MERGER PROGRESS

SEMI-ANNUAL STATUS UPDATE FOR COMPEER FINANCIAL MEMBER-OWNERS

July 2019

MERGER PROGRESS NOTIFICATION TO STOCKHOLDERS

On behalf of the Compeer Board of Directors, I'm pleased to share the following information as it relates to the progress we've made on the Compeer Financial merger between the former 1st FCS, AgStar Financial Services and Badgerland Financial organizations.

We've made significant progress over the last two years and the key highlights shared in this report offer our member-owners an opportunity to see the work and status to-date. This will be our last informational report. We're pleased to share all merger advantages have been met and all potential disadvantages have been mitigated.

Mark Cade

Compeer Financial Board Chair

MERGER CONDITION

- Condition of Merger IV(b)(3) requires the Compeer Board of Directors to communicate in writing to stockholders on a semi-annual basis on the status of the advantages and disadvantages specified in the merger disclosure.
- This report addresses the specific advantages and disadvantages and the actions the board has or will implement to address each advantage not realized or each advantage realized.

ADVANTAGES OF THE MERGER

- Increased Capital Base
- Profitability (including patronage)
- Operating Efficiencies (merger costs and cost savings)
- Enhanced Scale to Serve:
  - Specialized Clients/Develop Products
  - Support Rural Communities
- Expanded Marketplace Reputation
- Portfolio Diversification
- Human Capital

CAPITAL BASE & PROFITABILITY

- **Compeer Capital Base continues to expand**
  - Compeer has performed well and exceeded expectations.
  - Capital base and diversity creates solid base for agriculture downturn
- **Profitability of Compeer is strong**
  - Income* grew $100 million over two years for the three institutions
  - Efficiency metrics exceeded budgeted plans
  - Growth met expectations and continues to support all of Rural America

Status: These advantages have been realized through the merger.

** Income = Non GAAP combined Net Income for the three institutions in 2017*

MERGER COSTS AND COST SAVINGS*

- **Merger Costs**
  - $13.9 million of merger related expenses versus expectations of $14.5 million
  - These are one time events/expenses for Compeer
- **Operating Costs**
  - $15.8 million overall savings to date versus expectation of $14.5 million
  - Merger savings are recurring annualized savings

Status: These advantages have been realized through the merger.

** Merger and operating costs numbers are reflective of the year of business as Compeer*

COMPEER FINANCIAL

ENHANCED SCALE TO SERVE

- Updated online banking program
- Launched new home mortgage program designed to better serve the market
- Utilized talent in each organization to create teams dedicated to specialized industries
  - With today's volatility, Compeer's philosophy is to work with producers in all the industries we serve, under all economic conditions. We've invested in a team of experts that guide our clients through their current circumstances, so they can achieve optimal outcomes and see promise for the future.
- Offer more support to rural communities
  - BOD committed to 1% of adjusted earnings to give back to the communities we serve through the Compeer Fund for Rural America which for 2018 was $3.2 million

Status: This advantage has been realized through the merger.

EXPANDED MARKETPLACE REPUTATION

- Mid-year 2019 client loyalty measure is a very strong nearly 82%
  - We have experienced a consistent increase on this number
  - Average client loyalty score for banking institutions is 23%*
  - Comparably, Apple's 2016 client loyalty score was 70% and Amazon's was 69%
- Our scale and scope allows for greater support and outreach
- We have a broader legislative reach, covering 38 congressional offices and touching approximately 80% of the state legislative districts.
- Geographically diverse management team is helping the marketplace reputation.
- We're able to expand and enhance diversity and inclusion efforts in workforce, marketplace and board governance.

Status: This advantage has been realized through the merger.

**source: Temkin Group*

PORTFOLIO DIVERSIFICATION

- Merging the three portfolios resulted in the expected diversification including:
  - We have experienced benefits of a more diverse portfolio, making strides in our business objectives and showing strong financial performance. As a result, Compeer member owners will see an increase of more than $44 million in regular* patronage this year. In total, Compeer will pay out nearly $152 million of patronage, with cash patronages checks mailing next month.
  - Increased geographic diversification, mitigating against weather-related risks and localized downturns
  - Expanded industry and commodity diversification
  - Reduced borrower concentration risk

Status: This advantage has been realized through the merger.

**Excludes one time Capital Equalization plan payment of $75 million*

HUMAN CAPITAL

- Compeer employs 170+ formal leaders in the organization; this provides a deep bench of leadership talent to meet the needs of the organization and our clients.
  - We have launched various leadership training and development programs addressing the needs at all levels of leadership.
- We're also dedicated to the talent and development of the broader team and completed the performance review and personal development plan process for all Compeer team members and are in the process of doing this again.
- Succession plans for the Executive Leadership Team were completed with an ongoing commitment to update these plans on a periodic basis.
- Through the merger transition, turnover has remained at a reasonable and manageable level. Furthermore, Compeer has been able to recruit and hire the necessary talent to fill vacant positions.
- The new Compeer organizational structure reinforces the value of specialized expertise with about 38% of our team specializing in a specific type of agriculture or product knowledge. This allows us to provide the depth of knowledge to meet client expectations and needed back-up and support should issues or concerns arise.

Status: This advantage has been realized through the merger.

POTENTIAL DISADVANTAGES OF THE MERGER

- Patronage
- Perceived Loss of Local Control
- Managing a Geographically Diverse Association
- Short-Term Operational Disruption
- Merger Implementation Costs (see slide 6)
- Name Change

PATRONAGE

- **FCA condition restricted distributions for most of the year**
  - Condition related to capital distributions satisfied in November 2017 giving the board discretion over the payment of patronage.
- **Overall distributions are strong relative to history**
  - This year Compeer member owners will see an increase of more than $44 million in regular* patronage for a total payout of nearly $152 million.

Status: The merger condition limiting certain patronage payments has been satisfied.

**Excludes one time Capital Equalization plan payment of $75 million*

LOSS OF LOCAL CONTROL/GEOGRAPHIC DIVERSITY

- Created local client advisory committees to meet periodically so member-owners have the opportunity to provide feedback to board members and management. We've completed three sessions of meetings with another round happening this summer.
- Clients also retained access to their field service team and can always share their concerns through these relationships
- The impacts on the local office and service team were minimal with some team members taking new roles within the organization as opportunities opened up.

Status: Through a plan to ensure all member-owners have a voice in their cooperative, this disadvantage has not been realized.

SHORT TERM OPERATIONAL DISRUPTION

- While change itself is disruptive, we’ve made a lot of progress in the last year. We’ve maintained world class client loyalty scores of nearly 82%
- We implemented and deployed an integration team to track projects, process and workflow.
- Offered change management training to our team to help them process through their experiences.

Status: The Compeer Board has successfully managed through short-term operational disruption to ensure client service is not impacted. This disadvantage has not been realized.

**per the Tempkin group*

NAME CHANGE

- We chose a new name to build a new brand for the merged organization - Compeer means “together with equals” and speaks to the way in which we’re moving forward, as a unified cooperative, alongside our clients dedicated to their success.
- We exist to champion the hopes and dreams of rural America.
- We will continue to invest in our brand to increase awareness in the marketplace.

Status: The Compeer Board continues to monitor the progress being made to introduce the new name, and more importantly the new brand, into the marketplace. We’re happy to report we’ve reached over 80% brand awareness in the market as measured by our annual farmer study. This disadvantage has not been realized.