



March 16, 2021

Dear Shareholder:

Enclosed with this letter is the Proxy Statement for CIB Marine Bancshares, Inc. (“we”, “our” or the “Company”), including the two proposals to be voted upon at our 2021 Annual Meeting of common shareholders (“2021 Annual Meeting”). We have received notice from Hildene Opportunities Master Fund, Ltd., a Cayman Islands exempted limited liability company (“Hildene”), that it intends to engage the Company in a proxy contest at the 2021 Annual Meeting to propose two of its representatives as nominees to serve on our Board.

Hildene’s activist opposition derives from its resistance to our disciplined plan of preferred stock repurchase activity executed over the last three years, which has built substantial value for our shareholders. **During that period, we have repurchased 26% of our outstanding preferred stock (14,934 shares of Series A and 1,175 shares of Series B) at a weighted average price of \$717 per share. The aggregate purchase price for those repurchases totaled \$11.5 million, which represented a \$4.6 million discount to the stated liquidation value and a \$2.1 million discount to our carrying value of the shares. The shares of Series B preferred shares we repurchased were convertible (in very limited circumstances) into 313,228 post-reverse split common shares on a fully converted basis. All of the repurchases were funded internally with no new debt incurred or stock issued.** This process created a liquidity opportunity for voluntary sellers of our preferred stock at freely negotiated prices and each repurchase transaction was accretive to our book value. It was a win/win situation for all parties involved.

Through its proxy contest, Hildene seeks to elect two directors who are expected to pursue an agenda supportive of Hildene’s self-interested mandatory preferred stock repurchase plan (as discussed further in the enclosed Proxy Statement) that would greatly benefit Hildene at the expense of the Company and its common shareholders. **The Board of Directors encourages you to vote in favor of the Company’s nominees to the Board on the WHITE proxy card enclosed with these materials and to disregard any proxy card you may receive from Hildene.**

Hildene’s Nomination of Two Directors

As a Midwestern one-bank holding company, our directors are required to fill a number of roles typical of a community bank. We pursue Board candidates who not only possess unique skills and expertise that we and our wholly owned bank subsidiary, CIBM Bank, determine to be valuable, but also individuals who have significant business connections in the communities CIBM Bank serves and who make our Board more diverse, inclusive, and reflective of the communities we serve.

In 2010, upon the referral of a preferred shareholder, we added Mr. Charles Mires to our Board. Mr. Mires is an owner of our preferred stock and has been a devoted advocate for all of our shareholders, with a special focus on the interests of our preferred shareholders, throughout his decade of service. He brings substantial investment expertise to the Board and serves as Chair of our Trust Committee.

The two nominees put forth by Hildene are neither registered shareholders of the Company (common or preferred) nor influential members of the business communities in which we operate. Furthermore, they do not possess any unique expertise not already present on the Board, nor make the Board more diverse and inclusive. If elected, 30% of the Board would represent the interests of preferred shareholders, despite the fact that preferred shareholders have no right to vote for Director nominees at the 2021 Annual Meeting.

“Community Banking – The Way It Used To Be”

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Perhaps the most important right our common shareholders possess is the ability to elect Directors who will act in the best interests of the Company and its shareholders, while protecting the same against special interests.

The nominees we are proposing in the enclosed proxy statement and recommending that shareholders vote “FOR” on the accompanying WHITE proxy card include: Mark Elste (Chairman of the Board of the Company), Charles Mires (independent Trust Committee Chair), Mark Henderson (independent Audit Committee Vice-Chair) and Ron Rhoades (incoming independent Chair of Compensation Committee and Nominating Committee). **These four Directors serve critical functions within the Company and they have had a direct impact on the dynamic improvements in the Company’s financial performance over the past five years, which includes the following:**

- Shareholder equity is up 58% after taking into account the \$11.5 million we returned to preferred shareholders in targeted repurchase transactions.
- Tangible book value per share of common stock has grown 340% on a reverse split-adjusted basis.
- Market price of CIBH common stock has increased 147% on a reverse split-adjusted basis compared to the KBW Nasdaq Bank Total Return Index increase of just 32% over the same period.
- Earnings per share has risen from a loss of \$0.50 to earnings of \$6.51 per share of common stock on a reverse split-adjusted basis.
- Implementation of improved performance-based and stock compensation plans to better align common shareholder interests and management, resulting in more than 7.6% of outstanding common stock owned by senior management and the Board.

A disruption to the Board and operation of the Company is the wrong action to take, particularly when done simply to pursue the agenda of one preferred shareholder.

What is it that Hildene wants to accomplish?

Simply put, Hildene wants to force us to repurchase certain outstanding preferred stock in a mandatory repurchase plan with the following elements:

- Mandatory issuance of \$20 million of subordinated debt (which Hildene’s parent company had previously proposed to hold and, thus, collect the associated interest payments);
- Subordinated debt proceeds would then be used to repurchase shares of preferred stock at a price of \$850 per share, which significantly exceeds the prices we have paid for all repurchases to date;
- Mandate that we declare and pay 7% dividends on all preferred stock as a condition of future repurchases; and
- Require that we repurchase all of the less valuable shares of nonconvertible Series A preferred shares before purchasing any shares of Series B preferred shares.

Why does Hildene want the Company to repurchase the preferred stock?

Hildene and its affiliate fund own 36% of the outstanding preferred stock. In a mandatory preferred stock repurchase transaction, Hildene and its affiliate fund would be two of the largest beneficiaries. We share the concerns expressed by many of our common shareholders that the actions taken by this preferred shareholder appear to be in pursuit of a self-interested agenda that may threaten our continued growth, revenue improvement, and reverse the progress that has been made in building shareholder value.

Hildene appears to be attempting to guarantee its investment return while also eliminating two of the central limitations of our Preferred Stock that have made it valuable capital to the Company: the noncumulative dividends and the perpetuity of the shares. **We encourage our common shareholders to**

disregard any proxy statement they may receive from Hildene seeking their vote for director nominees who are likely to support a plan that greatly benefits preferred shareholders at the direct expense of common shareholders.

We remain hopeful that, despite Hildene's activist strategy, in the end we will be able to reinstate negotiations for fair and reasonable transactions with all remaining preferred shareholders. If a fair transaction cannot be struck with preferred shareholders, we need to invest in growth opportunities that will improve our earnings and build shareholder value. We believe repurchases of Preferred Stock are one of the best uses of our capital, but only if conducted upon the right price and terms. Any members of our Board who would seek to inhibit our growth in order to pursue an alternate agenda focused solely on the rights of preferred shareholders would not be serving the best interests of the Company or all of its shareholders. For all of the above reasons, we will oppose any effort to place one or more representatives loyal to a specific interest on our Board.

We are pleased with the improvements we have made in the last five years but understand that prices of CIBH on the OTCQB have not kept pace with our tremendous book value advances. To narrow that gap, we completed a reverse stock split in 2020 to improve "ease of ownership" issues, which should also improve liquidity for our common stock, and we are in the final stages of transferring to the OTCQX, which will give investors even more information and trading opportunities. Those actions, plus the accretive preferred stock repurchases and performance gains, demonstrate our commitment to building shareholder value. Going forward, we look to continue the performance gains with improved earnings and operating efficiencies, and effective deployment of capital in growth initiatives. As our 2021 Annual Meeting approaches, you should expect to receive communications from both us and Hildene. **In order to permit us to continue with the significant advances discussed above, we urge you to only vote on the WHITE proxy card included with our proxy statement and disregard any proxy cards you may receive from Hildene.** We thank you in advance for your careful consideration of these issues.

As always, we remain available to answer your questions regarding your investment in CIB Marine and welcome your feedback. Please feel free to reach out to us at ShareholderRelations@cibmarine.com with any 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.

If you have questions about the Annual Meeting or need assistance with voting your **WHITE** Proxy Cards, please contact our proxy solicitor:



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