



May 6, 2016

Dear Shareholder,

As we have discussed with you in the past, we occasionally receive overtures of varying quality and attractiveness from banking organizations or investor groups interested in discussing a transaction with CIB Marine Bancshares, Inc. (“CIBM”). Together with management and outside advisors, including investment bankers, accounting firms and law firms, the Board carefully evaluates all inquiries from credible, interested parties to determine if a proposal represents a good opportunity for CIBM shareholders. The attention from interested parties is increasing as CIBM has successfully emerged from its years of regulatory restrictions and is perceived by many to be a good value, poised for a strong 2016.

A few months ago, the Board received a proposal from Don Wilson, a relatively new shareholder of CIBM (the “Wilson Proposal”). Recently, Mr. Wilson took the unusual step of making his proposal public in a letter to certain CIBM common shareholders. The Board finds this action regrettable and has no interest in engaging in a public debate with Mr. Wilson about his proposal. However, his decision to deviate from accepted standards of professional conduct now requires that the Board respond in order to reassure its shareholders that it has properly exercised its fiduciary duties with respect to the proposal, as well as to correct the record regarding some of the points raised by Mr. Wilson.

To be candid, the Board considered the Wilson Proposal one of the least attractive indications of interest CIBM has evaluated in the past several years. The Board conducted an extensive evaluation of every element of the Wilson Proposal. It considered market and peer transaction data. It consulted investment bankers and outside advisors and reviewed all of the information Mr. Wilson was willing to provide. As Chairman, I met with Mr. Wilson twice and further directed him to discuss his proposal with CIBM’s investment banking firm, which had regular discussions with him. Every analysis and advisory opinion the Board received concluded the same thing: Mr. Wilson’s proposal lacked merit. After careful deliberation, the Board, acting in the best interests of CIBM’s shareholders, advised Mr. Wilson that the current proposal was materially insufficient and identified many of the weaknesses to give him an opportunity to refine and improve the proposal.

The Board suspects that CIBM shareholders understand Mr. Wilson’s motives. The improvements with the Company are clear. The enterprise value of the Company is increasing. Mr. Wilson’s decision to send a letter to *some* common shareholders, was likely a recognition that, as the Company’s value continues to grow, his already inadequate proposal becomes more inadequate with each passing day. The proposal is a great opportunity for Mr. Wilson, but unsatisfactory for CIBM’s current shareholders.

The Board plans to comment on the matter further at the Annual Meeting, but realizes that the vast majority of the shareholders are unable to attend. The following is a list of a few of the elements of the Wilson Proposal that the Board took issue with:

1. Pricing Deficiencies. Mr. Wilson proposed to buy 15 million authorized but unissued common shares and between 3 million and 5 million shares from existing common shareholders, all at a price of \$0.52 to \$0.60 per share (subject to due diligence adjustments). Common shareholders would receive between \$1.56 million and \$3 million in the aggregate. Preferred shareholders would receive nothing. The OTCQB three-year average trading price for CIBM common stock (symbol: CIBH) is \$0.52 per share. This amount is in Mr. Wilson’s proposed price range, however CIBM revenues and asset quality have steadily improved over that same period. CIBM’s deferred tax asset reported in its 2015 audited financial statements was \$44.3 million, or \$2.44 per share, assuming it were fully utilized (at this time, it is reserved against). Since the Wilson Proposal, CIBM’s book value per share has increased and it reported earnings of \$1.0 million for the first

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quarter of 2016. The Wilson Proposal fails to adequately reflect a control premium, the economic value of the deferred tax assets, or the increasing enterprise value.

Over the past two years, the Board has exhaustively evaluated strategic alternatives that would create value for our shareholders. During that time, the Board pursued two transaction opportunities on terms far superior to the Wilson proposal. Those opportunities were halted due to preferred shareholder ownership structure impediments to a successful closing. That process taught us two important lessons: (1) we need to address the preferred shareholder ownership structure issue as a condition precedent to a transaction in order to maximize transaction benefits for all CIBM shareholders; and (2) attractive transaction opportunities exist with respected and qualified partners. There are steps that CIBM is exploring to resolve these issues, which we will discuss at the Annual Meeting.

2. Wilson lacks the required resources to fund the acquisition he proposes. To demonstrate the credibility of a proposal, qualified new investor groups generally raise a significant portion of the proposed purchase price in advance and provide proof of their ability to raise the remainder. Mr. Wilson told the Company he had not raised the necessary capital but would use “best efforts” to do so in the future. He has also indicated to CIBM’s advisors that he would expect CIBM to fund his capital raising efforts. He even suggested that CIBM would need to pay his costs of due diligence. The inability to pay his own basic transaction costs raised concern with the Board about his qualifications as an acquirer.
3. The proposal provides no liquidity for preferred shareholders. No shares of preferred stock would be purchased in the transaction or converted to common stock. The preferred shareholders of CIBM, who hold a \$60 million liquidation preference, would not receive any distributions or consideration in any form under the Wilson Proposal.
4. For common shareholders, proposal provides little liquidity and massive dilution. Under the Wilson Proposal, 17-28% of outstanding common stock (not one-third or one-half as Mr. Wilson claimed) would be acquired from existing shareholders. The remainder of the common stock he proposes to buy consists of authorized but unissued shares. In other words, approximately 80% of the transaction value would be retained by the Company and controlled by Wilson after the transaction. The holders of more than 70% of CIBM’s current common shares will receive no cash in the transaction. Those continuing shareholders will have their ownership materially diluted and they will own shares in a company that is, effectively, closely held by Mr. Wilson and a small group of private equity investors. To be clear, Mr. Wilson, post close, would control the Company through his majority ownership, effectively marginalizing all remaining common shareholders.

The Board advised Mr. Wilson that if he desired to buy the Company he should make a proposal to acquire all of the stock of the Company (common and preferred) in order to provide liquidity to all shareholders. He is either unable or unwilling to do that.

5. Wilson lacks a business plan or a track record of success. The holders of more than 70% of CIBM’s current common shares and 100% of CIBM’s preferred shareholders would be subject to the ownership and management of Mr. Wilson (with Wilson as CEO). The Board asked him to provide a business plan explaining his vision for the Company. He refused to share any such plan with the Board. A committee of independent directors was willing to meet with him to discuss his proposal. The only requirement was that he execute a confidentiality agreement so that there could be meaningful dialogue. He refused this invitation as well. Mr. Wilson has effectively refused to participate in the professional norms of a transaction and seems to lack an understanding of the negotiation process required to execute his proposal. The background, character, and fitness of Mr. Wilson as CEO is an important element of the proposal. Unfortunately, the refusal of Mr. Wilson to participate in the process made further exploration of his prior leadership skills difficult.
6. Proposal suggests possible future “force out” of “legacy shareholders.” Common shareholders whose shares are not purchased under the Wilson Proposal should take careful notice of the language in the Wilson Proposal which states: “We would further commit to not pursue any action to **force out remaining legacy shareholders at a price less than this offer price for a period of up to twelve (12) months** after our initial

investment.” This suggests that Mr. Wilson anticipates taking further corporate action in the future that could impact CIBM legacy shareholders but, again, is unwilling to share those plans with the Board.

7. Wilson proposes a transaction that eliminates a shareholder vote. The Wilson Proposal has been structured in such a manner as to permit acquisition of a majority ownership stake without a vote of the common shareholders. The Board considers the common shareholder vote a critical element to any proposal. His protestations about wanting a shareholder vote are disingenuous.
8. CIBM is well capitalized. CIBM does not need the additional capital that the Wilson Proposal offers. His desire to purchase all authorized and unissued shares is merely structured to provide him a majority voting position in the Company, without significant upward movement in CIBM’s share price that would go along with simply buying all the publically traded shares currently outstanding. This financial engineering benefits Mr. Wilson, but does not maximize value for the existing shareholder base. Moreover, CIBM does not need the new capital that the sale of unissued shares would provide. In fact, CIBM is well capitalized and poised for significant opportunity. Liquidity for shareholders is a far more valuable element to a proposal, but the Wilson Proposal achieves little of that.

Mr. Wilson’s letter claims the Company made errors in reporting the number of shares used in its earnings per share and diluted earnings per share calculations. We believe Mr. Wilson has misrepresented that there is an error and refer all shareholders to “Note 14 – Earnings (Loss) Per Share” of CIBM’s 2015 audited financial statements for a complete discussion and explanation of those calculations – which were reported correctly by the Company.

To put it as succinctly as possible: Mr. Wilson has provided a proposal that is almost entirely void of attractive elements for the CIBM shareholders and has engaged in a disingenuous campaign against the Company to promote his personal interests.

As we continue to build enterprise value over the next few years, the Board anticipates that it will continue to receive inquiries from interested parties and will evaluate the merits of each. Some suitors will be looking to take advantage of a situation, and others will be from well-respected and established organizations that are serious about a transaction and have the necessary resources to consummate it. The Board fully understands why an investor would want to buy CIBM, but rest assured, the Board will demand a fair price and fair terms for all CIBM shareholders.

To help shareholders assess the prospects for a transaction involving the Company in the next three to five years, the Board will provide shareholders some forward looking information, including earnings projections at the Annual Meeting.

The Board strongly encourages shareholders to submit questions for the Annual Meeting and to attend either in person or via teleconference. As indicated in the Notice of Annual Meeting, our procedure is that all questions from shareholders must be submitted to Shareholderrelations@cibmarine.com or by mail to CIB Marine Bancshares, Inc.; Attn: Shareholder Relations; 1930 W. Bluemound Road, Suite D; Waukesha, Wisconsin 53186, **no later than the close of business May 24th**. For those shareholders attending in person, please follow the RSVP process described in the Notice.

Sincerely,



Mark A. Elste
Chairman of the Board of Directors

FORWARD-LOOKING STATEMENTS

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

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

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

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

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