



July 29, 2021

Dear Shareholder:

CIB Marine Bancshares, Inc. (“CIB Marine” or the “Company”) is pleased to report that we have taken a critical step forward in the process of redeeming and retiring the Company’s Series A and Series B preferred stock. After extensive negotiations with the largest single preferred shareholder, we were able to reach a compromise agreement on a plan to redeem all preferred stock by the end of 2025 (the “Plan”), which we believe will position the Company for future growth and allow us to participate in opportunities to build shareholder value.

The retirement of the preferred stock has been an issue we have been working on for several years. We made substantial progress between 2017 and 2020 via modified Dutch auctions and voluntary negotiated repurchases, but a mechanism was necessary to permit the Company to make mandatory redemptions at fair prices, which would allow the repurchase of all preferred shares over a relatively short period of time and at a fixed price. After considerable effort by all involved, we believe the compromise agreement is the best solution representing the interest of all Company shareholders.

In order to execute the Plan, the Company’s current Restated and Amended Articles of Incorporation, as amended to date, will need to be further amended to permit the redemption of non-cumulative perpetual preferred stock at a discount to the stated liquidation preference. The proposed amendments will be incorporated into a Second Amended and Restated Articles of Incorporation (“Second Restatement”), which will be presented to shareholders for approval at separate common and preferred shareholder meetings to be held on September 24, 2021.

Outlined below are the essential terms of the Plan and additional shareholder meeting details:

Term: Commencing with the initial redemption in 2021, the Company will have four years to redeem the remaining shares of its preferred stock. If any preferred stock remains outstanding at the end of the four-year term, the Articles of Incorporation will “spring back” to the current terms for any future preferred stock redemptions.

Redemption Price: \$825 per share for every share redeemed within the four-year term of the Plan. This price is higher than the \$716.59 per share weighted average price paid in repurchases effected by the Company between 2017 and 2020; but also represents a 17.5% discount from the \$1,000 per share liquidation preference currently provided for in our Articles of Incorporation.

Mandatory Call Provision: All repurchases will be executed in a series of mandatory redemptions by the Company and the Company will not be required to declare and pay any dividends on the preferred shares as a condition precedent to the redemptions.

Initial 2021 Redemption: Prior to the end of 2021, the Company will redeem \$18 million of Series A and Series B preferred shares on a pro rata basis as between such series and among shareholders in each series. This initial redemption will retire roughly half of the outstanding preferred stock in each series, will be funded with a capital distribution from CIBM Bank to the Company, and will not require any debt or stock issuance by the Company.

Redemptions After 2021: The Plan anticipates the Company’s ability to redeem all remaining preferred shares using Company earnings over the next four years. If the Board determines it is advisable and beneficial to the Company and our shareholders, it may engage in capital raising activities to expedite the repurchase process and retire the preferred shares before 2025, but there is no obligation, nor any immediate plans, to do so. Future redemptions will be in amounts and at times determined advisable by the Company; provided, however, that after the 2021 initial redemption, the Company will be required to redeem all shares of Series A preferred stock before any shares of Series B preferred stock may be redeemed.

“Community Banking – The Way It Used To Be”

*Phone: (262) 695-6010 • Fax: (630) 735-2841
19601 West Bluemound Road • Brookfield, WI 53045*

Section 382 Analysis: Preliminary analysis indicates that the redemptions are not likely to cause an ownership change under Section 382 of the Internal Revenue Code, which would impair the Company's ability to fully utilize approximately \$15 million in deferred tax assets. This determination is based upon an assumption that there are no new or expanding 5% shareholders and further assumes a range of common stock prices throughout the planned redemption period. As a point of reference, assuming all preferred shares are repurchased under the Plan, a 5% shareholder would hold approximately 64,200 shares of Company common stock.

Regulatory Approvals: All regulatory approvals required to make the \$18 million initial 2021 redemption have been received.

Common & Preferred Shareholder Meetings: Each series of Company stock must approve the Second Restatement at separate meetings of common and preferred shareholders, which will be held successively on September 24, 2021 at the Sheraton Milwaukee Brookfield Hotel, 375 S. Moorland Road, Brookfield, Wisconsin.

Because the Second Restatement was not contemplated in the Proxy Statement for the Annual Meeting of Common Shareholders originally scheduled for April 2021 and adjourned to July 29, 2021, the Board of Directors has cancelled that meeting in order to allow the Company to issue a new Proxy Statement incorporating that proposal. As such, the Annual Meeting of Common Shareholders will now take place at 9:30A.M. on September 24th at the Sheraton Milwaukee Brookfield Hotel and, in addition to the two proposals that appeared on the previous Proxy Statement (i.e., election of Directors and ratification of our independent registered public accounting firm), the new Proxy Statement will also contain a proposal to approve the Second Restatement.

We have also scheduled a Special Meeting of our preferred shareholders to be held immediately following the 2021 Annual Common Shareholders Meeting, at 11:30A.M., local time, on September 24th at the Sheraton Milwaukee Brookfield Hotel. A Proxy Statement will be issued to preferred shareholders, which will contain one proposal: approval of the Second Restatement.

Termination of Proxy Contest: Pursuant to an agreement between the Company and its largest single preferred shareholder, the proxy contest for our 2021 Annual Shareholder Meeting has been terminated and all previously submitted proxies are void. All parties to the agreement support the redemption of preferred stock as outlined in the Plan and Second Restatement. The agreement also entitles the preferred shareholder to certain remedies in the event that the Company does not meet its repurchase obligations under the agreement, which will be more fully discussed in the upcoming Proxy Statements.

We appreciate the input and support provided by our shareholders that have allowed us to reach this important milestone. The process to get to this point was difficult at times, but we now have the opportunity to present a plan for the retirement of all preferred stock to all of our shareholders that will:

- complete the repurchase process we started in 2017;
- avoid an expensive equity or debt issuance;
- simplify the Company's capital structure;
- provide liquidity to preferred shareholders; and
- be accretive to common tangible book value.

The Proxy Statements for the September 24, 2021, shareholder meetings will be issued in the next few weeks. In the interim, if you have any questions, please contact our shareholder relations office at ShareholderRelations@cibmarine.com or (262) 695-6010. We look forward to the opportunity to share additional information with you at the shareholder meetings and answer your questions.

Sincerely,


J. Brian Chaffin
President & Chief Executive Officer

FORWARD-LOOKING STATEMENTS

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

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

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

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

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