CIB MARINE BANCSHARES, INC.

May 10, 2019

Dear Preferred Shareholder:

A number of preferred shareholders have requested guidance from CIB Marine Bancshares, Inc. ("CIB Marine" or the "Company") as they prepare Sale Offers for submission in CIB Marine's second round of modified Dutch auction solicitations (the "Solicitation"). We provide the following discussion of factors the Company will evaluate with the hope that it will assist you in your analysis, but understand that this guidance is highly fact specific and dependent upon the actual Sale Offers the Company receives in the Solicitation, which are difficult for the Company to predict.

The Company has provided guidance in the past on the criteria its Board has established for Sale Offers it may be likely to accept in the Solicitation. The overarching criterion that will be considered by the Company is that a repurchase must be in its best interests and the best interest of its shareholders, but more specifically, the repurchase must, on net, be accretive to its book value per share of common stock.

To this end, we offer the following guidance to preferred shareholders in the preparation of their Sale Offers:

1. <u>Evaluate the Results from the Prior Modified Dutch Auction</u>: In last year's modified Dutch auction, an aggregate of 43,003 preferred shares were offered to the Company for repurchase in the Solicitation. The weighted average Sale Offer price was $806.27. Approximately 95% of the Sale Offers were rejected because the offer price was too high and the transaction could not be concluded in a manner that was consistent with the Board's criteria for repurchases (i.e., that the repurchases would have been in the best interests of the Company and its shareholders).

2. <u>Evaluate the Impact of the Sale Offer on the Company's Deferred Tax Asset</u>: Currently, the Company has approximately $21 million in deferred tax assets. If a repurchase transaction would result in an Internal Revenue Code Section 382 ownership change, it would significantly limit the Company's ability to fully utilize its net operating loss carryforwards in the future. A transaction that impairs the deferred tax asset would need to be off-set by a sufficient discount in repurchase price such that, on net, the transaction is accretive to common shareholder value. Determining if a given transaction will trigger the ownership change under Section 382 is a complicated and fact specific analysis, but what is known is that prior transactions, including ownership changes within the existing preferred stock shareholder base, have pushed the Company significantly closer to triggering a Section 382 ownership change. Even relatively modest repurchase transactions will require careful scrutiny going forward.

3. <u>Evaluate the Cost of Capital to Fund Repurchases</u>: The Company has relatively limited cash on hand for a repurchase transaction and would likely need to engage in some type of capital raise or financing transaction to fund any meaningful repurchase of preferred shares offered. The cost and dilutive impact of such a transaction is an important factor the Company will evaluate in determining if a given Sale Offer is accretive to shareholder value, including the impact of any such capital raise on the evaluation of whether any Section 382 ownership change has occurred.

4. <u>Evaluate the Accretive Impact of a Transaction</u>: The repurchase transactions which occurred in 2018 were at prices that resulted in $1.8 million being transferred to additional paid in capital of common stock and increased the stated and tangible book values attributed to the Company's common shareholders. These transactions were funded with cash on hand and did not trigger a Section 382 ownership change. Future transactions will also need to produce sufficient transfers

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to additional paid in capital of common stock such that, when considered with other factors, there is a resulting net improvement to common shareholder value. Sale Offers that create the greatest value are those most likely to be accepted.

On balance, the above factors will likely require a significant discount to par value if preferred shareholders hope to have the Company accept their Sale Offer. A Qualified Offer only requires that the Shareholder tender shares at a price not exceeding 90% of stated liquidation value of the shares. Shareholders who tender at the maximum Qualified Offer price should understand that the likelihood of being selected for repurchase may be diminished under the criteria established by the Board, as discussed above. The factors that will determine if a specific Sale Offer is accretive or dilutive to value will not only depend on the price tendered, the impact on the Company's deferred tax asset and the cost of capital, but also the number of shares tendered, the relative price of Series A preferred shares versus Series B preferred shares, the Company's capacity to repurchase all tendered shares and thereby trigger the elimination of the conversion rights of Series B shares, and additional factors determined by the specific Sale Offers submitted.

While we are not able to give you a specific price, or even a range, that will meet all the requirements for repurchase, we can tell you that the factors taken as a whole make it clear that the most motivated sellers – those that apply the most aggressive discount to par – are the most likely to be repurchased.

We hope the above information provides some guidance to CIB Marine shareholders. Please remember that your Sale Offer documents under the 2nd modified Dutch auction Solicitation are due by June 5, 2019. If you require any additional information, please contact Elizabeth Neighbors, Shareholder Relations Manager at 262.695.6010 or Elizabeth.Neighbors@cibmarine.com.

Sincerely,

J. Brian Chaffin
President & Chief Executive Officer