE) Tax-equivalent basis of 35%

(1) Loan balance totals include nonaccrual loans.

(2) Interest earned on loans include amortized loan fees of $2.4 million and $2.5 million for the quarters ended June 30, 2003 and 2002, respectively.

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

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

(5) Interest rates and amounts include the effects of derivatives entered into for interest rate risk management.

	Six Months Ended June 30,					
	2003			2002		
	Average Balance	Interest Earned/Paid	Average Yield/Cost	Average Balance	Interest Earned/Paid	Average Yield/Cost
	(Dollars in thousands)					
Assets						
Interest-earning Assets (TE)						
Securities:						
Taxable	$ 472,495	$ 7,271	3.08%	$ 430,966	$10,681	4.96%
Tax-exempt	61,637	1,772	5.75	57,780	1,999	6.92
Total securities	534,132	9,043	3.39	488,746	12,680	5.19
Loans(1)(2):						
Commercial	780,558	24,883	6.43	821,091	26,388	6.48
Commercial real estate	1,910,327	64,795	6.84	1,609,057	58,160	7.29
Consumer	55,256	1,771	6.46	62,587	2,006	6.46
Total loans	2,746,141	91,449	6.72	2,492,735	86,554	7.00
Federal funds sold	33,101	272	1.66	35,651	341	1.93
Loans held for sale	135,342	3,659	5.45	25,701	862	6.76
Total interest-earning assets (TE)	3,448,716	104,423	6.10	3,042,833	100,437	6.65
Noninterest-earning Assets						
Cash and due from banks	49,336			28,987		
Premises and equipment	28,883			27,873		
Allowance for loan losses	(57,721)			(37,358)		
Accrued interest receivable and other assets	143,077			48,736		
Total noninterest-earning assets	163,575			68,238		
Total assets	$3,612,291			$3,111,071		
Liabilities and Stockholders' Equity						
Interest-bearing Liabilities						
Deposits:						
Interest-bearing demand deposits	$ 65,374	$ 341	1.05%	$ 58,075	$ 296	1.03%
Money market deposits	400,094	3,596	1.81	244,140	2,308	1.91
Other savings deposits	228,372	2,285	2.02	82,582	874	2.13
Time deposits(5)	2,030,202	34,256	3.40	1,943,411	38,555	4.00
Total interest-bearing deposits	2,724,042	40,478	3.00	2,328,208	42,033	3.64
Borrowings — short-term	251,552	2,052	1.64	275,665	3,018	2.21
Borrowings — long-term(5)	47,095	588	2.52	46,690	719	3.11
Guaranteed trust preferred Securities	60,000	2,623	8.74	40,000	2,124	10.62
Total borrowed funds	358,647	5,263	2.95	362,355	5,861	3.25
Total interest-bearing liabilities	3,082,689	45,741	2.99	2,690,563	47,894	3.59
Noninterest-bearing Liabilities						
Noninterest-bearing demand deposits	200,177			153,820		
Accrued interest and other liabilities	60,808			17,780		
Total noninterest-bearing liabilities	260,985			171,600		
Stockholders' equity	268,617			248,908		
Total liabilities and stockholders' equity	$3,612,291			$3,111,071		
Net Interest Income (TE) and Interest Rate Spread(3)		$ 58,682	3.11%		$52,543	3.06%
Net Interest Margin (TE)(4)			3.43%			3.48%

(TE) Tax-equivalent basis of 35%

(1) Loan balance totals include nonaccrual loans.

(2) Interest earned on loans include amortized loan fees of $5.1 million and $4.9 million for the six months ended June 30, 2003 and 2002, respectively.

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

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

(5) Interest rates and amounts include the effects of derivatives entered into for interest rate risk management.

Net interest income on a tax-equivalent basis increased $2.3 million, or 8.4%, from $27.3 million for the second quarter of 2002 to $29.6 million for the second quarter of 2003. Net interest income on a tax-equivalent basis increased $6.1 million, or 11.7%, from $52.5 million for the six months ended June 30, 2002 to $58.7 million for the six months ended June 30, 2003. The increase in net interest revenue was primarily volume related as CIB Marine's average earnings assets grew by $358.2 million, or 11.5%, from the second quarter of 2002 to the second quarter of 2003, and $405.9 million, or 13.3%, from the first six months of 2002 to the first six months of 2003. The principal source of this growth occurred in CIB Marine's commercial real estate loans and loans held for sale. Asset growth was primarily funded by increases in deposit liabilities. Declining net interest margins partially offset the positive impact of increased average earning assets in both the three and six-month periods.

CIB Marine's net interest rate spread was 3.10% for both the second quarter of 2003 and 2002. The net interest spread increased five basis points from 3.06% for the six months ended June 30, 2002 to 3.11% for the six months ended June 30, 2003. The net interest margin decreased nine basis points from 3.51% for the second quarter of 2002 to 3.42% for the second quarter of 2003 and decreased by five basis points from 3.48% for the six months ended June 30, 2002 to 3.43% for the six months ended June 30, 2003. While interest rate spreads improved during 2003, the contribution to net interest margin attributable to interest-free funds supporting earning assets was an offsetting factor. Earning assets funded by interest free sources eliminates the need to incur interest expense on other funding sources. This benefit declined in 2003 due to both the reduction in the interest rate on alternative funding sources and a lower percentage of earning assets funded by interest-free funding sources.

Total interest income, on a tax-equivalent basis, increased $0.6 million, or 1.3%, from $51.6 million for the second quarter of 2002 to $52.2 million for the second quarter of 2003. The increase was primarily the result of an 11.5% increase in average interest-earning assets partially offset by a 61 basis point decrease in the yield on interest-earning assets. Interest income on loans increased by 2.8% due to higher average loan balances partially offset by a 35 basis point decline in the loan yield. Interest income on securities declined 30.6% due to lower yields partially offset by higher average investment balances. Increased prepayments on mortgage backed securities has resulted in accelerated amortization of purchase premiums and lower yields. Interest income on loans held for sale increased by $1.4 million, or 298.3%, due primarily to higher average balances.

For the six-month period, total interest income, on a tax-equivalent basis, increased $4.0 million, or 4.0%, from $100.4 million for the six months ended June 30, 2002 to $104.4 million in 2003. The increase was primarily the result of a 13.3% increase in average interest-earning assets partially offset by a 55 basis point decrease in the yield on interest-earning assets. Interest income on loans increased by 5.7% due to higher average loan balances partially offset by a 28 basis point decline in the loan yield. Interest income on securities declined 28.7% due to lower yields partially offset by higher average investment balances. Increased prepayments on mortgage backed securities has resulted in accelerated amortization of purchase premiums and lower yields. Interest income on loans held for sale increased by $2.8 million, or 324.5%, due primarily to higher average balances.

Total interest expense decreased $1.6 million, or 6.7%, from $24.3 million in the second quarter of 2002 to $22.6 million in the second quarter of 2003. This reduction was primarily the result of a 61 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 5.8% due to lower interest rates paid partially offset by an increase in average deposit balances. Interest expense on borrowed funds declined 13.3% primarily as a result of a reduction in the rate paid on borrowed funds partially offset by an increase in the average balances of guaranteed trust preferred securities.

For the six-month period, total interest expense decreased $2.2 million, or 4.5%, from $47.9 million for the six months ended June 30, 2002 to $45.7 million in 2003. This reduction was primarily the result of a 60 basis point decline in the rate paid on interest-bearing liabilities partially offset by an increase in the average balance of interest-bearing liabilities. Interest expense on deposits decreased by 3.7% due to lower interest rates paid partially offset by an increase in average deposit balances. Interest expense on borrowed funds declined by 10.2% due to lower interest rates paid on borrowed funds partially offset by an increase in the average balances of guaranteed trust preferred securities.

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:

	Quarter Ended June 30, 2003 Compared to Quarter Ended June 30, 2002(1)				Six Months Ended June 30, 2003 Compared to Six Months Ended June 30, 2002(1)			
	Volume	Rate	Total	% Change	Volume	Rate	Total	% Change
	(Dollars in thousands)							
Interest Income (TE)								
Securities — taxable	$ 335	$(2,206)	$(1,871)	(33.98)%	$ 950	$(4,360)	$(3,410)	(31.93)%
Securities — tax-exempt	72	(188)	(116)	(11.60)	128	(355)	(227)	(11.35)
Total securities	407	(2,394)	(1,987)	(30.55)	1,078	(4,715)	(3,637)	(28.68)
Commercial	(559)	(69)	(628)	(4.82)	(1,294)	(211)	(1,505)	(5.70)
Commercial real estate	4,340	(2,304)	2,036	6.69	10,385	(3,750)	6,635	11.41
Consumer	(118)	(35)	(153)	(15.15)	(235)	—	(235)	(11.71)
Total loans	3,663	(2,408)	1,255	2.82	8,856	(3,961)	4,895	5.66
Federal funds sold	31	(39)	(8)	(5.33)	(23)	(46)	(69)	(20.23)
Loans held for sale	1,489	(87)	1,402	298.30	2,995	(198)	2,797	324.48
Total interest income (TE)	5,590	(4,928)	662	1.28	12,906	(8,920)	3,986	3.97
Interest Expense								
Interest-bearing demand deposits	26	4	30	20.00	38	7	45	15.20
Money market deposits	756	(138)	618	50.91	1,408	(120)	1,288	55.81
Other savings deposits	694	(79)	615	105.67	1,461	(50)	1,411	161.44
Time deposits	481	(2,991)	(2,510)	(12.92)	1,662	(5,961)	(4,299)	(11.15)
Total deposits	1,957	(3,204)	(1,247)	(5.83)	4,569	(6,124)	(1,555)	(3.70)
Borrowings — short-term	(181)	(412)	(593)	(39.32)	(247)	(719)	(966)	(32.01)
Borrowings — long-term	21	(53)	(32)	(9.82)	6	(137)	(131)	(18.22)
Guaranteed trust preferred securities	460	(219)	241	22.69	923	(424)	499	23.49
Total borrowed funds	300	(684)	(384)	(13.26)	682	(1,280)	(598)	(10.20)
Total interest expense	2,257	(3,888)	(1,631)	(6.72)	5,251	(7,404)	(2,153)	(4.50)
Net Interest Income (TE)	$3,333	$(1,040)	$ 2,293	8.40%	$ 7,655	$(1,516)	$ 6,139	11.68%

(TE) Tax-equivalent basis of 35%.

(1) 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. Nonaccrual loans were included in the average balances used in determining yields.

Provision for Loan Losses

The provision for loan losses represents charges made to earnings in order to maintain an allowance for loan losses. The provision for loan losses was $8.9 million for the second quarter of 2003, as compared to $7.8 million for the same period of 2002, representing an increase of 14.0%. For the six-month period ended June 30, 2003, the provision for loan losses was $17.6 million, as compared to $11.8 million for the same period of 2002, representing an increase of 49.6%. The increase in the provision was the result of increases in net charge-offs, nonperforming loans, loans 90 days or more past due and still accruing, the credit risk associated with certain borrowing relationships and industry concentrations, and certain risks associated with the growth of the loan portfolio. See, "Allowance for Loan Losses and Nonperforming Assets and Loans 90 Days or More Past Due and Still Accruing Interest" for more information.

Noninterest Income

The following table presents the significant components of noninterest income:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	(Dollars in thousands)			
Loan fees	$ 463	$ 971	$ 1,334	$ 2,193
Mortgage banking revenue	6,328	1,998	12,819	3,561
Deposit service charges	852	820	1,785	1,589
Other service fees	96	66	189	143
Gain (loss) on sale of assets	45	(11)	(26)	(35)
Income (loss) attributable to companies held for disposal	(50)	431	(300)	835
Other income	147	546	454	661
Gain on investment securities, net	—	992	—	2,096
	$7,881	$5,813	$16,255	$11,043

Noninterest income increased $2.1 million, or 35.6% from $5.8 million for the second quarter of 2002 to $7.9 million for the second quarter 2003. This increase was primarily due to increased mortgage banking revenue, partially offset by lower securities gains and the net loss on companies held for disposal in 2003 compared to income in 2002.

Mortgage banking revenue increased $4.3 million, or 216.7%, from $2.0 million for the second quarter of 2002 to $6.3 million for the second quarter of 2003. This increase was due to both the favorable mortgage-lending environment resulting from low mortgage rates and the acquisition of the business of a mortgage banking company in December of 2002. Revenue produced from this acquired business contributed approximately 32% of the revenue growth between the two periods.

Loan fees declined $0.5 million, or 52.3%, from $1.0 million for the second quarter of 2002 to $0.5 million for the second quarter of 2003. The one-time nature of some fees reduced 2003 loan fee revenue.

Income from companies held for disposal includes CIB Marine's equity portion of these companies' pre-tax income or loss. See Note 5 to the Consolidated Financial Statements and "Companies Held For Disposal" for a discussion of these companies. The loss in 2003 is primarily attributable to the pre-tax loss of Canron, which was acquired in the fourth quarter of 2002.

Other income declined $0.4 million, or 73.1%, from $0.5 million for the second quarter of 2002 to $0.1 million for the second quarter of 2003. This reduction was due to a lower level of equity income from limited partnership investments.

Noninterest income increased $5.2 million, or 47.2%, from $11.0 million for the six months ended June 30, 2002 to $16.3 million for the six months ended June 30 2003. This increase was primarily due to increased mortgage banking revenue, partially offset by lower securities gains and the net loss on companies held for disposal.

Mortgage banking revenue increased $9.3 million, or 260.0%, from $3.6 million for the six months ended June 30, 2002 to $12.8 million for the six months ended June 30, 2003. This increase was due to both the favorable mortgage-lending environment resulting from low mortgage rates and the acquisition of the business of a mortgage banking company in December of 2002. Revenue produced from this acquired business contributed approximately 31% of the revenue growth between the two periods.

Loan fees declined $0.9 million, or 39.2%, from $2.2 million for the six months ended June 30, 2002 to $1.3 million for the six months ended June 30, 2003. The one-time nature of some fees reduced 2003 loan fee revenue.

Deposit service charges increased $0.2 million, or 12.3%, from $1.6 million for the six months ended June 30, 2002 to $1.8 million for the six months ended June 30, 2003. Increased demand deposit accounts were the primary factor.

Income from companies held for disposal includes CIB Marine's equity portion of these companies' pre-tax income or loss. See Note 5 to the Consolidated Financial Statements and "Companies Held For Disposal" for a discussion of these companies. The loss in 2003 is attributable to the pre-tax loss of Canron, which was acquired in the fourth quarter of 2002, and a lower level of pre-tax earnings of MICR.

Noninterest Expense

The following table presents the significant components of noninterest expense:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	(Dollars in thousands)			
Compensation and employee benefits	$12,750	$10,155	$25,686	$19,932
Equipment	1,353	1,165	2,641	2,340
Occupancy and premises	1,282	1,097	2,560	2,155
Professional services	851	921	1,555	1,352
Advertising/marketing	327	361	598	765
Amortization of intangibles	129	90	256	213
Telephone & data communications	558	569	1,125	1,055
Mortgage banking expense	1,614	704	3,087	984
Loan collection expense	434	184	866	215
Impairment loss	2,748	—	2,748	—
Provision for off-balance sheet losses	1,500	—	2,000	—
Other expense	2,173	1,963	3,927	3,481
	$25,719	$17,209	$47,049	$32,492

Total noninterest expense increased $8.5 million, or 49.5%, from $17.2 million for the second quarter of 2002 to $25.7 million for the second quarter of 2003. The increase was primarily due to an impairment loss recorded on Canron, an additional provision for an off-balance sheet loss, and increased expenses related to growth and increased mortgage banking activities.

Compensation and employee benefits expense is the largest component of noninterest expense and represented 49.6% of total noninterest expense for the second quarter of 2003 compared to 59.0% for the second quarter of 2002. Compensation and employee benefits expense increased $2.6 million, or 25.6%, from $10.2 million for the second quarter of 2002, to $12.8 million for the second quarter of 2003. Approximately two-thirds of the increase was due to the expanded operations and volumes associated with CIB Marine's mortgage banking activities. Additional factors were increased staffing to accommodate growth, hiring of additional management and technical personnel, and increased salary levels of existing personnel. The total number of full-time equivalent employees increased 19.2% from 751 at June 30, 2002 to 895 at June 30, 2003.

Equipment expense increased $0.2 million, or 16.1%, from $1.2 million for the second quarter of 2002 to $1.4 million for the second quarter of 2003. The increase was primarily due to higher computer software related costs.

Occupancy and premises expense increased $0.2 million, or 16.9%, from $1.1 million for the second quarter of 2002 to $1.3 million for the second quarter of 2003. Increased costs associated with the opening of new branches was a contributing factor.

Mortgage banking expense increased $0.9 million, from $0.7 million for the second quarter of 2002 to $1.6 million for the second quarter of 2003. These expenses, which include such costs as appraisals, investor fees, and other closing costs, are volume related and reflect the increased volume of loans sold.

Loan collection expense increased $0.2 million from $0.2 million for the second quarter of 2002 to $0.4 million for the second quarter of 2003. Costs increased due to the higher level of nonperforming assets.

An impairment loss of $2.7 million was recorded in the second quarter of 2003 to reduce CIB Marine's net investment in Canron to $0.9 million, its expected net realizable value. See "Companies Held For Disposal" for a discussion of Canron.

An additional provision for off-balance sheet losses of $1.5 million was recorded in the second quarter of 2003 related to a $7.5 million collateralized stand-by letter of credit to a company which has ceased operations. The stand-by letter of credit was unfunded at June 30, 2003. The total reserve for this letter of credit at June 30, 2003 was $3.0 million. Although CIB Marine has established a reserve for the letter of credit, it cannot provide assurances that the collateral value will be maintained or that there will not be additional losses with respect to this relationship.

The efficiency ratio was 68.61% for the second quarter of 2003, compared to 53.56% for the second quarter 2002. Total noninterest expense as a percentage of average assets was 2.83% for the second quarter of 2003 and 2.17% for the same period of 2002. The increase in these ratios was in part due to the additional expense associated with the impairment and off-balance sheet losses recorded in 2003.

Total noninterest expense increased $14.6 million, or 44.8%, from $32.5 million for the six months ended June 30, 2002 to $47.0 million for the six months ended June 30, 2003. Increased costs related to growth and mortgage banking activities, along with the Canron impairment and the off-balance sheet provision, were contributing factors to the increase in noninterest expense.

Compensation and employee benefits expense represented 54.6% of total noninterest expense for the six months ended June 30, 2003 compared to 61.3% for the same period of 2002. Compensation and employee benefits expense increased $5.8 million, or 28.9%, from $19.9 million for the six months ended June 30, 2002, to $25.7 million in the same period of 2003. Approximately one-half of the increase was due to the expanded operations and volumes associated with CIB Marine's mortgage banking activities. Additional factors were increased staffing to accommodate growth, hiring of additional management and technical personnel, and increased salary levels of existing personnel. The total number of full-time equivalent employees increased 19.2% from 751 at June 30, 2002 to 895 at June 30, 2003.

Equipment expense increased $0.3 million, or 12.9% from $2.3 million for the six months ended June 30, 2002 to $2.6 million in the same period of 2003. The increase was primarily due to higher computer software related costs.

Occupancy and premises expense increased $0.4 million, or 18.8%, from $2.2 million for the six months ended June 30, 2002 to $2.6 million in the same period of 2003. Increased costs associated with the opening of new branches was a contributing factors.

Mortgage banking expense increased $2.1 million, from $1.0 million for the six months ended June 30, 2002 to $3.1 million in the same period of 2003. These expenses, which include such costs as appraisals, investor fees, and other closing costs, are volume related and reflect the increased volume of loans sold.

Loan collection expense increased $0.7 million primarily due to the level of nonperforming assets.

An additional provision for off-balance sheet losses of $2.0 million was recorded in the first half of 2003 related to a $7.5 million collateralized stand-by letter of credit to a company which has ceased operations. The stand-by letter of credit was unfunded at June 30, 2003. The total reserve for this letter of credit at June 30, 2003 was $3.0 million. Although CIB Marine has established a reserve for the letter of credit, it cannot provide assurances that the collateral value will be maintained or that there will not be additional losses with respect to this relationship.

The efficiency ratio was 62.78% for the six months ended June 30, 2003, compared to 52.84% for the same period of 2002. Total noninterest expense as a percentage of average assets was 2.63% for the six months ended June 30, 2003 and 2.11% for the same period of 2002. The increase in these ratios was in part due to the additional expense associated with the impairment and off-balance sheet losses recorded in 2003.

Income Taxes

CIB Marine records a provision for income taxes currently payable, along with a provision 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 for the second quarter of 2003 and 2002 were 61.3% and 31.8%, respectively. The effective tax rates for the six months ended June 30, 2003 and 2002 were 40.1% and 33.9%, respectively. The increase in the effective tax rates was primarily due to the inability to recognize a tax benefit for the $2.7 million Canron impairment loss in the second quarter of 2003. Excluding the impairment loss, the effective tax rate would have been 28% for the second quarter of 2003 and 31.0% for the six months ended June 30, 2003. Partially offsetting this factor were reductions in the effective tax rate resulting from lower income before taxes, the increase in the percentage of tax-exempt municipal interest as compared to pre-tax income, low-income housing tax credits, and the implementation of certain tax planning strategies relative to state income taxes.

Financial Condition

Overview

CIB Marine's total assets decreased $68.6 million, or 1.9%, from $3.7 billion at December 31, 2002 to $3.6 billion at June 30, 2003. The reduction in total assets was primarily due to an $80.5 million reduction in loans held for sale and a $20.9 million reduction in loans, partially offset by a $53.9 million increase in securities. Deposits increased by $115.6 million, or 4.1%, while short-term borrowings were reduced by $182.1 million.

Loans Held for Sale

Loans held for sale, which are comprised primarily of residential first mortgage loans, decreased $80.5 million, from $228.1 million at December 31, 2002 to $147.7 million at June 30, 2003. The year-end balance was unusually high due to increases in the volume of loans originated and purchased for resale and an increase in the number of days CIB Marine was required to fund the loans prior to being purchased by the secondary market investor. The increase in funding time was primarily the result of the increase in the volume of loans being processed and purchased by secondary market investors. CIB Marine originated $279.0 million, purchased $918.2 million, and sold $1.3 billion of loans held for sale during the six months ended June 30, 2003 as compared to originations, purchases and sales of $101.1 million, $335.2 million and $441.1 million, respectively, during the same period of 2002. The mortgage banking operations acquired in the fourth quarter of 2002 accounted for $224.8 million, or 18.8%, of total mortgage originations and purchases during the first half of 2003.

Securities

Total securities at June 30, 2003, were $567.9 million, an increase of $53.9 million, or 10.5%, from $514.0 million at December 31, 2002. The ratio of total securities to total assets was 15.8% at June 30, 2003, as compared to 14.0% at December 31, 2002. The increase in the securities portfolio was due primarily to CIB Marine's strategy to increase the ratio of liquid assets to total assets.

As of June 30, 2003, $505.4 million, or 89.0%, of the securities portfolio was classified as available for sale and $62.5 million, or 11.0%, of the portfolio was classified as held to maturity. At December 31, 2002, 86.4% was classified as available for sale and 13.6% was classified as held to maturity. The increase in the percentage of securities classified as available for sale reflects CIB Marine's decision to make a larger percentage of the securities portfolio available to meet its liquidity needs, if necessary, and to provide the opportunity to react to changes in market interest rates and changes in the spread relationship between alternative investments.

At June 30, 2003, the net unrealized gain on the available for sale securities was $2.1 million, compared to $4.7 million at December 31, 2002.

Loans

Loans, net of the allowance for loan losses, were $2.6 billion at June 30, 2003, a decrease of $29.1 million, or 1.1%, from December 31, 2002, and represented 73.0% of CIB Marine's total assets at June 30, 2003, and 72.4% at December 31, 2002. The reduction in loans was in part attributable to the transfer through foreclosure of $18.2 million of loan balances to foreclosed properties and, $10.5 million in loan charge-offs. In addition, more stringent loan standards and an increased focus on the existing portfolio has resulted in a reduced level of loan growth.

Credit Concentrations

Pursuant to CIB Marine's loan policy, a concentration of credit is deemed to exist when the total credit relationship to one borrower, a related group of borrowers, or borrowers within or dependent upon a related industry, exceeds 25% of the stockholders' equity of CIB Marine. At June 30, 2003, CIB Marine had four secured borrowing relationships that exceeded 25% of stockholders' equity. These relationships include:

- Loans to a borrower, and its related interests, whose total outstanding lending commitment, including lines of credit which have not been fully drawn, as of June 30, 2003, was $116.0 million, or 43.7%, of CIB Marine's stockholders' equity and 4.3% of total loans. The aggregate principal amount actually drawn and outstanding was $97.5 million at June 30, 2003. The majority of these loans are commercial real estate and construction loans. These loans are primarily secured by first mortgages on commercial real estate. At June 30, 2003, $11.6 million of the loans to this borrower and its related interests were 30 to 89 days past due. At August 12, 2003, none of the loans to this borrower and its related interests were 30 days or more past due.

- Loans to a borrower, and its related interests, whose total outstanding lending commitment, including lines of credit which have not been fully drawn, as of June 30, 2003, was $113.1 million, or 42.7%, of CIB Marine's stockholders' equity and 4.2% of total loans. The aggregate principal amount actually drawn and outstanding was $105.1 million at June 30, 2003. The majority of these loans are in the nursing/convalescent home industry. These loans are primarily secured by first mortgages on commercial real estate and security interests in other business assets including stock in a community bank. At June 30, 2003, $1.3 million of the loans to this borrower and its related interests were 30 to 89 days past due. At August 12, 2003, none of the loans to this borrower and its related interests were 30 days or more past due.

- Loans to a borrower, and its related interests, whose total outstanding lending commitment, including lines of credit which have not been fully drawn, as of June 30, 2003, was $82.5 million, or 31.1%, of CIB Marine's stockholders' equity and 3.1% of total loans. The aggregate principal amount actually drawn and outstanding was $75.2 million at June 30, 2003. The majority of these loans are in the commercial real estate development and the nursing/convalescent home industries. These loans are primarily secured by first mortgages on commercial real estate and security interests in other business assets. At June 30, 2003, all of the loans to this borrower and its related interests were current.

- Loans to a borrower, and its related interests, whose total outstanding lending commitment, including lines of credit which have not been fully drawn, as of June 30, 2003, was $72.1 million, or 27.2%, of CIB Marine's stockholders' equity and 2.7% of total loans. The aggregate principal amount actually drawn and outstanding was $51.6 million at June 30, 2003. The majority of these loans are commercial real estate and construction loans. These loans are primarily secured by first mortgages on commercial real estate. At June 30, 2003, $2.0 million of the loans to this borrower and its related interests were 30 to 89 days. At August 12, 2003, none of the loans to this borrower and its related interests were 30 days or more past due.

Approximately $27.5 million of the above described outstanding loan commitments are counted in more than one of the described relationships. Total outstanding lending commitments of the above described relationships were $383.7 million, $391.3 million and $373.6 million at June 30, 2003, March 31, 2003 and December 31, 2002, respectively. The total principal amount drawn and outstanding by the above described relationships were $329.4 million, $341.9 million and $314.1 million as of June 30, 2003, March 31, 2003 and December 31, 2002, respectively.

At June 30, 2003, CIB Marine also had credit relationships within five industries or industry groups that exceeded 25% of its stockholders' equity. The total outstanding balance to commercial real estate developers, investors and contractors was $505.3 million, or 18.8% of total loans and 190.6% of stockholders' equity. The total outstanding balance to residential real estate developers, investors and contractors was $653.5 million, or 24.3% of total loans and 246.6% of stockholders' equity. The total outstanding balance of loans made in the motel and hotel industry was $220.3 million, or 8.2% of total loans and 83.1% of stockholders' equity. The total outstanding balance of loans made in the nursing/convalescent home industry was $132.4 million, or 4.9% of total loans and 49.9% of stockholders' equity. The total outstanding balance of loans made in the health care facility industry was $112.1 million, or 4.2% of total loans and 42.3% of stockholders' equity.

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 June 30, 2003 the allowance for loan losses was $60.6 million, or 2.25% of total loans, compared to $52.4 million, or 1.93% of total loans at December 31, 2002 and $41.9 million, or 1.63% of total loans at June 30, 2002. The increase in the allowance was primarily the result of increases in nonperforming loans, loans 90 days or more past due and still accruing and the credit risk associated with certain borrowing relationships and industry concentrations. 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 loan charge-offs. Total charge-offs for the second quarter of 2003 were $6.1 million, while recoveries were $0.7 million, as compared to $3.5 million and $0.3 million, respectively, for the same period of 2002. Total charge-offs for the six months ended June 30, 2003 and 2002 were $10.5 million and $4.3 million, respectively, while total recoveries were $1.1 million and $0.3 million, respectively. The increase in charge-offs during 2003 was primarily associated with three lending relationships.

The ratio of the allowance to nonaccrual, restructured and loans 90 days or more past due and still accruing was 99.2% at June 30, 2003 compared to 72.7% at March 31, 2003, 113.3% at December 31, 2002 and 73.2% at June 30, 2002. The reduction in this ratio from December 31, 2002 to June 30, 2003 primarily resulted from the higher levels of nonaccrual and past due loans on June 30, 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. Such agencies may require CIB Marine to make additional provisions to the allowance or 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 examination.

The following table summarizes changes in the allowance for loan losses:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	(Dollars in thousands)			
Balance at beginning of period	$ 57,127	$ 37,331	$ 52,369	$ 34,078
Loans Charged-Off				
Commercial	(591)	(2,676)	(4,843)	(3,112)
Factored receivables	(39)	—	(95)	—
Commercial real estate	(5,489)	(771)	(5,559)	(1,022)
Commercial real estate construction	—	—	—	—
Residential real estate	(6)	(31)	(6)	(61)
Home equity	—	—	—	—
Consumer	(4)	(26)	(16)	(79)
Total Loans Charged-Off	(6,129)	(3,504)	(10,519)	(4,274)
Recoveries of Loans Charged-Off				
Commercial	661	263	1,058	295
Factored receivables	—	—	—	—
Commercial real estate	12	—	19	1
Commercial real estate construction	—	—	—	—
Residential real estate	3	13	3	13
Home equity	—	—	—	—
Consumer	2	20	24	29
Total Loan Recoveries	678	296	1,104	338
Net Loans Charged-Off	(5,451)	(3,208)	(9,415)	(3,936)
Provision for loan losses	8,875	7,782	17,597	11,763
Balance At End of Period	$ 60,551	$ 41,905	$ 60,551	$ 41,905
Total loans	$2,686,632	$2,571,589	$2,686,632	$2,571,589
Average total loans	2,743,439	2,535,818	2,746,141	2,492,735
Ratios				
Allowance for loan losses to total loans	2.25%	1.63%	2.25%	1.63%
Allowance for loan losses to nonaccrual, restructured loans and 90 days or more past due and still accruing loans	99.23	73.21	99.23	73.21
Net charge-offs annualized to average loans:				
Commercial	(0.02)	1.20	1.00	0.69
Commercial real estate	1.15	0.19	0.58	0.13
Consumer	0.04	0.16	(0.02)	0.32
Total loans	0.80	0.51	0.69	0.32
Ratio of recoveries to loans charged-off	11.06	8.45	10.50	7.91

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

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 properties. Loans are placed on nonaccrual status when CIB Marine determines that it is probable that some part or all of the principal and interest amounts will not be collected. 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, which would not otherwise be considered. CIB Marine may restructure the loan by modifying the terms to reduce or defer cash payments required of 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 properties 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:

	June 30, 2003	December 31, 2002	June 30, 2002
	(Dollars in thousands)		
Nonperforming Assets			
Nonaccrual Loans:			
Commercial	$ 23,614	$ 15,028	$ 28,749
Factored receivables	—	—	—
Commercial real estate	11,834	15,468	16,149
Commercial real estate construction	10,950	5,221	5,019
Residential real estate	1,528	756	973
Home equity	1	100	151
Consumer	31	45	41
Total nonaccrual loans	47,958	36,618	51,082
Foreclosed properties	20,548	3,678	2,781
Restructured loans	3,019	3,210	3,577
Total nonperforming assets	$ 71,525	$ 43,506	$ 57,440
Loans 90 Days or More Past Due and Still Accruing			
Commercial	$ 1,280	$ 3,022	$ 2,363
Factored receivables	—	—	—
Commercial real estate	8,413	2,292	—
Commercial real estate construction	114	—	—
Residential real estate	177	1,076	6
Home equity	52	—	180
Consumer	6	6	33
Total loans 90 days or more past due and still accruing	$ 10,042	$ 6,396	$ 2,582
Allowance for loan losses	$ 60,551	$ 52,369	$ 41,905
Total loans	2,686,632	2,707,538	2,571,589
Ratios			
Nonaccrual loans to total loans	1.79%	1.35%	1.99%
Foreclosed properties to total assets	0.57	0.10	0.09
Nonperforming assets to total assets	1.99	1.19	1.78
Nonaccrual loans, restructured loans and loans 90 days or more past due and still accruing to total loans	2.27	1.71	2.23
Nonperforming assets and loans 90 days or more past due and still accruing to total assets	2.27	1.36	1.86

Total nonaccrual loans were $48.0 million at June 30, 2003, an increase of $11.3 million, or 31.0%, from $36.6 million at December 31, 2002. The ratio of nonaccrual loans to total loans was 1.79% at June 30, 2003, compared to 1.35% at December 31, 2002.

At June 30, 2003, $42.6 million, or 88.9%, of total nonaccrual loans consisted of the following ten lending relationships:

- Commercial real estate loans to a borrower with an aggregate outstanding balance of $7.9 million as of June 30, 2003, secured by four assisted living properties and all business assets of the borrower, including accounts receivable. These loans were transferred to nonaccrual in March 2003. While CIB Marine believes that the value of the collateral is sufficient to cover amounts owed, it cannot provide assurances that the value of the collateral will be maintained or that there will not be any losses with respect to this relationship.

- Commercial real estate loans to a related group of borrowers with an aggregate outstanding balance of $6.9 million as of June 30, 2003, secured by first mortgages on residential housing units which are under construction. These loans were transferred to nonaccrual in June 2003. While CIB Marine believes that the value of the collateral is sufficient to cover amounts owed, it cannot provide assurances that the value of the collateral will be maintained or that there will not be losses with respect to this relationship.

- Commercial loans to a borrower with an aggregate outstanding balance of $5.5 million as of June 30, 2003, secured by all business assets of the borrower, a junior mortgage on a residential property and marketable securities. These loans were transferred to nonaccrual in June 2003. CIB Marine allocated $2.1 million as a specific reserve to the allowance for loan losses for these loans in the second quarter of 2003. Although CIB Marine has allocated $2.1 million as a specific reserve to the allowance for loan losses for these loans, it cannot provide assurances that the value of the collateral will be maintained or that there will not be additional losses with respect to this relationship.

- Commercial loans to a borrower with an aggregate outstanding balance of $4.6 million as of June 30, 2003, secured by business assets. These loans were transferred to nonaccrual in June 2003. CIB Marine allocated $2.5 million as a specific reserve to the allowance for loan losses for these loans in the second quarter of 2003. Although CIB Marine has allocated $2.5 million as a specific reserve to the allowance for loan losses for these loans, it cannot provide assurances that the value of the collateral will be maintained or that there will not be additional losses with respect to this relationship.

- Commercial real estate loans to a related group of borrowers with an aggregate outstanding balance of $4.5 million as of June 30, 2003, secured by first mortgages on two assisted living facilities which are under construction. These loans were transferred to nonaccrual in December 2000 and June 2001. During the first quarter of 2003, CIB Marine increased the amount allocated as a specific reserve for these loans from $3.0 million to $4.1 million, all of which was charged-off in the second quarter of 2003. While CIB Marine believes that the value of the collateral is sufficient to cover amounts owed, it cannot provide assurances that the value of the collateral will be maintained or that there will not be additional losses with respect to this relationship.

- A commercial real estate loan and a construction loan to a borrower with an aggregate outstanding balance of $3.8 million as of June 30, 2003, secured by a first mortgage on an income producing commercial property. These loans were transferred to nonaccrual during the second quarter of 2002. During the first quarter of 2003, CIB Marine increased the amount allocated as a specific reserve for these loans from $1.0 million to $2.5 million, of which $1.3 million was charged-off in the second quarter of 2003. Although CIB Marine has a remaining $1.1 million specific reserve to the allowance for loan losses for these loans, CIB Marine cannot provide assurances that the value of the collateral will be maintained or that there will not be additional losses with respect to this relationship.

- Commercial loans to a borrower with an aggregate outstanding balance of $3.2 million as of June 30, 2003, secured by approximately $0.3 million of accounts receivable. The principal owner of this business has guaranteed these loans up to $3.0 million. These loans were transferred to nonaccrual in December 2002. CIB Marine allocated $2.5 million as a specific reserve to the allowance for loan losses for these loans during the fourth quarter of 2002, and an additional $0.4 million in the second quarter of 2003, which amounts were charged-off in the first and second quarters of 2003. CIB Marine also expects to receive an additional $0.3 million upon the buyer's collection of certain accounts receivable. Although CIB Marine believes that the principal owner has the financial ability to pay the $3.0 million guarantee and has commenced litigation to enforce its rights under the guarantee, CIB Marine cannot provide assurances that it will be successful in its litigation efforts or that there will not be additional losses with respect to this relationship.

- A commercial loan to a borrower with an outstanding balance of $2.5 million as of June 30, 2003, secured by stock in a closely held business and 47,733 shares of CIB Marine common stock. The loan was transferred to nonaccrual during the first quarter of 2003. CIB Marine allocated $1.3 million as a specific reserve to the allowance for loan losses for this loan in the second quarter of 2003. In July 2003, the CIB Marine shares were sold to a nonaffiliated third party for $1.2 million, the proceeds of which were applied to the loan. Although CIB Marine has allocated $1.3 million as a specific reserve to the allowance for loan losses for this loan, it cannot provide assurances that the value of the collateral will be maintained or that there will not be additional losses with respect to this relationship.

- A commercial real estate loan to a borrower with an outstanding balance of $2.2 million as of June 30, 2003, secured by a first mortgage on an improved commercial property. The loan was transferred to nonaccrual during the third quarter of 2002. Although CIB Marine has allocated $0.6 million as a specific reserve to the allowance for loan losses for this loan, CIB Marine cannot provide assurances that the value of the collateral will be maintained or that there will not be additional losses with respect to this relationship.

- Commercial loans to the Borrower's related interests with an outstanding balance of $1.5 million as of June 30, 2003, secured by a first mortgage on a commercial property and business assets. These loans were transferred to nonaccrual during the third quarters of 2001 and 2002. Although CIB Marine has allocated $0.5 million as a specific reserve to the allowance for loan losses for these loans during the second quarter of 2002, CIB Marine cannot provide assurances that the value of the collateral will be maintained or that there will not be additional losses with respect to this relationship. Additional information regarding the Borrower is contained within "Companies Held For Disposal" and Note 5 to the Consolidated Financial Statements.

Foreclosed properties were $20.5 million at June 30, 2003 and consisted of ten properties as compared to $3.7 million and seven properties at December 31, 2002, all of which were held for sale. The increase in foreclosed properties consisted primarily of three commercial properties that were collateral for certain loans. These properties were transferred to foreclosed properties at their fair market value which was estimated to be $18.2 million, resulting in an additional $1.1 million charge-off with respect to one of the properties during the first quarter of 2003. Sales of foreclosed properties totaled $1.4 million during the first half of 2003. In August 2003, CIB Marine entered into a contract to sell one of these properties for $15.2 million, its carrying value. The transaction is expected to close in the latter part of the third quarter of 2003.

Restructured loans were $3.0 million at June 30, 2003 and consisted of a commercial real estate loan to a borrower that was classified as restructured in the first quarter of 2002. The borrower 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 90 days or more past due and still accruing interest are loans which are delinquent with respect to the payment of principal and/or interest but which management believes all contractual principal and interest amounts due will be collected. CIB Marine had $10.0 million in loans that were 90 days or more past due and still accruing at June 30, 2003 compared to $6.4 million at December 31, 2002.

The ratio of nonperforming assets and loans 90 days or more past due and still accruing to total assets was 2.27% at June 30, 2003, as compared to 1.36% at December 31, 2002.

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 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. Impaired loans were $65.2 million at June 30, 2003, an increase of $26.3 million from December 31, 2002. This increase was due to the higher levels of nonperforming and past due loans that were subject to impairment testing. 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 disclosures.

The following table sets forth information regarding impaired loans:

	June 30, 2003	December 31, 2002	June 30, 2002
		(Dollars in thousands)	
Impaired loans without a specific allowance	$44,975	$ 7,789	$27,062
Impaired loans with a specific allowance	20,186	31,071	22,499
Total impaired loans	$65,161	$38,860	$49,561
Specific allowance related to impaired loans	$ 9,006	$ 9,225	$ 6,009

Companies Held For Disposal

CIB Marine has acquired interests in the following two companies from borrowers who were in default of their obligations and which are classified as held for disposal:

Canron Corporation

Pursuant to a Settlement Order entered in the Bankruptcy Court, on October 30, 2002 CIB Marine became the owner of a borrower's (the "Borrower") 84% interest in Canron through a newly formed and wholly owned subsidiary, CIB Construction, LLC. Canron is a steel fabrication and erection company with operations in the United States, Canada and Mexico.

At June 30, 2003, CIB Marine had $32.0 million in loans receivable from Canron, as compared to $26.2 million at December 31, 2002. The increase was a result of Canron's drawing on available credit facilities to fund operations. These loans are secured by substantially all of the assets of Canron and are eliminated in the Consolidated Financial Statements.

During the six months ended June 30, 2003, Canron incurred a net loss of $2.6 million, as compared to net income of $0.7 million for the same period of 2002, primarily as a result of a $42.4 million decrease in contract revenue earned. The decrease in contract revenue earned was primarily the result of Canron's inability to bid on many projects that require a bond. Canron has been operating without, and unable to obtain, a surety bond line for approximately three years. As a result, Canron's backlog has continued to decrease. At June 30, 2003 Canron's backlog was $42.1 million, as compared to $52.4 million at December 31, 2002. The decrease in backlog has resulted in a decrease in profitability and is expected to continue to negatively impact earnings. Further, it is unlikely that Canron will be able to obtain bonding due to the continued decrease in its backlog and financial condition. CIB Marine's 84% equity interest in Canron's pre-tax loss is included in Other Income in the Consolidated Statements of Income. See Item 1 — "Financial Statements — Note 5 — Companies Held for Disposal" for additional information regarding Canron.

CIB Marine continues to explore various exit strategies relative to Canron, all of which CIB Marine management has authority to do, including the immediate sale of its equity interest in the company. Canron is also exploring an orderly liquidation of its assets, as well as other strategies to wind up its affairs. As a result of Canron's lack of bonding and decrease in backlog, Canron has closed certain of its facilities and reduced its workforce during the second quarter of 2003, and will consider additional closings and reductions as warranted. Based upon management's assessment and current discussions with parties that have expressed interest in purchasing Canron or acquiring select assets or operations of Canron, CIB Marine has determined that an impairment of its investment in Canron existed on June 30, 2003. Accordingly, CIB Marine recorded an impairment loss of $2.7 million in the second quarter of 2003, which reduced its 84% equity investment in Canron to $0.9 million. Although CIB Marine believes that the current carrying value of its investment in Canron represents its fair market value, and that the loans to Canron are adequately collateralized, CIB Marine cannot provide assurances that these values will be maintained or that there will not be further losses arising out of its investments in Canron.

MICR, Inc.

In 2000, CIB Marine acquired and/or assumed through MICR, Inc., a wholly owned subsidiary of CIB-Chicago, the business and certain assets and liabilities of a manufacturer of payment processing systems. Pre-tax income related to this business is included in Other Income in CIB Marine's Consolidated Statements of Income. Pre-tax income was $0.7 million for the six months ended June 30, 2003 as compared to $0.8 million for the same period of 2002. The business has generated profits in each of the prior three years and although CIB Marine believes it likely the business will continue to generate profits, CIB Marine cannot provide assurances that these profits will continue or that there will not be losses with respect to this business. The borrower has an option to repurchase the business under certain conditions. This option expires upon the earlier of the divestiture of the business or October 13, 2003. The option, if exercised, is not expected to result in any gain or loss to CIB Marine. CIB Marine management, which has authority so to do, has developed and is implementing a plan to sell this business.

Deposit Liabilities

Total deposits increased $115.6 million, or 4.1%, from $2.8 billion at December 31, 2002 to $3.0 billion at June 30, 2003. This increase was primarily due to a $116.5 million increase in savings deposits. CIB Marine has been targeting savings deposit growth in 2003 through competitive pricing and market promotions. Time deposits represent the largest component of deposits. The percentage of time deposits to total deposits was 67.4% at June 30, 2003 and 70.6% at December 31, 2002. These percentages reflect CIB Marine's reliance on time deposits as a primary source of funding. At June 30, 2003 time deposits of $100,000 or more amounted to $667.0 million, or 33.4%, of total time deposits, compared to $724.2 million and 36.0% at December 31, 2002. CIB Marine accepts 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. Brokered time deposits were $174.9 million, or 8.75%, of total time deposits at June 30, 2003, and $222.8 million, or 11.1% of total time deposits at December 31, 2002. Brokered time deposits included in time deposits of $100,000 or more were $161.2 million at June 30, 2003 and $204.4 million at December 31, 2002.

Borrowings

CIB Marine utilizes various types of borrowings to meet liquidity needs, fund asset growth and/or when the pricing of these borrowings is more favorable than deposits. Total borrowed funds were $312.5 million at June 30, 2003 compared to $494.1 at December 31, 2002. Short-term borrowings decreased by $182.1 million during the six-month period ended June 30, 2003 as a result of an increase in deposits together with a reduction of loans held for sale.

Capital and Regulatory Matters

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 of CIB Marine at June 30, 2003 and December 31, 2002 is contained in the following table. The capital levels of CIB Marine and its subsidiary banks are, and have been, in excess of the required regulatory minimums during the periods indicated. At June 30, 2003, CIB Marine and each of its subsidiary banks had sufficient capital to be categorized as well capitalized. CIB Marine intends to maintain its capital level and the capital levels of its subsidiary banks at or above levels sufficient to support future growth.

	June 30, 2003	December 31, 2002
	(Dollars in thousands)	
Risk weighted assets	$3,245,531	$3,319,762
Average assets(1)	3,626,535	3,485,504
Capital components		
Stockholders' equity	$ 265,061	$ 261,801
Guaranteed trust preferred securities and minority interests(2)	60,292	61,052
Less: Disallowed intangibles	(14,564)	(14,815)
Less: Unrealized gain on securities	(1,326)	(2,896)
Tier 1 capital	309,463	305,142
Allowable allowance for loan losses(3)	40,853	41,644
Total risk based capital	$ 350,316	$ 346,786

	Actual		Minimum Required to be Adequately Capitalized	
June 30, 2003	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
Total capital to risk weighted assets	$350,316	10.79%	$259,643	8.00%
Tier 1 capital to risk weighted assets	309,463	9.54	129,821	4.00
Tier 1 leverage to average assets	309,463	8.53	145,061	4.00
December 31, 2002				
Total capital to risk weighted assets	$346,786	10.45%	$265,581	8.00%
Tier 1 capital to risk weighted assets	305,142	9.19	132,790	4.00
Tier 1 leverage to average assets	305,142	8.75	139,420	4.00

(1) Average assets as calculated for risk-based capital (deductions include current period balances for goodwill and other intangibles).

(2) For regulatory capital purposes, the guaranteed trust preferred securities qualify as Tier 1 equity capital.

(3) The allowance for loan losses is net of the disallowed portion of the allowance for loan losses in excess of 1.25% of risk-weighted assets.

During the second quarter of 2003, CIB Marine acquired, through its subsidiary banks, 86,611 shares of its common stock from borrowers through collection activities. These shares were valued at $2.2 million which was their estimated fair market value and are reflected as treasury shares in stockholders' equity. The receipt of these shares was used to reduce loans outstanding by $2.0 million and record a $0.2 million recovery on previously charged-off loans.

On January 30, 2003, CIB-Chicago entered into a Memorandum of Understanding (the "Memorandum") with the Illinois Office of Banks and Real Estate (OBRE) and the FDIC (together, the "Regulators"). The Memorandum was entered into as a result of 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 OBRE's regular examination of CIB-Chicago which commenced on September 23, 2002.

Pursuant to the Memorandum, CIB-Chicago has agreed to take certain actions to correct the deficiencies noted within the examination report. In addition, during the period in which the Memorandum is in effect, CIB-Chicago has agreed to maintain a Tier 1 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 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. At June 30, 2003, the Tier I capital to total assets ratio was 8.53%. Also, unless prior written consent is received from the Regulators, CIB-Chicago has agreed to restrict its loan growth to no more than 2% during any consecutive three-month period and to suspend the declaration or payment of dividends.

The Memorandum is not a formal supervisory action. Failure to comply with the Memorandum can lead to a formal enforcement action which could have a material adverse affect on CIB Marine and its operations. CIB Marine has initiated action plans to correct the deficiencies noted in the examination report. CIB Marine believes that the resolution of these deficiencies will result in the termination of the Memorandum.

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. 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 has also established borrowing lines with the Federal Reserve Bank and with unaffiliated 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, sales of loans held for sale, and the sale of available for sale securities. CIB Marine considers substantially all of its cash and cash equivalents, loans held for sale, and securities available for sale to be liquid assets. These amounts totaled $722.7 million at June 30, 2003 and $770.4 million at December 31, 2002.

The following discussion should be read in conjunction with the statements of cash flows contained in the Consolidated Financial Statements.

Net cash provided by operating activities was $107.7 million for the six months ended June 30, 2003 compared with $16.9 million for the six months ended June 30, 2002. The increase in cash provided was primarily the result of the net reduction in loans held for sale. For the six months ended June 30, 2003, net cash used in investing activities was $70.4 million, compared to $248.3 million for the six months ended June 30, 2002. The reduction in cash used for investing activities was caused primarily by reduced loan growth. Net cash used in financing activities was $66.0 million for the six months ended June 30, 2003 compared to net cash provided of $266.2 million for the six months ended June 30, 2002. The increase in cash used in financing activities was primarily attributable to a repayment of short-term borrowed funds with the proceeds from the sale of loans held for sale combined with lower funding demands as a result of reduced loan growth between the two periods.

CIB Marine was able to meet its liquidity needs during the first half of 2003 and expects to meet these needs for the remainder of 2003.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK SENSITIVITY

There have been no material changes in the market risks faced by CIB Marine since December 31, 2002. For additional information regarding CIB Marine's market risks, refer to its 2002 Annual Report on Form 10-K, which is on file with the Securities and Exchange Commission.

The following table illustrates the period and cumulative interest rate sensitivity gap for June 30, 2003:

	June 30, 2003					
	0-3 Months	4-6 Months	7-12 Months	2-5 Years	Over 5 Years	Total
	(Dollars in thousands)					
Interest-earning assets						
Loans	$1,884,608	$ 154,771	$ 164,218	$467,456	$ 15,579	$2,686,632
Securities	108,777	55,898	108,786	257,730	36,709	567,900
Loans held for sale	147,659	—	—	—	—	147,659
Federal funds sold	10,740	—	—	—	—	10,740
Total interest-earning assets	2,151,784	210,669	273,004	725,186	52,288	3,412,931
Interest-bearing liabilities						
Time deposits	379,415	335,054	631,713	570,040	82,314	1,998,536
Savings and interest-bearing demand deposits	755,360	—	—	—	—	755,360
Short-term borrowings	203,078	—	1,800	—	—	204,878
Long-term borrowings	—	—	8,500	39,075	—	47,575
Guaranteed trust preferred securities	20,000	—	—	—	40,000	60,000
Total interest-bearing liabilities	1,357,853	335,054	642,013	609,115	122,314	3,066,349
Interest sensitivity gap (by period)	$ 793,931	$(124,385)	$(369,009)	$116,071	$(70,026)	$ 346,582
Interest sensitivity gap (cumulative)	793,931	669,546	300,537	416,608	346,582	346,582
Adjusted for derivatives						
Derivatives (notional, by period)	(70,000)	—	—	25,000	45,000	—
Derivatives (notional, cumulative)	(70,000)	(70,000)	(70,000)	(45,000)	—	—
Interest sensitivity gap (by period)	723,931	(124,385)	(369,009)	141,071	(25,026)	346,582
Interest sensitivity gap (cumulative)	723,931	599,546	230,537	371,608	346,582	346,582
Cumulative gap as a % of total assets	20.13%	16.67%	6.41%	10.33%	9.64%	

The following table illustrates the expected percentage change in net interest income over a one-year period due to the immediate change in short-term U.S. prime rate of interest as of June 30, 2003, and December 31, 2002:

	Basis Point Changes			
	+200	+100	−100	−200
Net interest income change over one year:				
June 30, 2003	9.96%	4.79%	(4.61)%	(6.78)%
December 31, 2002	12.01%	7.20%	(3.36)%	(9.13)%

ITEM 4. DISCLOSURE CONTROLS AND PROCEDURES

a. Evaluation of Disclosure Controls and Procedures

CIB Marine's Chief Executive Officer and its Chief Financial Officer, after evaluating the effectiveness of CIB Marine's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) under the Securities Exchange Act of 1934) have concluded that, as of the end of the period covered by this quarterly report, CIB Marine's disclosure controls and procedures were adequate and effective to ensure that material information relating to CIB Marine and its consolidated subsidiaries would be made known to them by others within those entities.

b. Changes in Internal Controls

There was no change in CIB Marine's "internal control over financial reporting" (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) identified in connection with the evaluation required by Rule 13a-15(d) of the Securities Exchange Act of 1934 that occurred during the fiscal quarter covered by this report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, CIB Marine's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

CIB Marine is not currently involved in any material pending legal proceedings other than litigation of a routine nature, which is being defended and handled in the ordinary course of business.

CIB Marine has a lending relationship with a borrower who has pleaded guilty to four charges, including three counts of wire fraud. The United States alleges the borrower committed fraud in the amount of $54.9 million and may seek recovery from the borrower by means of forfeiture. In August of 2002, CIB Marine purchased various assets from certain of the borrower's related interests, as a result of financial difficulties of this borrower. Although CIB Marine does not currently believe it will incur any losses with respect to any such forfeiture proceedings, this matter is being disclosed as a contingent liability pursuant to Statement of Financial Accounting Standard No. 5, *Accounting for Contingencies.* CIB Marine engaged in the lending activities with the borrower and its related interests, and the acquisition of assets from the borrower's related interests, without knowledge of the alleged criminal activities and believes that it is a bona fide purchaser for value of the assets.

In addition, CIB Marine has lending relationships with other individuals and entities who purchased certain assets of other operating subsidiaries of the borrower. These loans are secured by certain assets previously owned by the borrower's related interests. CIB Marine has no reason to believe at this time that such assets will be subject to forfeiture and does not expect any loss to occur as a result of any such forfeiture proceedings.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

a. Not Applicable

b. Not Applicable

c. Not Applicable

d. Not Applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

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

a. CIB Marine held its Annual Meeting of Shareholders on May 22, 2003.

b. Matters related to the election of Directors.

Director	Votes For	Votes Withheld	Non-Vote
C. Todd Atkins	13,587,836	452,972	0
John T. Bean	13,626,190	414,618	0
J. Michael Straka	13,714,143	326,665	0

The continuing Directors of CIB Marine whose seats were not up for election at the annual meeting are as follows:

Director	Serving Until
Norman E. Baker	2004
W. Scott Blake	2004
Dean M. Katsaros	2004
Donald M. Trilling	2004
Jose Araujo	2005
Jerry D. Maahs	2005
Howard E. Zimmerman	2005

ITEM 5. OTHER INFORMATION

Not Applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibit 31.1 — Certification of J. Michael Straka, Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a).

Exhibit 31.2 — Certification of Steven T. Klitzing, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a).

Exhibit 32.1 — Certification of J. Michael Straka, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 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 the Sarbanes-Oxley Act of 2002.

b. Reports on Form 8-K — None

SIGNATURES

Pursuant to the requirements 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, on this 14th day of August, 2003.

CIB MARINE BANCSHARES, INC.
(Registrant)

By: /s/ STEVEN T. KLITZING

Steven T. Klitzing
Senior Vice President and Chief Financial Officer

Exhibit 31.1

CERTIFICATION

I, J. Michael Straka, Chief Executive Officer of CIB Marine Bancshares, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of CIB Marine Bancshares, Inc.;

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 upon 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 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)) and the internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) 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

d) 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 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 function):

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.

/s/ J. MICHAEL STRAKA

J. Michael Straka
Chief Executive Officer

August 14, 2003

Exhibit 31.2

CERTIFICATION

I, Steven T. Klitzing, Chief Financial Officer, of CIB Marine Bancshares, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of CIB Marine Bancshares, Inc.;

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 upon 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 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)) and the internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) 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

d) 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 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 function):

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.

/s/ STEVEN T. KLITZING

Steven T. Klitzing
Chief Financial Officer

August 14, 2003

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 Quarterly Report of CIB Marine Bancshares, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Michael Straka, as Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of 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.

/s/ J. MICHAEL STRAKA

J. Michael Straka
Chief Executive Officer

EXHIBIT 32.2

August 14, 2003

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 Quarterly Report of CIB Marine Bancshares, Inc. (the "Company") on Form 10-Q for the period ending June 30, 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 certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of 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.

/s/ STEVEN T. KLITZING

Steven T. Klitzing
Chief Financial Officer

August 14, 2003