

# Alerus



AS OF MARCH 31, 2019

OTCQX: ALRS

ALERUS.COM

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ALERUS

# FORWARD LOOKING STATEMENTS

This presentation contains forward-looking statements about Alerus Financial Corporation. Forward-looking statements are neither historical facts nor assurances about future performance. Instead, they are based only on our current beliefs, expectations, and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy, and other future conditions. Forward-looking statements can be identified by words such as: “intend,” “plan,” “believe,” “estimate,” “expect,” “strategy,” “future,” “may,” “will” and similar references to future periods. Examples of forward-looking statements include, among others, statements we make regarding our projected growth, anticipated future financial performance, financial condition, credit quality and management’s long-term performance goals and the future plans and prospects of Alerus Financial Corporation.

Forward-looking statements involve inherent risks and uncertainties that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following: business and economic conditions nationally and in our target markets; our need to maintain sufficient capital to satisfy minimum regulatory requirements and for growth purposes; changes and volatility in interest rates; our ability to execute our business strategy; deterioration in the credit quality of our loan portfolio or in the value of the collateral securing those loans; deterioration in the value of securities held in our investment securities portfolio; effects of recently enacted and future legislation and regulation; competition in the banking, wealth management and mortgage industries; declines in mortgage originations or profitability due to rising interest rates and increased competition and regulation; reductions in the market value of wealth management assets under administration; increasing occurrences of cyber-attacks, hacks and identity theft; failure to keep pace with technological change or difficulties when implementing new technologies; changes in customer behavior and preferences; effects of mergers and acquisitions and related integration; effects of critical accounting policies and judgments; and management’s ability to effectively manage credit risk, residual value risk, market risk, operational risk, interest rate risk, liquidity risk and cybersecurity.

Forward-looking statements speak only as of the date they are made, and Alerus Financial Corporation undertakes no obligation to update them in light of new information or future events.

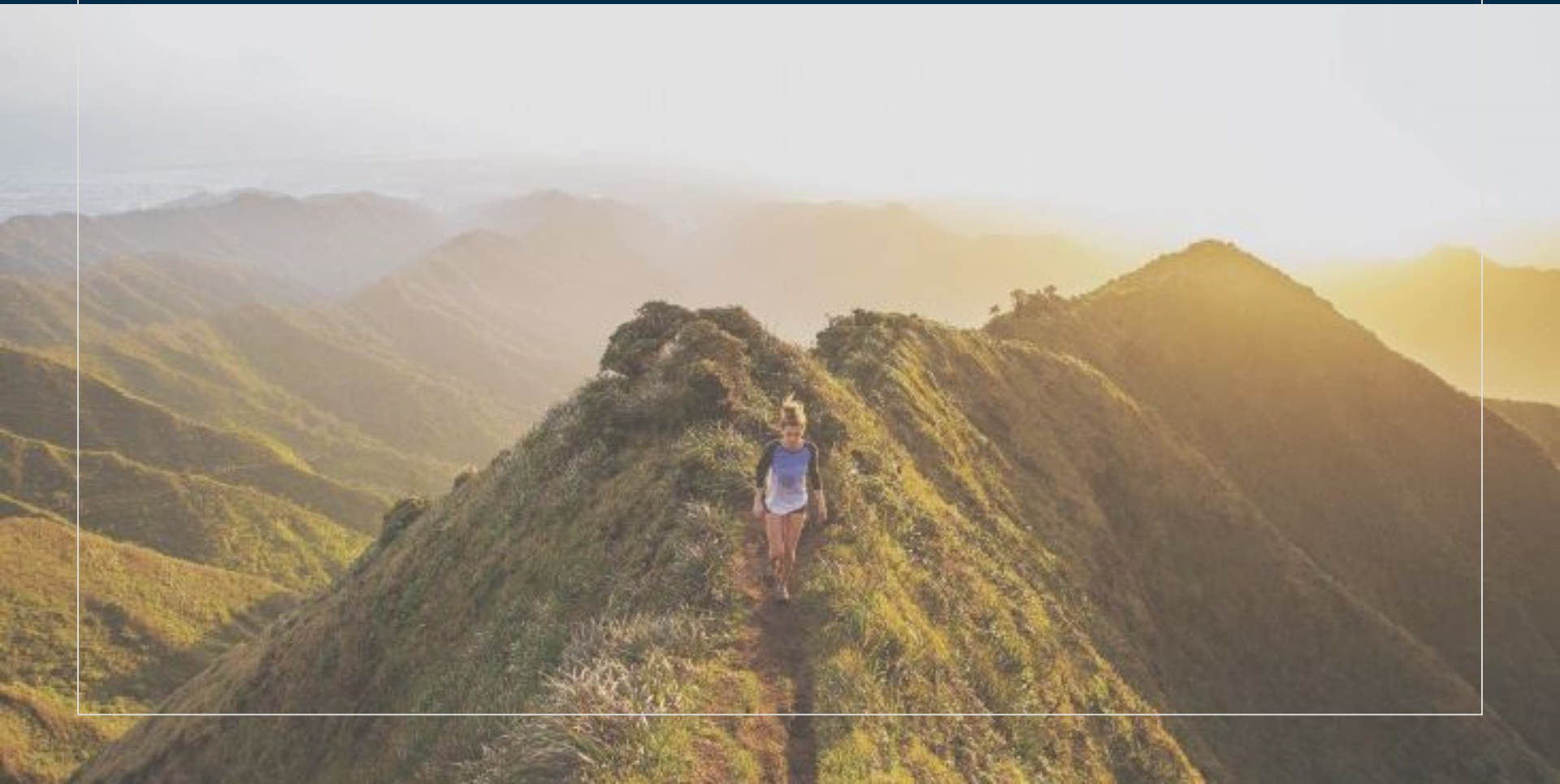
## **Non-GAAP Financial Measures**

This presentation includes certain ratios and amounts that do not conform to U.S. Generally Accepted Accounting Principles, or GAAP. Management uses certain non-GAAP financial measures to evaluate financial performance and business trends from period to period and believes that disclosure of these non-GAAP financial measures will help investors, rating agencies and analysts evaluate the financial performance and condition of Alerus Financial Corporation. This presentation includes a reconciliation of each non-GAAP financial measure to the most comparable GAAP equivalent.

## **Business Line Information**

Alerus Financial Corporation operates four principal business lines: banking; mortgage; retirement and benefits; and wealth management. This presentation includes separate operating results and other financial information for each business line. The business line information was prepared by management and has not been audited by our independent accounting firm. Accordingly, you should review such information only in conjunction with a review of the audited, consolidated financial statements published on our investor relations website: [investors.Alerus.com](http://investors.Alerus.com).

# CORPORATE ORGANIZATION & OVERVIEW



# ALERUS

A DIVERSIFIED FINANCIAL SERVICES COMPANY FOCUSED ON RELATIONSHIPS THAT  
ENABLE CLIENTS TO REACH THEIR GOALS AND DREAMS

## ROOTS DATING BACK TO 1879

A proud history of customer-focused perseverance and prosperity includes numerous strategic acquisitions, strong divisional growth, expansion into new markets, and addition of new revenue streams. Our desire to act in clients' best interest guides us through it all.

## TECHNOLOGY ROADMAP

to seamlessly integrate products and support financial wellness

## PROACTIVE ADVICE

to improve financial well-being



## ONE ALERUS

OUR FIVE-PART, MULTI-YEAR PLAN TO ADD VALUE AND FACILITATE ORGANIC GROWTH

## CLIENT-ORIENTED

to deliver a holistic and engaging client experience



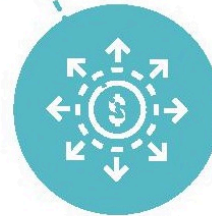
## REINVENTION OF PROCESSES

to enhance client experience and company efficiency



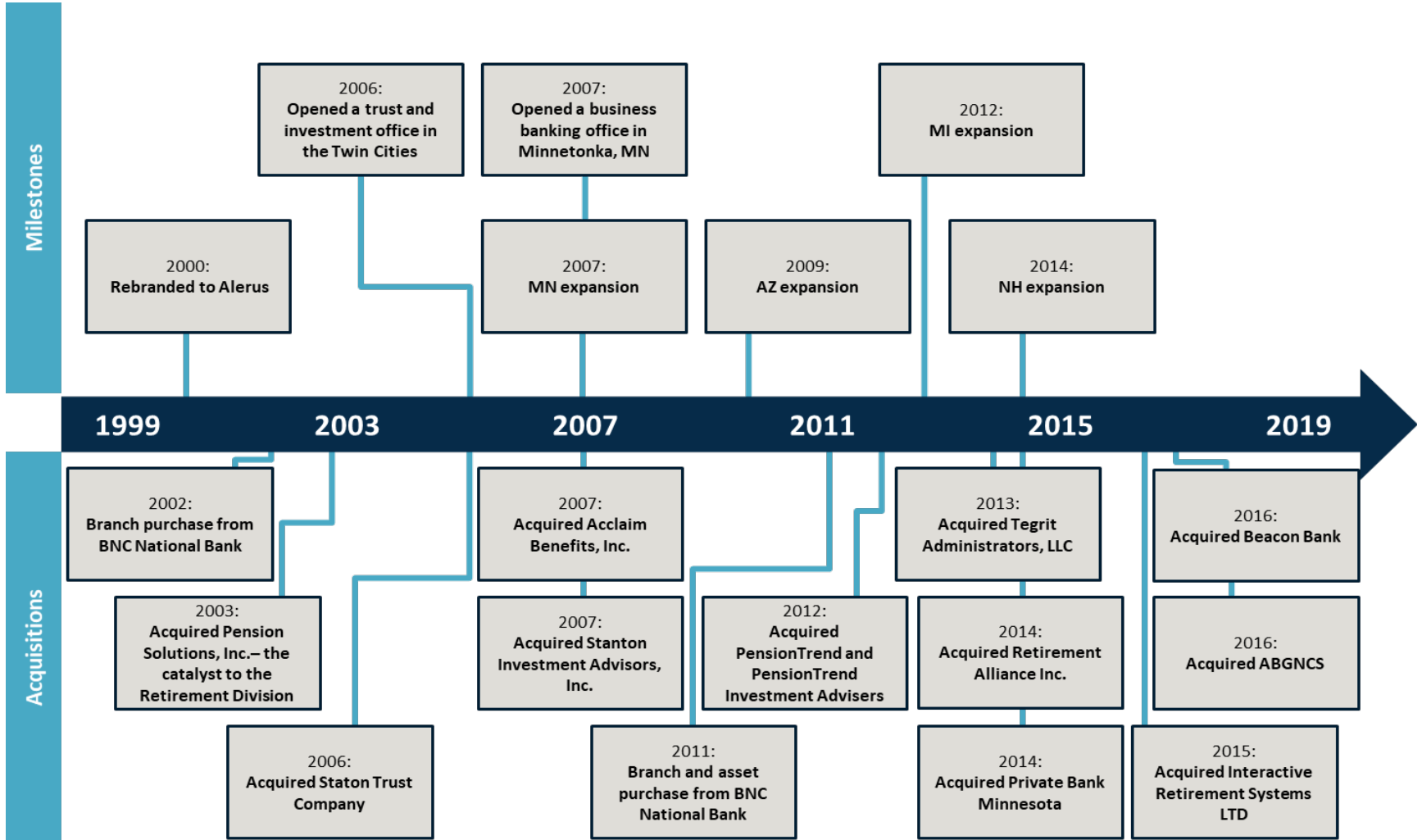
## INCOME AND BALANCE SHEET GROWTH OPPORTUNITIES

through synergistic product lines and full, complementary suite of services



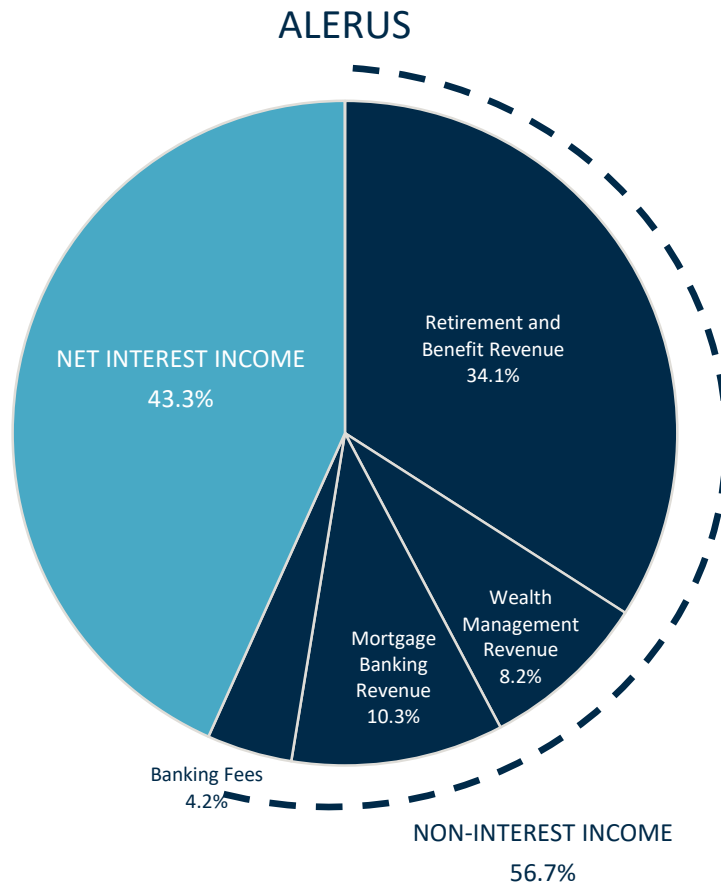
# HISTORY AND GROWTH

CONSTANT STRATEGIC PLANNING DISCIPLINE AND PROVEN EXECUTION



# DIVERSIFIED REVENUE STREAM

FIRST QUARTER 2019



## DIVERSIFIED CLIENT BASE

**46,003 consumers**

**11,113 businesses**

**6,788 employer-sponsored retirement plans**

**359,131 employer-sponsored retirement plan participants**

**45,740 health savings account participants**

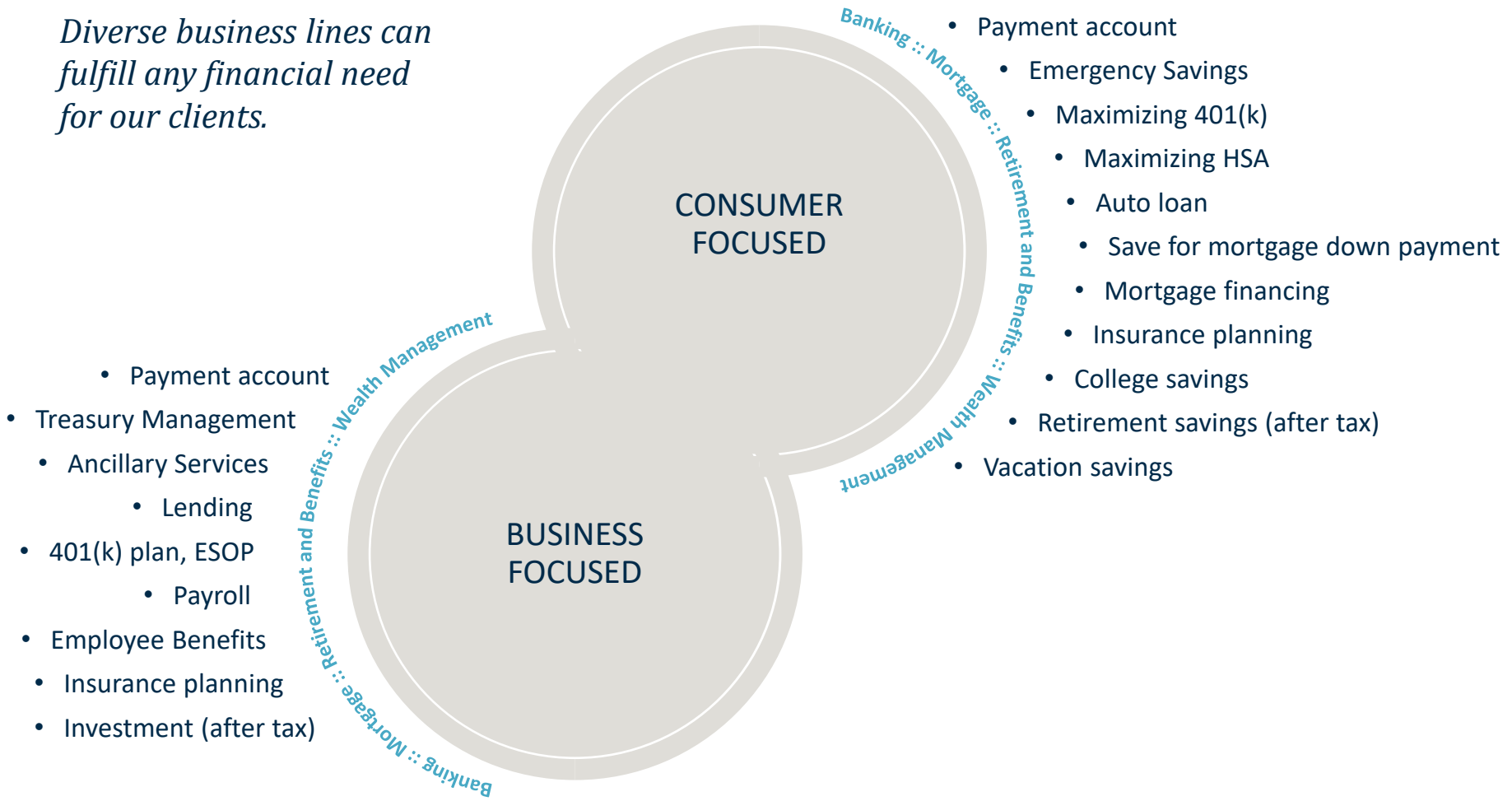
**22,250 flexible spending account/health reimbursement arrangement participants**

Data as of 3/31/2019.

# BUSINESS MODEL

A CLIENT CENTRIC MODEL WITH DIVERSIFIED SOLUTIONS FOCUSED ON ADVICE

*Diverse business lines can fulfill any financial need for our clients.*



# ALERUS LEADERSHIP

OUR MOTIVATED, DEDICATED, AND ENERGETIC LEADERS KEEP US ON THE RIGHT PATH

## SENIOR EXECUTIVE TEAM



**RANDY NEWMAN**  
Chairman, President, and  
Chief Executive Officer  
*38 years with Alerus*



**KATIE LORENSON**  
Executive Vice President and  
Chief Financial Officer  
*2 years with Alerus*



**KRIS COMPTON**  
Executive Vice President and  
Chief Strategy Officer  
*44 years with Alerus*



**ANN MCCONN**  
Executive Vice President and  
Chief Business Officer  
*17 years with Alerus*



**KARIN TAYLOR**  
Executive Vice President and  
Chief Risk Officer  
*Joined Alerus in 2018*

## ALERUS LEADERSHIP COUNCIL

### Lori Day

Director of Mortgage  
*Joined Alerus in 2018*

### Maria Biessener Duncan

Director of Operations  
*Joined Alerus in 2018*

### Scott Fenske

Ex Officio  
General Counsel and  
Corporate Secretary  
*3 years with Alerus*

### Jon Hendry

Chief Information Officer  
*35 years with Alerus*

### Travis Ingebrigtsen

Director of Finance  
*4 years with Alerus*

### Chad Johnson, CPA

Ex Officio  
Director of Internal Audit  
*16 years with Alerus*

### Missy Keney

Director of Marketing and  
Client Experience  
*14 years with Alerus*

### Karna Loyland

Director of Deposits  
*20 years with Alerus*

### Chip Norris

Group President, Director  
of Sales and Service  
*12 years with Alerus*

### Brian Overby

President of Alerus  
Retirement and Benefits  
*24 years with Alerus*

### Brian Schumacher

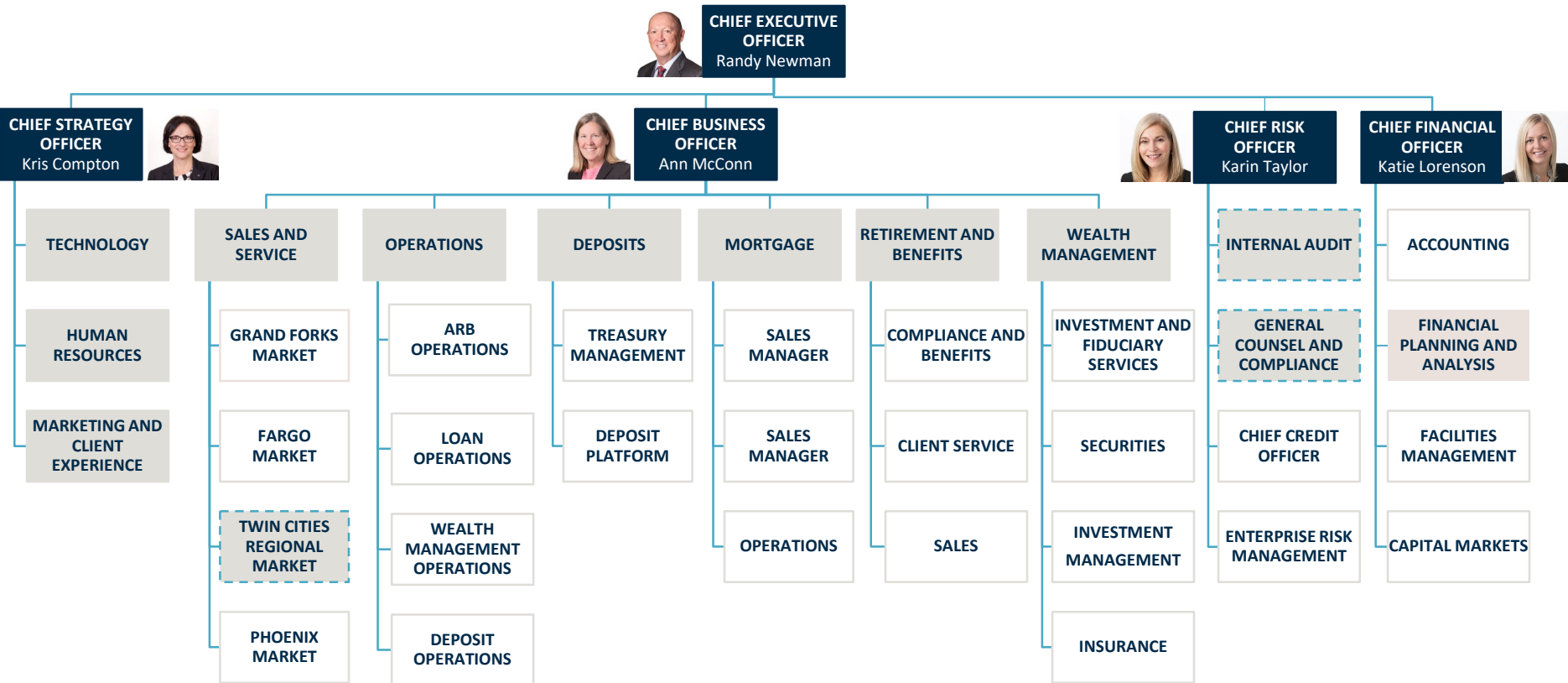
Director of Wealth  
Management  
*8 years with Alerus*

### Teresa Wasvick

Director of Human Resources  
*28 years with Alerus*

# ALERUS

## ORGANIZATIONAL STRUCTURE



- C-Suite / Leadership Council
- Leadership Council
- Leadership Council (Ex Officio or Rotational Role)

# BOARD OF DIRECTORS

ALERUS IS STEERED BY SOME OF THE TOP BUSINESS AND FINANCIAL MINDS IN THE MIDWEST



**RANDY NEWMAN**

Since 1988

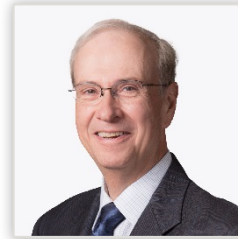
Chairman, President, and CEO  
Alerus Financial, N.A.  
Alerus Financial Corporation  
Grand Forks, ND



**HAROLD GERSHMAN**

Since 1989

Chairman and President  
Gershman Enterprises, LLC and  
Happy Harry's Bottle Shops  
Grand Forks, ND



**KEVIN LEMKE**

Since 1994

President  
Virtual Systems  
Grand Forks, ND



**KAREN BOHN**

Since 1999

President, Galeo Group, LLC  
Former Chief Administrative  
Officer, Piper Jaffray Co.  
Former Chief Executive  
Officer, Piper Trust Company  
Edina, MN



**LLOYD CASE**

Since 2005

Past President and CEO  
Forum Communications Co.  
Board of Directors, Forum  
Communications  
Fargo, ND



**SALLY SMITH**

Since 2007

Retired, President and CEO  
Buffalo Wild Wings, Inc.  
Board of Directors at Digi  
International, Inc., Hormel Foods  
Corp., Allina Health Systems, Inc.,  
Minnesota Orchestral  
Association, and the National  
Restaurant Association  
Minneapolis, MN



**GALEN VETTER**

Since 2013

Retired, CFO  
Franklin Templeton Investments  
Former Partner In-Charge,  
(Upper Midwest region) RSM  
Board of Directors, Land O' Lakes  
Minneapolis, MN



**DAN COUGHLIN**

Since 2016

Former Managing Director & Co-  
Head – Financial Services,  
Raymond James & Assoc.  
Former Chairman & CEO, Howe  
Barnes Hoefler & Arnett  
Chicago, IL



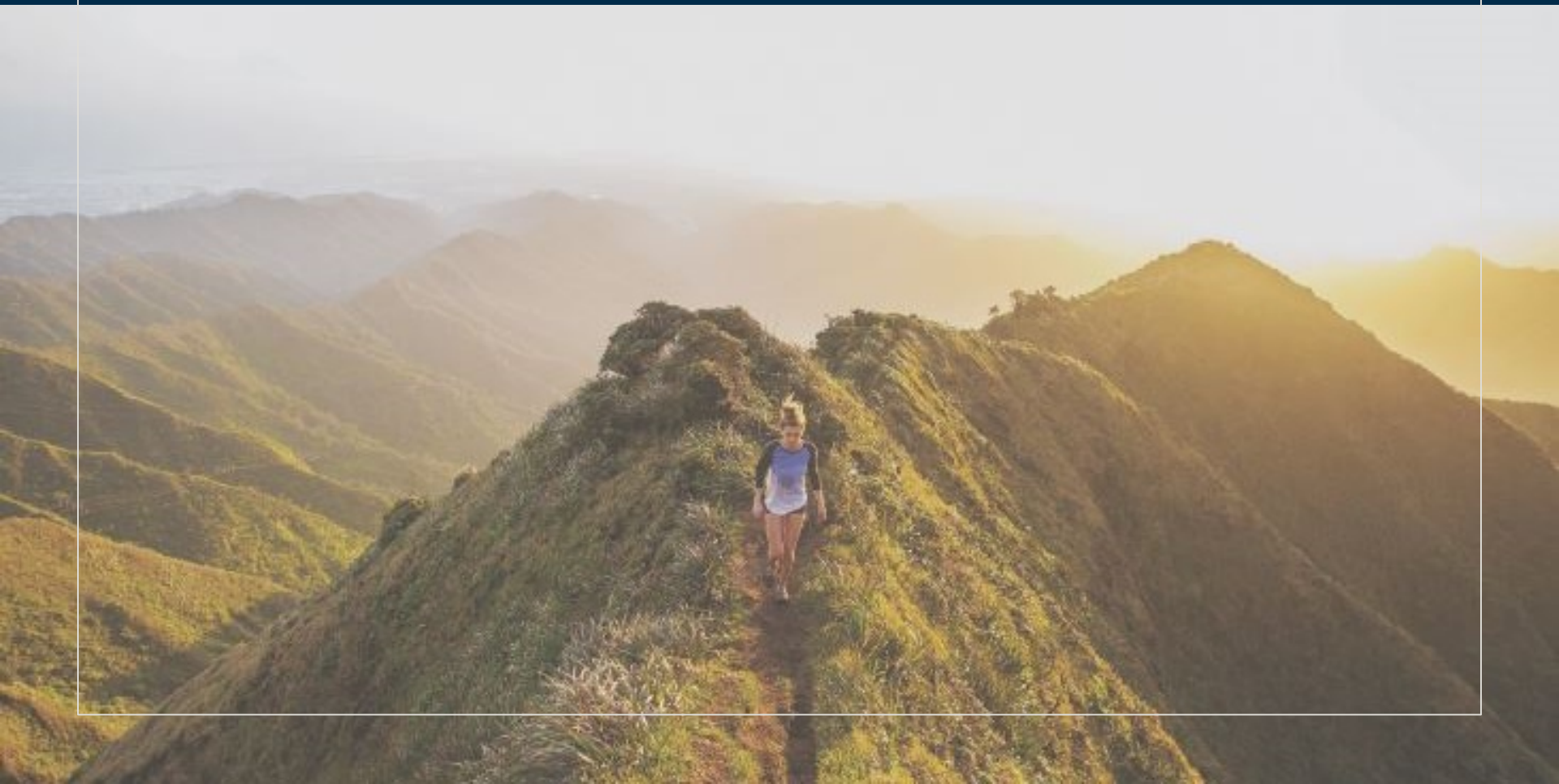
**MICHAEL MATHEWS**

Since 2018

CIO, Deluxe Corporation  
Former SVP, Technology and  
Enterprise Programs,  
UnitedHealth Group  
Former Global Head/Director,  
Global Technology, Operations  
and Six Sigma, Merrill Lynch  
Minneapolis, MN

As of 3/31/2019.

# COMPANY STRATEGY



# KEY STRATEGIC INITIATIVES

## GROWING THE ALERUS FRANCHISE

### ORGANIC GROWTH | “ONE ALERUS”

- Collaborative and engaged leadership team focused on growing organically by adding value and deepening relationships with existing clients.
  - **Proactive advice** centered on improving client’s financial wellbeing
  - **Technology roadmap** to support financial fitness, automate account opening, and integrate our full product and service offering (fast-follower mindset)
  - **Harness synergies** within our diverse balance sheet and deepen relationships with 350,000+ single service retirement and benefit clients
  - **Reinvention of operational processes** aided by technology to enhance client experience

### ACQUISITIONS

- Capitalize on **strategic and opportunistic** opportunities to grow in our existing markets or chosen, new markets
- Acquisition targets include **banks and fee income** companies with **complementary** business models, cultural similarities, and growth opportunities

### LIFT OUT’S

- Recruit **top talent** (individuals, teams, or both) from outside of our organization to **accelerate growth** in our existing markets or jumpstart our entrance into chosen, new markets
- Lift out’s allow us to take advantage of unplanned market disruption by our competitors (i.e. acquisitions, mergers, etc.)

# PROACTIVE ADVICE ALONG THE CLIENT'S FINANCIAL JOURNEY

CLIENT NEEDS HAVE NOT CHANGED – HOW THEY RECEIVE THEM HAS

Through trusted relationships with our clients, we help them achieve financial fitness throughout their journey ...



*Simply put, wherever you are on your financial journey, your Alerus advisor is there to help you every step of the way.*

# TECHNOLOGY INVESTMENTS



- Technology Strategic Direction supports the client strategy. Alerus is a “**fast-follower**” in today’s rapidly changing tech environment
- Alerus **partners** with Fintech Companies and Vendors to implement innovative client solutions
- Our strategy is not to **BUILD**, but to **BUY** and **integrate** with our strategic technology partners.

# LONG-TERM STRATEGIC OBJECTIVES

## SUSTAINING THE VISION OF ALERUS

1. Position Alerus as “the place to go for financial wellness, wisdom, and education at every turn in a client’s life long journey.”
2. Maintain a relationship-driven business model while diversifying our composition of revenue.
3. Sustain a strong balance sheet and income statement with diversified assets and liabilities.
4. Grow the Alerus brand with a focused organic growth strategy organically and also through strategic acquisitions.
5. Be a relevant competitor by strengthening and enhancing our digital competencies to provide clients with speed and access.
6. Be an employer of choice.
7. Be an acquirer of choice.
8. Align everything we do (processes, policies, and procedures) around the client experience to add value while also Achieve operational excellence by designing policies, procedures, and processes that keep the client impact in mind while creating efficiencies and managing risk.

# FINANCIAL OVERVIEW



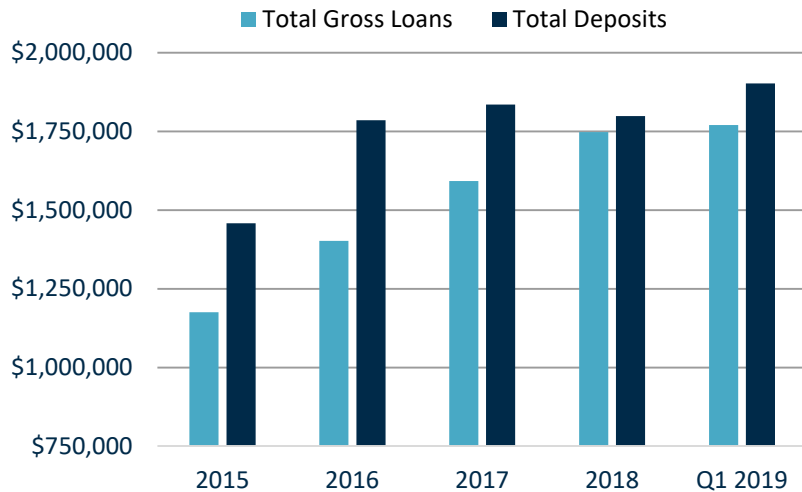
# Q1 2019 RESULTS

Results of Operation (000's)	Year-to-Date Actual March 31,			
	2019	2018	Change	
Net Interest Income	\$ 19,120	\$ 18,142	\$ 978	5.4%
Non-Interest Income	25,074	24,256	818	3.4%
Provision expense for losses on loans	2,220	1,530	690	45.1%
Non-Interest Expense	33,514	32,270	1,244	3.9%
Net Income before Tax	\$ <u>8,460</u>	\$ <u>8,598</u>	\$ <u>-138</u>	<u>-1.6%</u>
Tax Expense	2,024	1,734	290	16.7%
Net Income after Tax	\$ <u>6,436</u>	\$ <u>6,864</u>	\$ <u>-428</u>	<u>-6.2%</u>

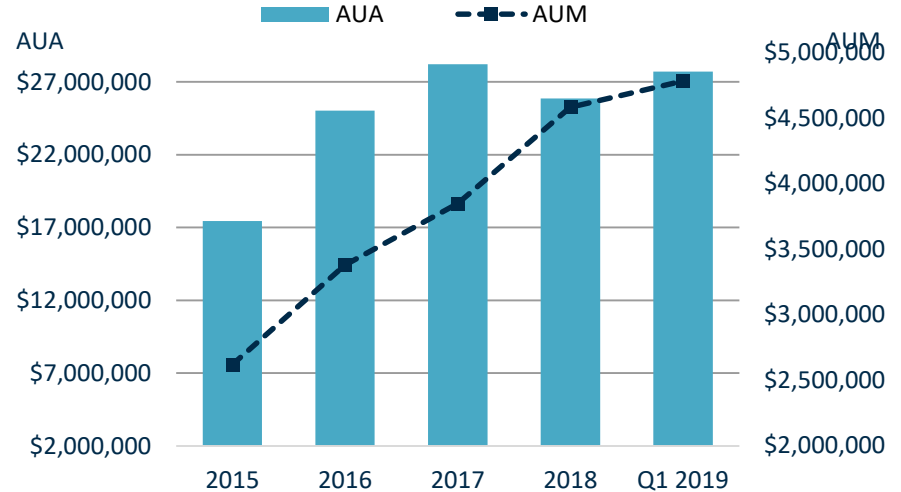
# KEY BUSINESS DRIVERS

(\$ IN THOUSANDS)

## ON-BALANCE SHEET



## OFF-BALANCE SHEET



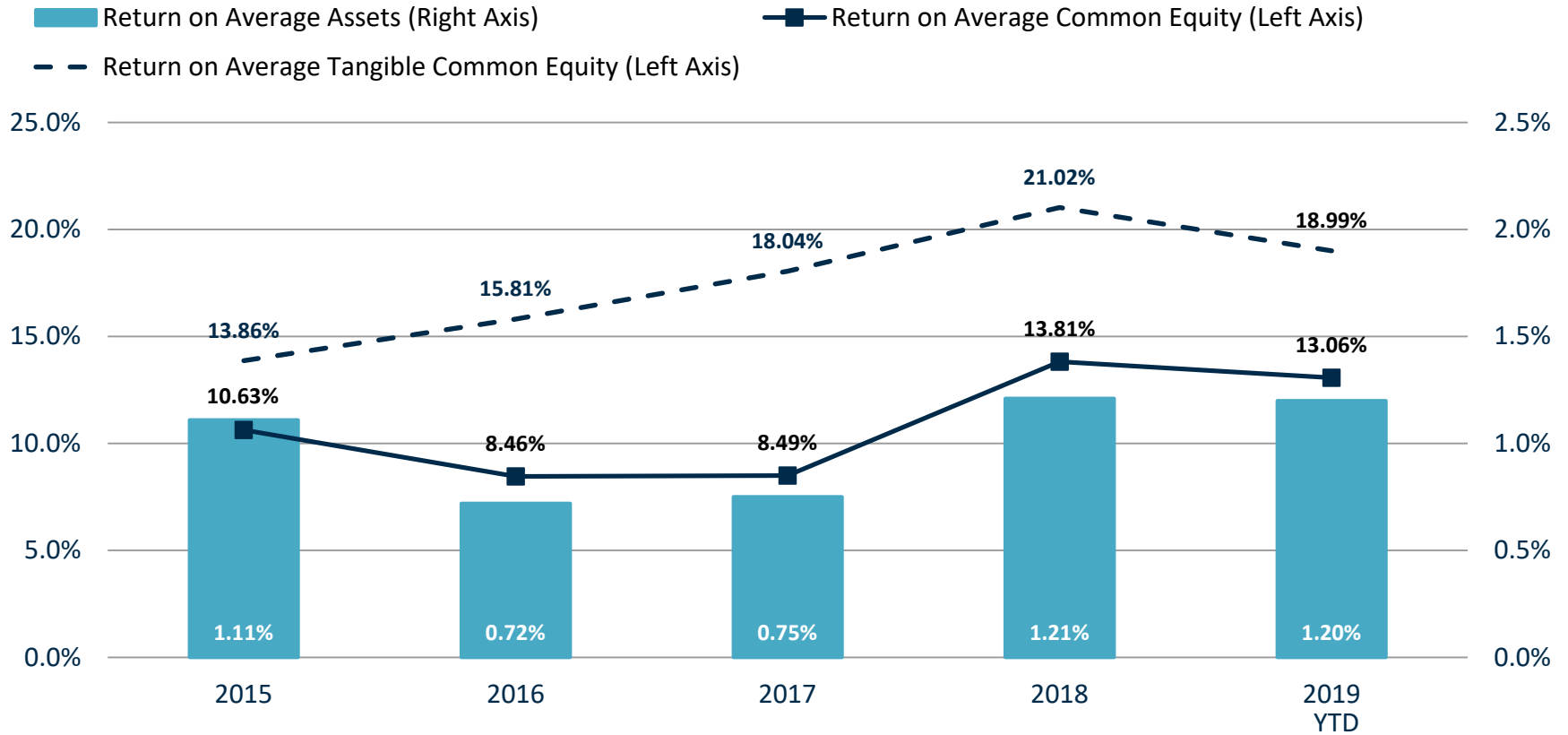
	2015	2016	2017	2018	Q1 2019 <sup>1</sup>	CAGR <sup>^</sup>
Total Assets	\$ 1,744,324	\$ 2,050,045	\$ 2,136,081	\$ 2,179,070	\$ 2,213,758	7.6%
Total Gross Loans <sup>1 2</sup>	\$ 1,126,921	\$ 1,366,952	\$ 1,574,474	\$ 1,733,881	\$ 1,742,351	14.3%
Total Deposits <sup>1</sup>	\$ 1,458,021	\$ 1,785,209	\$ 1,834,962	\$ 1,799,293	\$ 1,902,494	8.5%
Assets under Management	\$ 2,619,850	\$ 3,379,787	\$ 3,848,086	\$ 4,584,359	\$ 4,784,448	18.8%
Assets under Administration	\$ 17,435,446	\$ 25,032,897	\$ 28,220,245	\$ 25,854,605	\$ 27,697,700	15.2%
Mortgage Originations	\$ 986,979	\$ 1,065,132	\$ 867,253	\$ 779,708	\$ 125,536	n/a

<sup>^</sup>Three and one-quarter year compounded annual growth rate (CAGR).

<sup>1</sup> Includes loans of \$28.7M and deposits of \$20.1M in the Duluth market which were sold on 4/26/2019.

<sup>2</sup> Excludes loans held for sale.

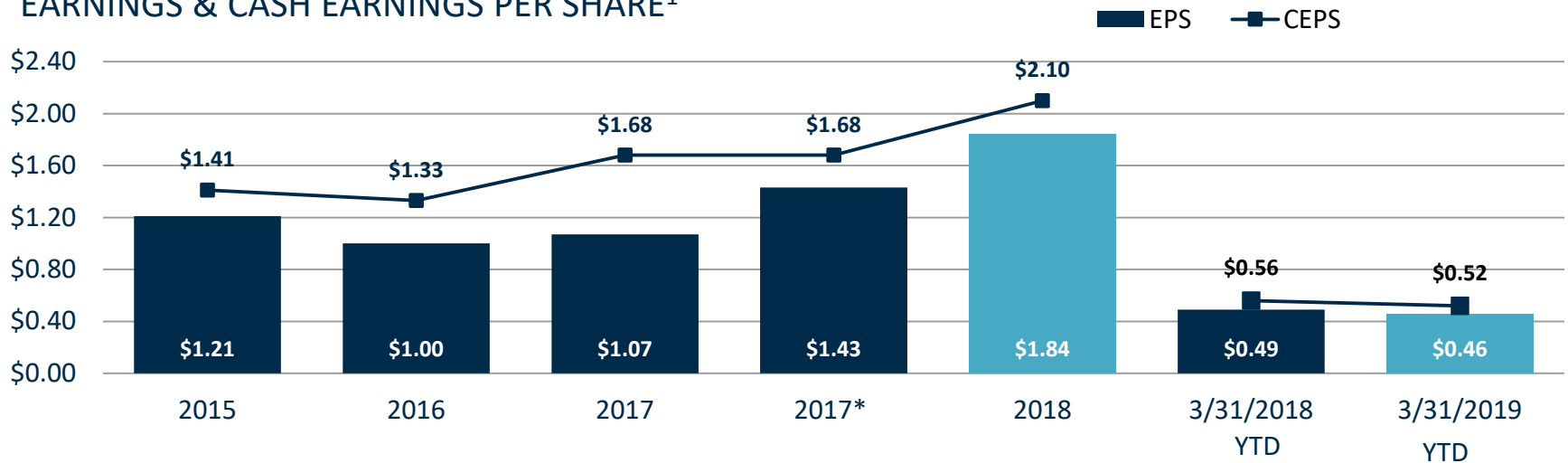
# RETURN RATIOS



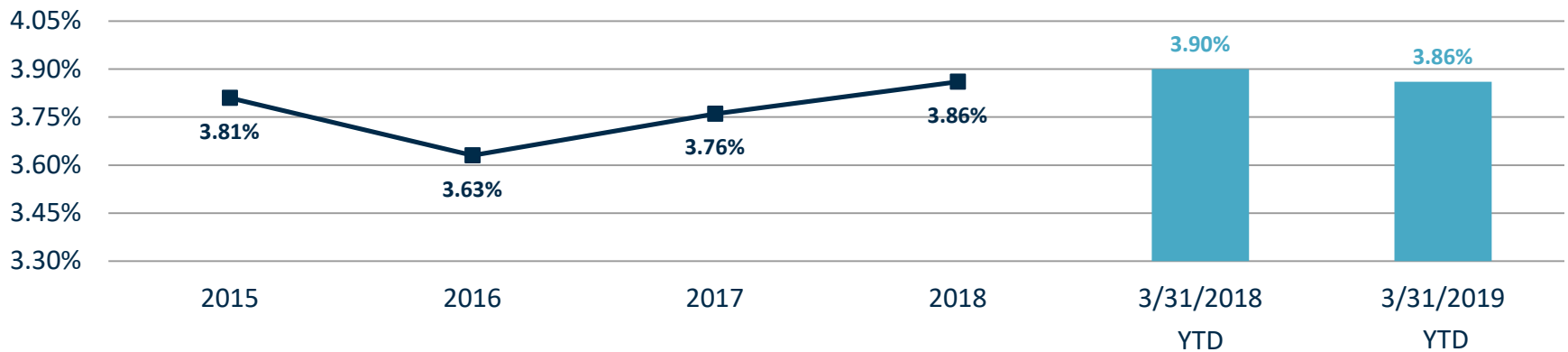
# SUSTAINED PROFITABILITY

THE POWER OF A DIVERSIFIED BUSINESS MODEL

## EARNINGS & CASH EARNINGS PER SHARE<sup>1</sup>



## NET INTEREST MARGIN



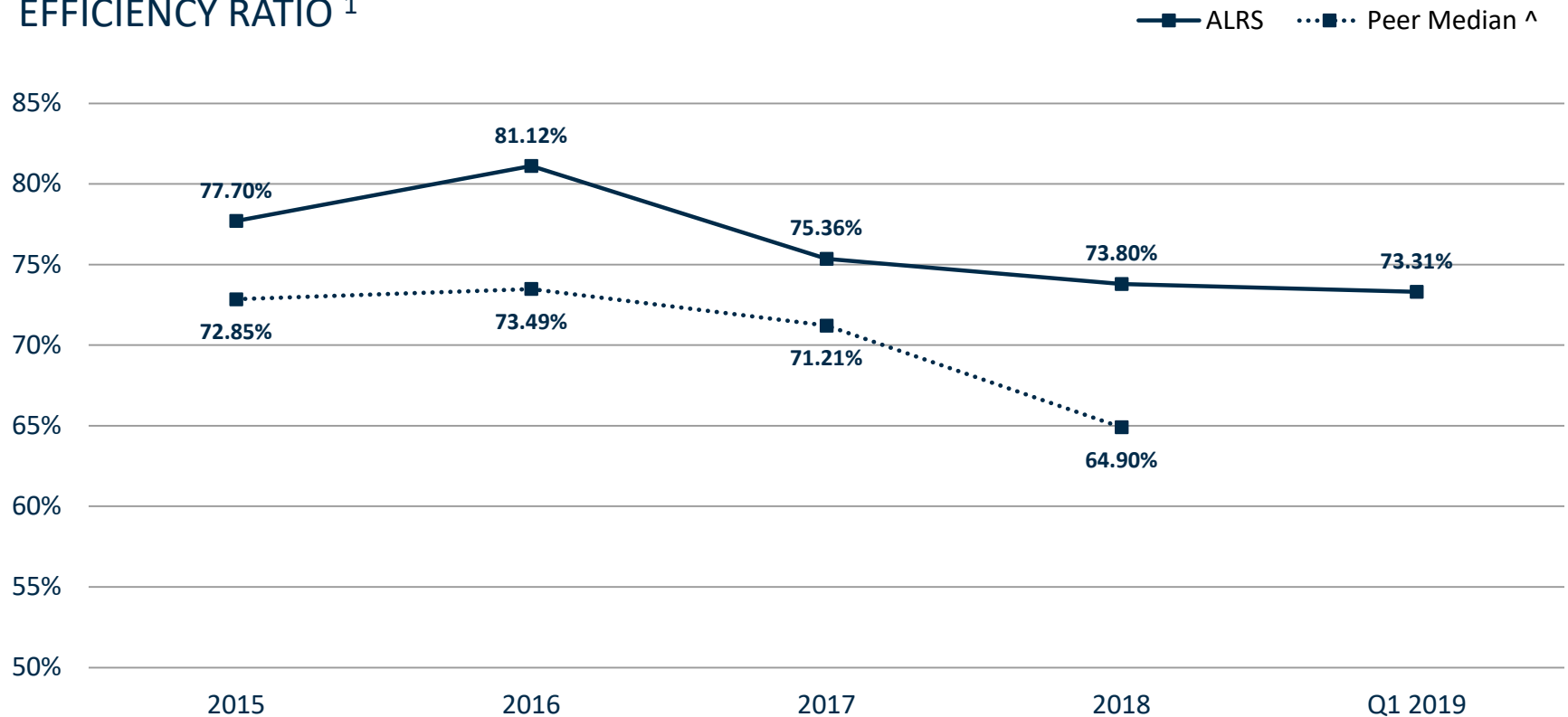
\* Net Income excluding the impact of \$4.6 million charge to deferred tax asset due to tax reform.

<sup>1</sup> Fully diluted common shares. Cash Earnings Per Share are non-GAAP measures. See appendix for non-GAAP reconciliation schedules.

# MANAGING NONINTEREST EXPENSE

DELIVERING TOP LINE REVENUE TO THE BOTTOM LINE

## EFFICIENCY RATIO <sup>1</sup>



<sup>1</sup> Source: Alerus Financial Corporation, S&P Global Market Intelligence. (S&P MI KeyField: 215449; Total noninterest expense, less amortization of intangible assets, divided by net interest income on a fully taxable equivalent basis and noninterest income)

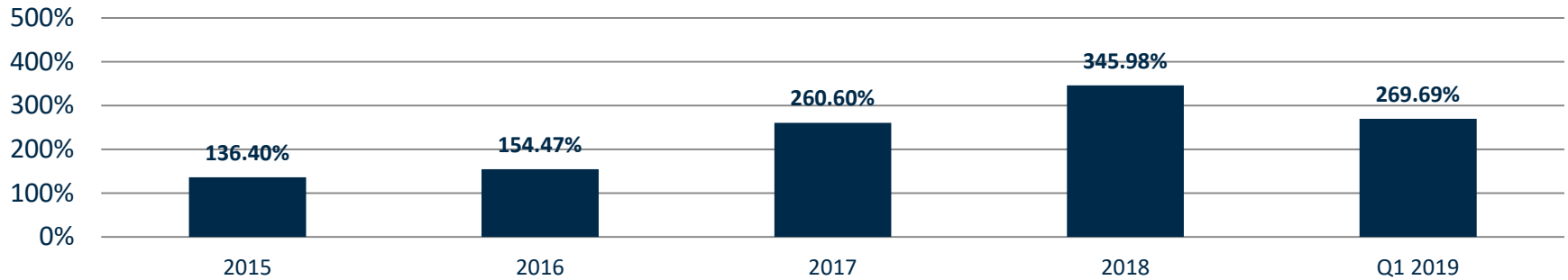
^ All U.S. Depository Institutions between \$1B and \$10B in Banking Assets and non-interest income as a percentage of total revenue equal to or greater than 30%; peer data as of 12/31/2018.

# ASSET QUALITY



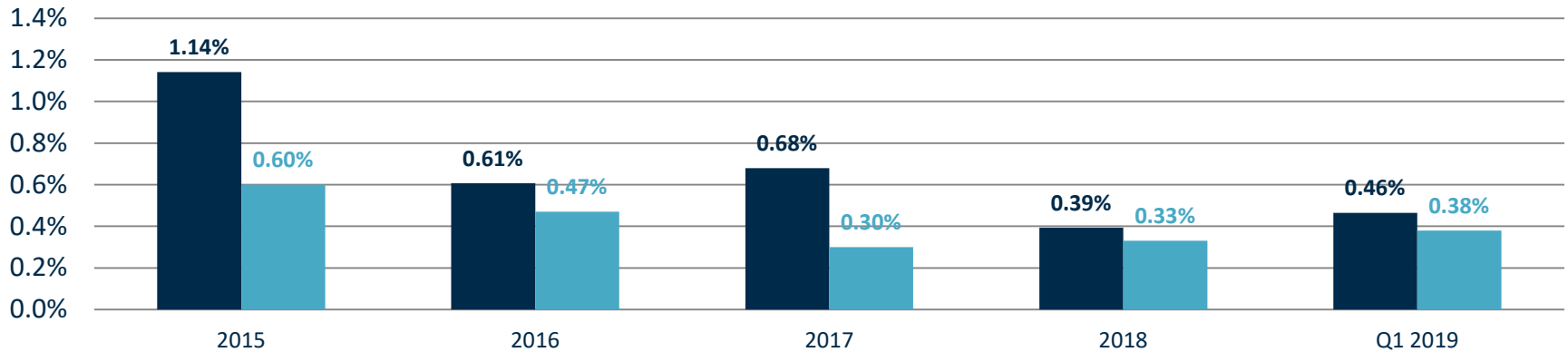
# SOLID ASSET QUALITY

■ Reserves / NPA



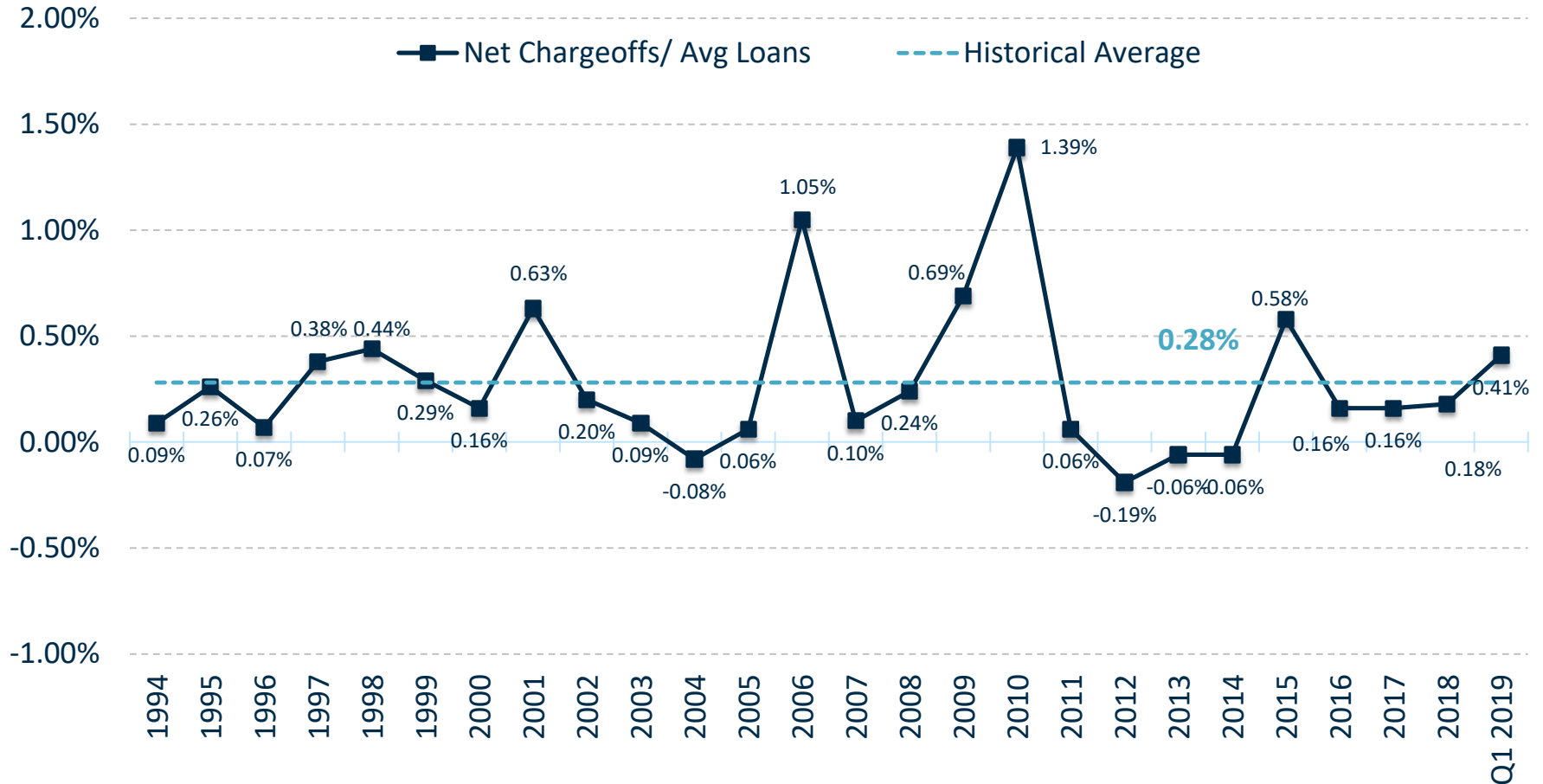
■ Total PD / Avg Loans

■ NPA / Total Assets



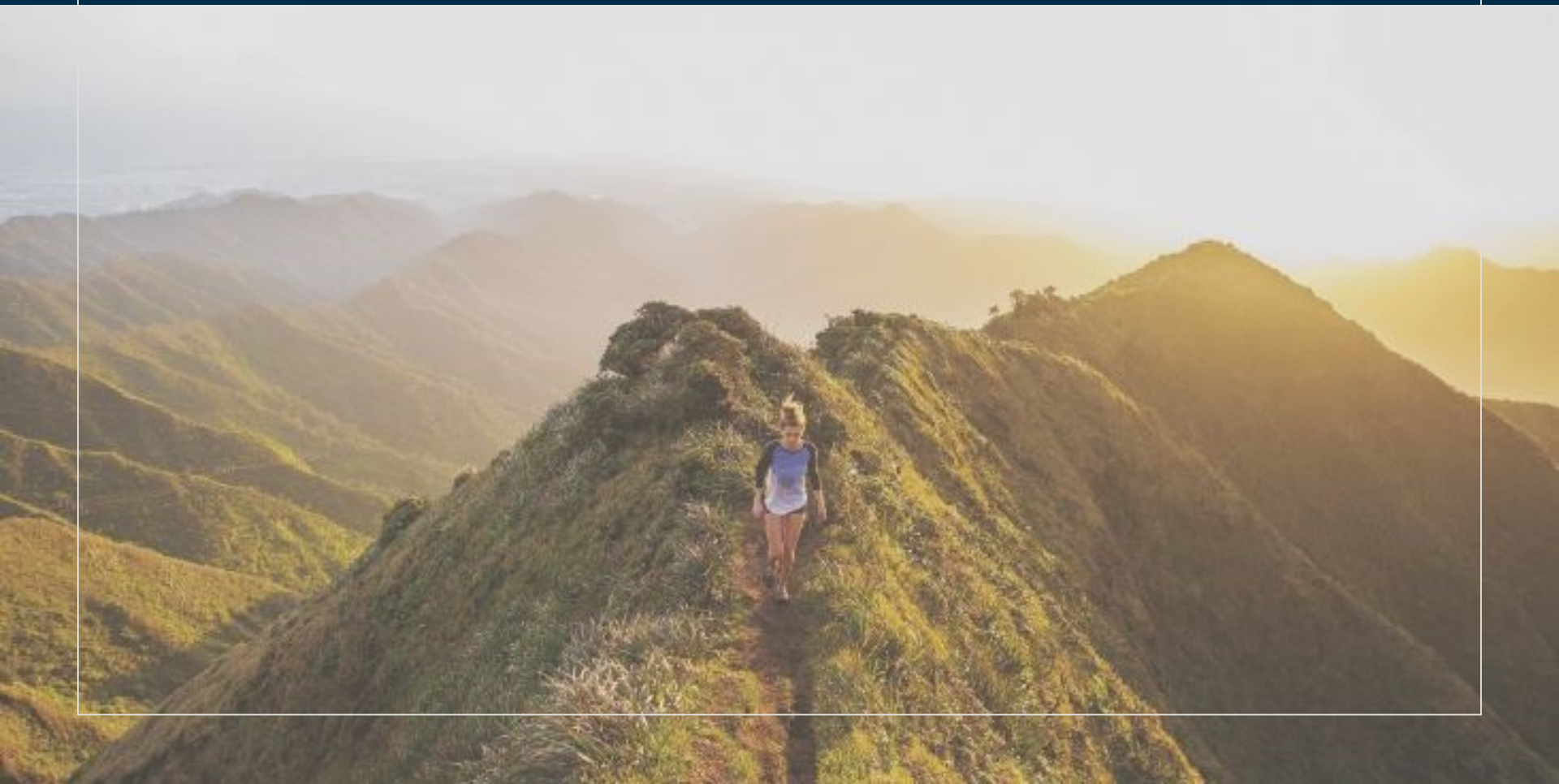
# NET CHARGE-OFFS/AVERAGE LOANS

25 YEAR LOSS HISTORY OF 0.28% AVERAGE NET CHARGE-OFF RATE



Sources: Alerus Financial Corporation and S&P Global Market Intelligence.

# MARKET OVERVIEW



# FRANCHISE FOOTPRINT

## MARKET PRESENCE: BANKING, MORTGAGE AND WEALTH MANAGEMENT

### Grand Forks, ND

- 5 full-service banking, mortgage and wealth management offices

### Fargo, ND

- 3 full-service banking, mortgage and wealth management offices

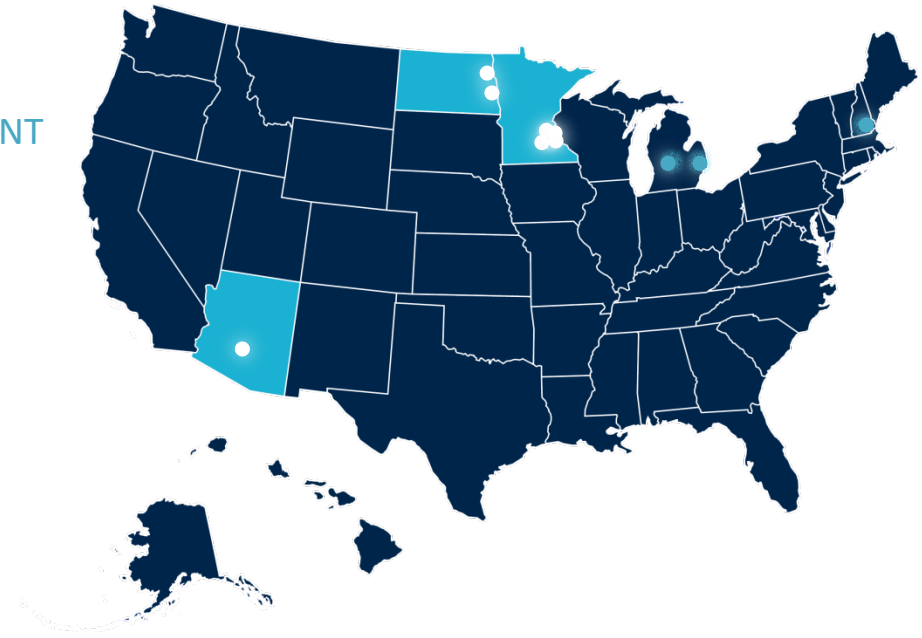
### Twin Cities, MN

- 6 full-service banking, mortgage and wealth management offices
- 1 mortgage office
- 1 mortgage and deposit and loan production office

### Phoenix, AZ

- 1 full-service banking and wealth management office
- 1 loan and deposit production office

## NEWLY ESTABLISHED NATIONAL MARKET



## MARKET PRESENCE: RETIREMENT SERVICES

- Serves clients in all 50 states
- Services at all banking and wealth management offices in our three primary markets
- 2 retirement and benefits offices in Minnesota
- 2 retirement and benefits offices in Michigan
- 1 retirement and benefits office in New Hampshire
- **NEWLY ESTABLISHED NATIONAL MARKET**

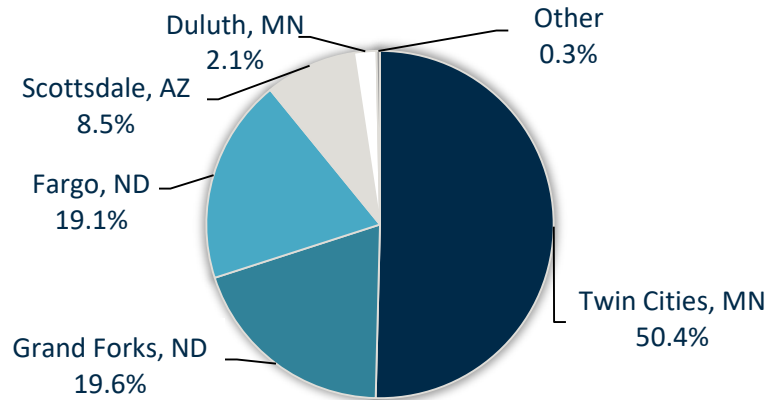
Data as of 3/31/2019.

# MARKET DISTRIBUTION

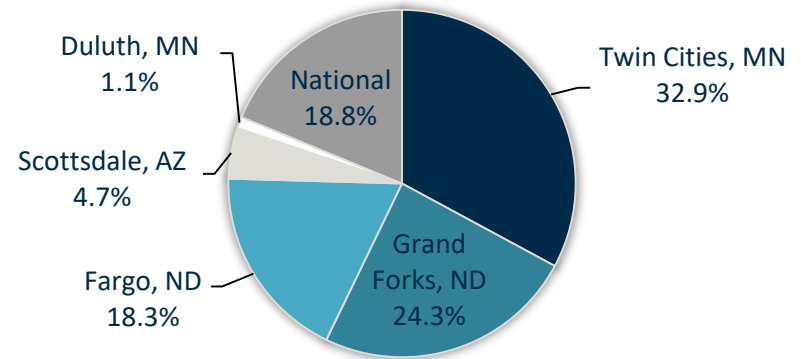
## STRONG GROWTH MARKETS AND STABLE CORE FUNDING

(IN MILLIONS)

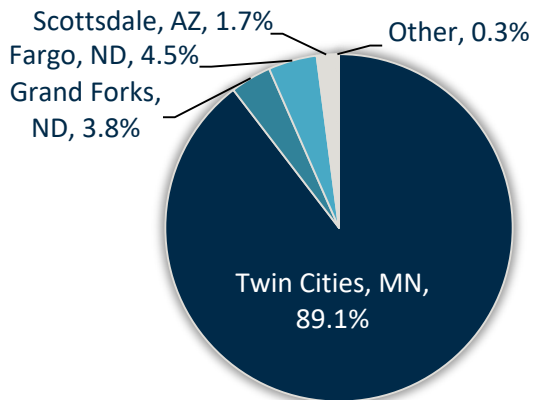
LOANS<sup>2</sup> (\$1,742<sup>1</sup>)



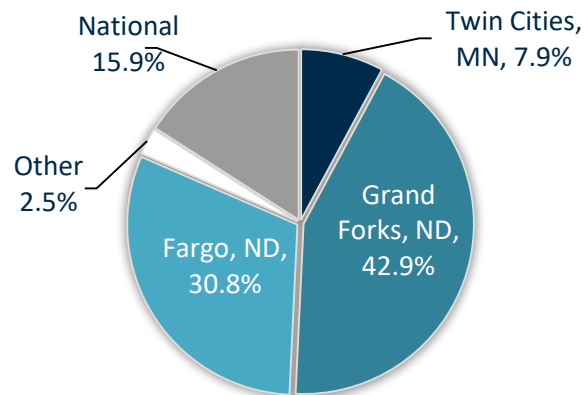
DEPOSITS (\$1,902<sup>1</sup>)



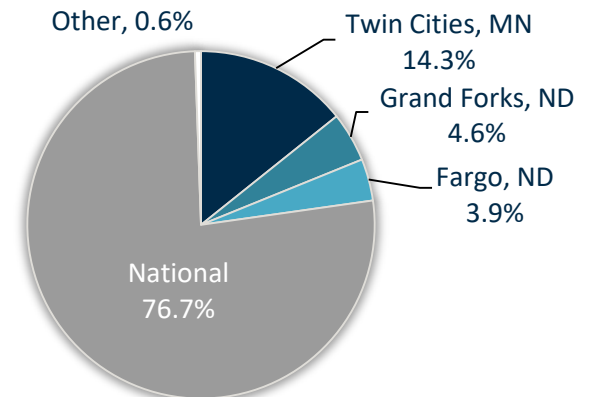
MORTGAGE ORIGINATIONS (\$125.5)



ASSETS UNDER MGMT. (\$4,784)



ASSETS UNDER ADMIN. (\$27,698)



<sup>1</sup> Includes loans of \$28.7M and deposits of \$20.1M in the Duluth market which were sold on 4/26/2019.

<sup>2</sup> Excludes loans held for sale.

Data as of 3/31/2019.

# DEPOSIT MARKET SHARE

## ALERUS VS. PEERS

- Alerus has a strong presence in the established “legacy” Red River Valley markets

Grand Forks, ND-MN				
Q2 2018 Rank	Institution (ST)	Number of Branches	Total Deposits in Market (000)	Total Market Share
1	Alerus Financial Corp. (ND)	5	\$ 615,201	21.75%
2	Bremer Financial Corp. (MN)	4	609,881	21.56%
3	U.S. Bancorp (MN)	3	252,876	8.94%
4	Frandsen Financial Corporation (MN)	2	214,075	7.57%
5	Gate City Bank (ND)	3	183,955	6.50%
6	Choice Financial Holdings Inc (ND)	2	167,883	5.93%
7	American Federal Corp. (ND)	5	155,267	5.49%
8	Wells Fargo & Co. (CA)	2	119,803	4.23%
9	Financial Svcs of Winger Inc. (MN)	2	117,593	4.16%
10	Full Service Ins Agcy Inc (ND)	2	109,352	3.87%
11	First Hldg Co of Cavalier Inc (ND)	3	109,083	3.86%
<b>Total For Institutions in Market</b>		<b>42</b>	<b>\$ 2,829,135</b>	

Fargo, ND-MN				
Q2 2018 Rank	Institution (ST)	Number of Branches	Total Deposits in Market (000)	Total Market Share
1	State Bankshares Inc. (ND)	11	\$ 2,864,127	37.02%
2	Wells Fargo & Co. (CA)	6	769,885	9.95%
3	U.S. Bancorp (MN)	7	626,102	8.09%
4	Gate City Bank (ND)	15	558,181	7.22%
5	Watford City Bancshares Inc. (ND)	5	534,821	6.91%
6	Alerus Financial Corp. (ND)	3	323,662	4.18%
7	Bremer Financial Corp. (MN)	3	278,915	3.61%
8	BNP Paribas	3	187,469	2.42%
9	Western State Agency Inc. (ND)	2	183,004	2.37%
10	Choice Financial Holdings Inc (ND)	3	163,139	2.11%
11	American Federal Corp. (ND)	3	160,901	2.08%
<b>Total For Institutions in Market</b>		<b>91</b>	<b>\$ 7,736,015</b>	

Source: S&P Global Market Intelligence; Deposit balances as of 6/30/2018, Number of Branches and Institution (ST) as of 4/16/2019.

# DEPOSIT MARKET SHARE

## ALERUS VS. PEERS

- Alerus market share is below 0.5% in Minneapolis-St. Paul and Phoenix
- Wells Fargo and U.S. Bank control 74% of Minneapolis-St. Paul market; top 3 control 66% of Phoenix market
- Growth opportunities within Community Banking, Small Business Lending tier and Wealth Management space

Minneapolis-St. Paul-Bloomington, MN-WI				
Q2 2018 Rank	Institution (ST)	Number of Branches	Total Deposits in Market (000)	Total Market Share
1	U.S. Bancorp (MN)	101	\$ 69,574,781	37.79%
2	Wells Fargo & Co. (CA)	95	66,325,245	36.02%
7	Old National Bancorp (IN)	32	3,200,964	1.74%
8	Associated Banc-Corp (WI)	20	1,677,752	0.91%
11	University Financial Corp GBC (MN)	6	1,001,574	0.54%
12	MidWestOne Financial Grp Inc. (IA)	15	863,602	0.47%
13	Alerus Financial Corp. (ND)	6	767,156	0.42%
14	BNP Paribas	4	747,589	0.41%
15	Premier Bank (MN)	8	660,936	0.36%
16	Choice Financial Holdings Inc (ND)	4	646,979	0.35%
17	American National Corp. (NE)	7	613,115	0.33%
<b>Total For Institutions in Market</b>		<b>773</b>	<b>\$ 184,123,824</b>	

Phoenix-Mesa-Scottsdale, AZ				
Q2 2018 Rank	Institution (ST)	Number of Branches	Total Deposits in Market (000)	Total Market Share
1	JPMorgan Chase & Co. (NY)	171	\$ 23,856,275	23.83%
2	Wells Fargo & Co. (CA)	145	22,153,805	22.13%
3	Bank of America Corporation (NC)	100	19,871,999	19.85%
9	U.S. Bancorp (MN)	60	1,841,432	1.84%
10	Midland Financial Co. (OK)	22	1,702,379	1.70%
42	Stearns Financial Svcs Inc. (MN)	1	90,619	0.09%
43	Alerus Financial Corp. (ND)	1	67,008	0.07%
44	West Valley Bancorp Inc. (AZ)	3	55,070	0.06%
45	North Star Holding Co. (ND)	1	49,852	0.05%
46	Rich Land Bancorp Inc. (IL)	3	45,546	0.05%
47	Opus Bank (CA)	2	41,335	0.04%
<b>Total For Institutions in Market</b>		<b>802</b>	<b>\$ 100,094,813</b>	

Source: S&P Global Market Intelligence; Deposit balances as of 6/30/2018, Number of Branches and Institution (ST) as of 4/16/2019.

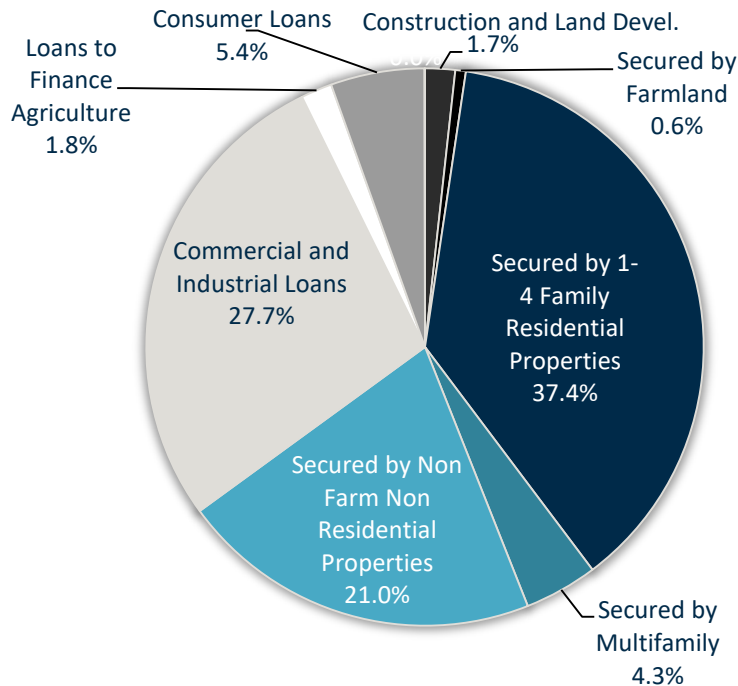
# LENDING



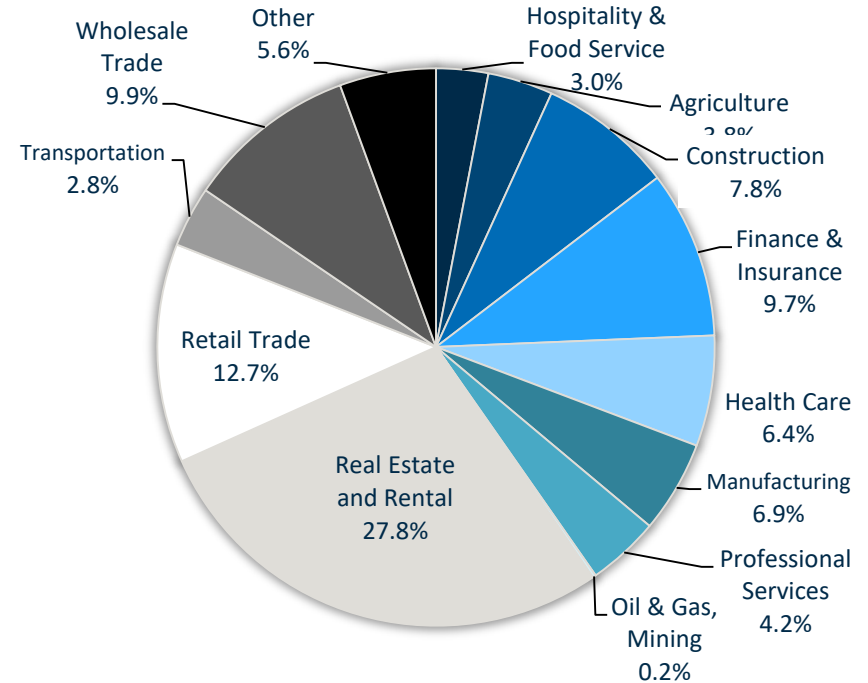
# DIVERSIFIED LOAN PORTFOLIO

\$1,742MM<sup>1</sup>

## CONCENTRATION BY TYPE



## CONCENTRATION BY INDUSTRY



Reprice>5y<sup>2</sup>: 32%

Reprice(1y-5y)<sup>2</sup>: 35%

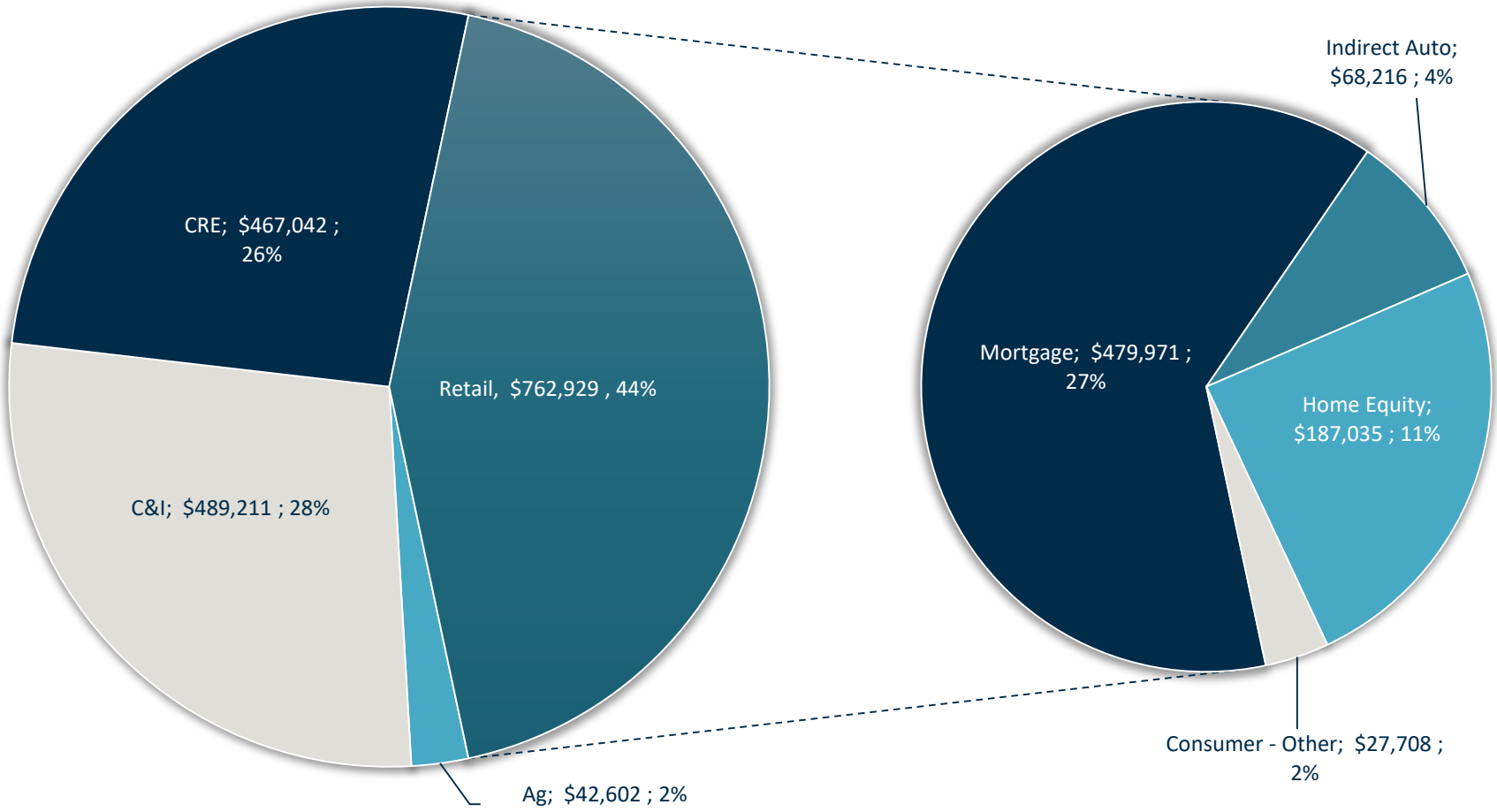
Reprice(<12m)<sup>2</sup>: 33%

<sup>1</sup> Excludes loans held for sale. Includes loans of \$28.7M in the Duluth market which were sold on 4/26/2019. Data as of 3/31/2019.

<sup>2</sup> Based on call report data as of 3/31/2019.

# LENDING BALANCE SHEET MIX

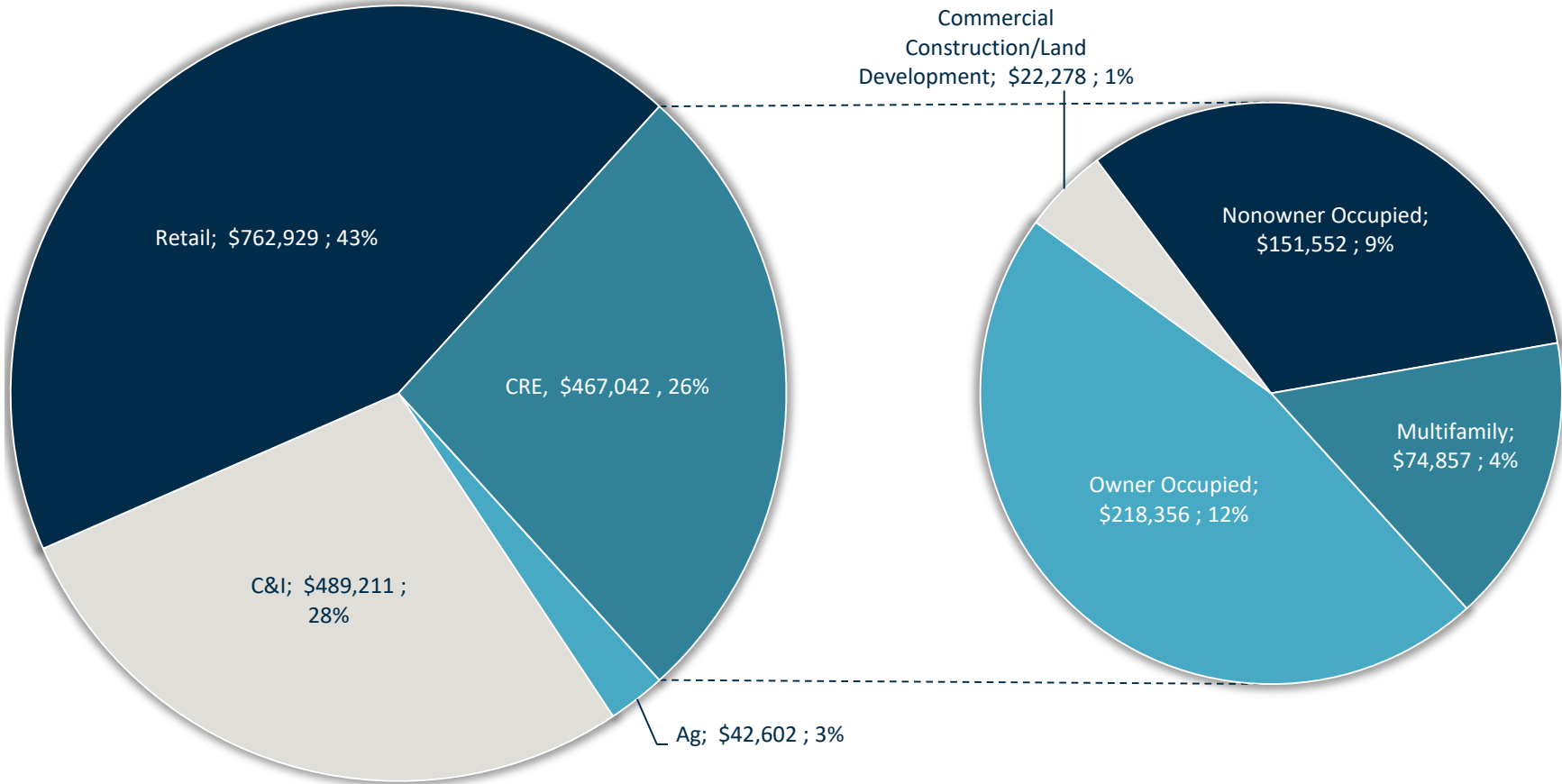
## RETAIL



\*Balances shown as of 3/31/2019 net of sold positions

# LENDING BALANCE SHEET MIX

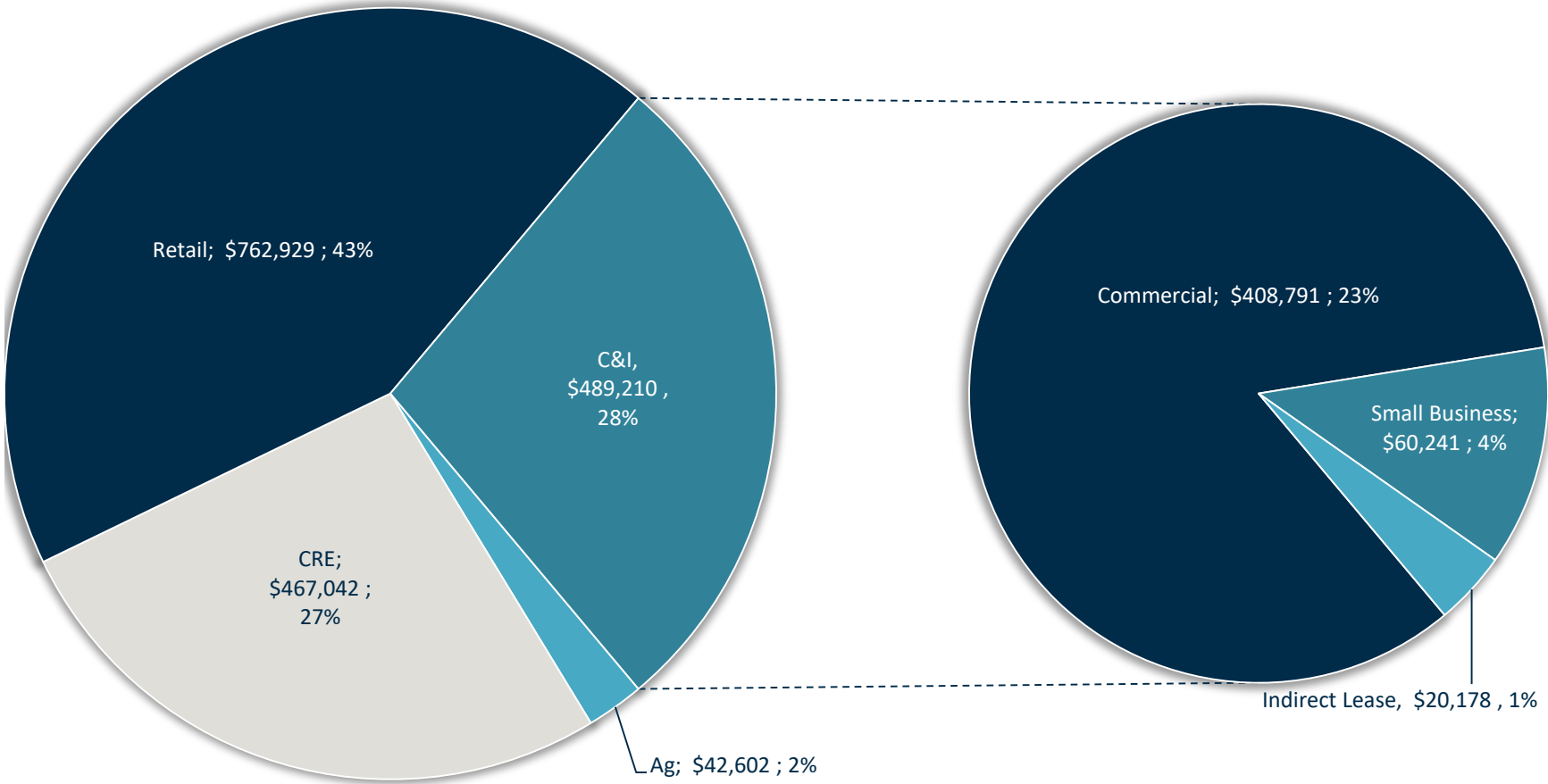
## COMMERCIAL REAL ESTATE



\*Balances shown as of 3/31/2019 net of sold positions

# LENDING BALANCE SHEET MIX

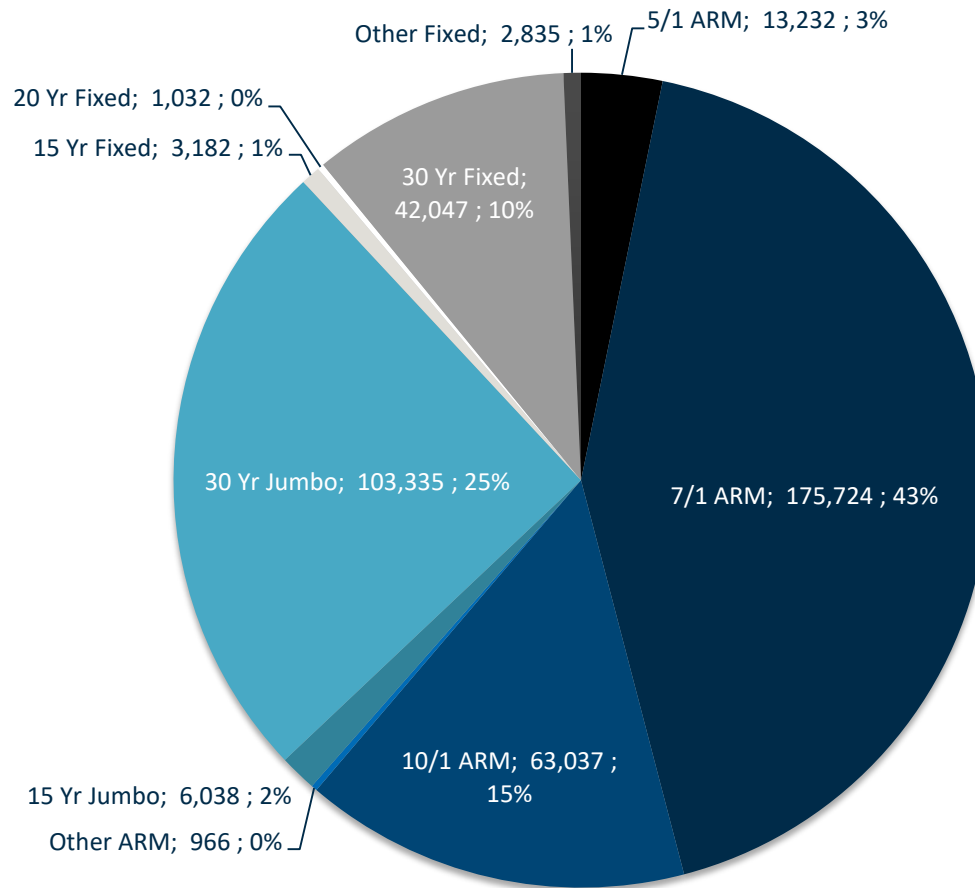
## COMMERCIAL & INDUSTRIAL



\*Balances shown as of 3/31/2019 net of sold positions

# MORTGAGE SYNERGIES – RESIDENTIAL PORTFOLIO

TOTAL PORTFOLIO OF 1-4 FAMILY 1<sup>ST</sup> LIENS SERVICED BY DMI ~ \$412M



\*Balances and percentages shown as of 3/31/2019. \$ in Thousands

# ALERUS BUSINESS LINES



# ALERUS RETIREMENT AND BENEFITS

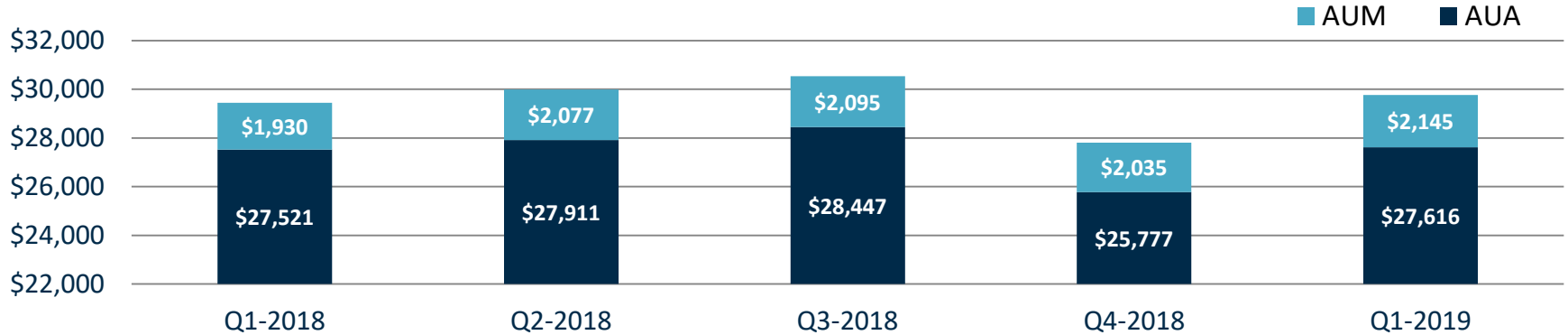
## DIVISION OVERVIEW

- **Retirement** – Provide recordkeeping and administration services to qualified retirement plans
- **ESOP** – Provide trustee, recordkeeping and administration to employee stock ownership plans
- **Advisory services** – Provide investment fiduciary services to retirement plans
- **Health and Welfare** – Provide HSA, FSA, Cobra recordkeeping and administration services to employers
- **Payroll** – Provide payroll and HRIS services for employers
- **Synergies**
  - IRA Rollovers – over \$390 million, capturing only 7%
  - Deposits – HSA deposits, 401(k) Money Market Funds, Emergency Savings, Terminated Participants

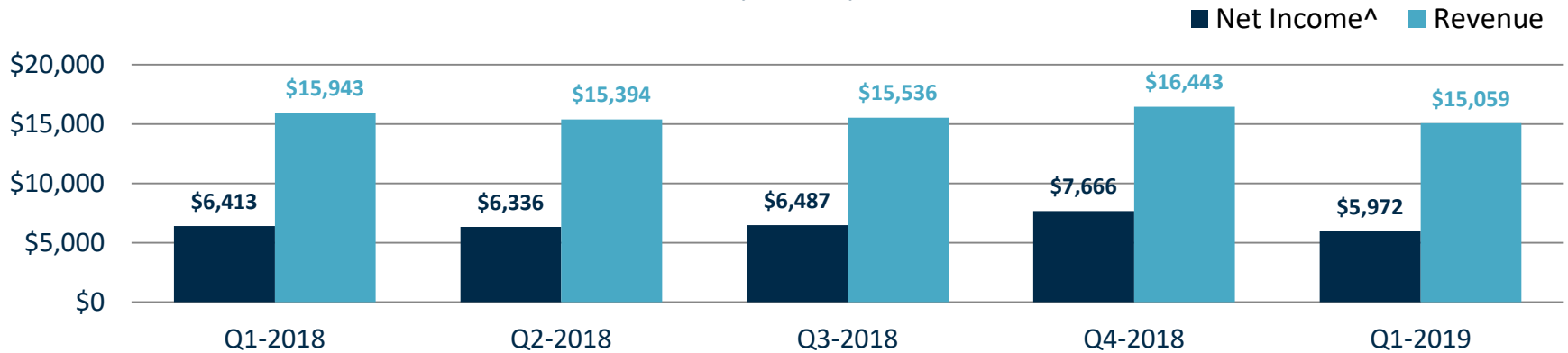
# RETIREMENT AND BENEFITS

## TRAILING FIVE QUARTERS

### ASSETS UNDER MANAGEMENT & ADMINISTRATION (\$MM, ENDING)



### RETIREMENT AND BENEFITS PROFIT MARGIN (\$000's)

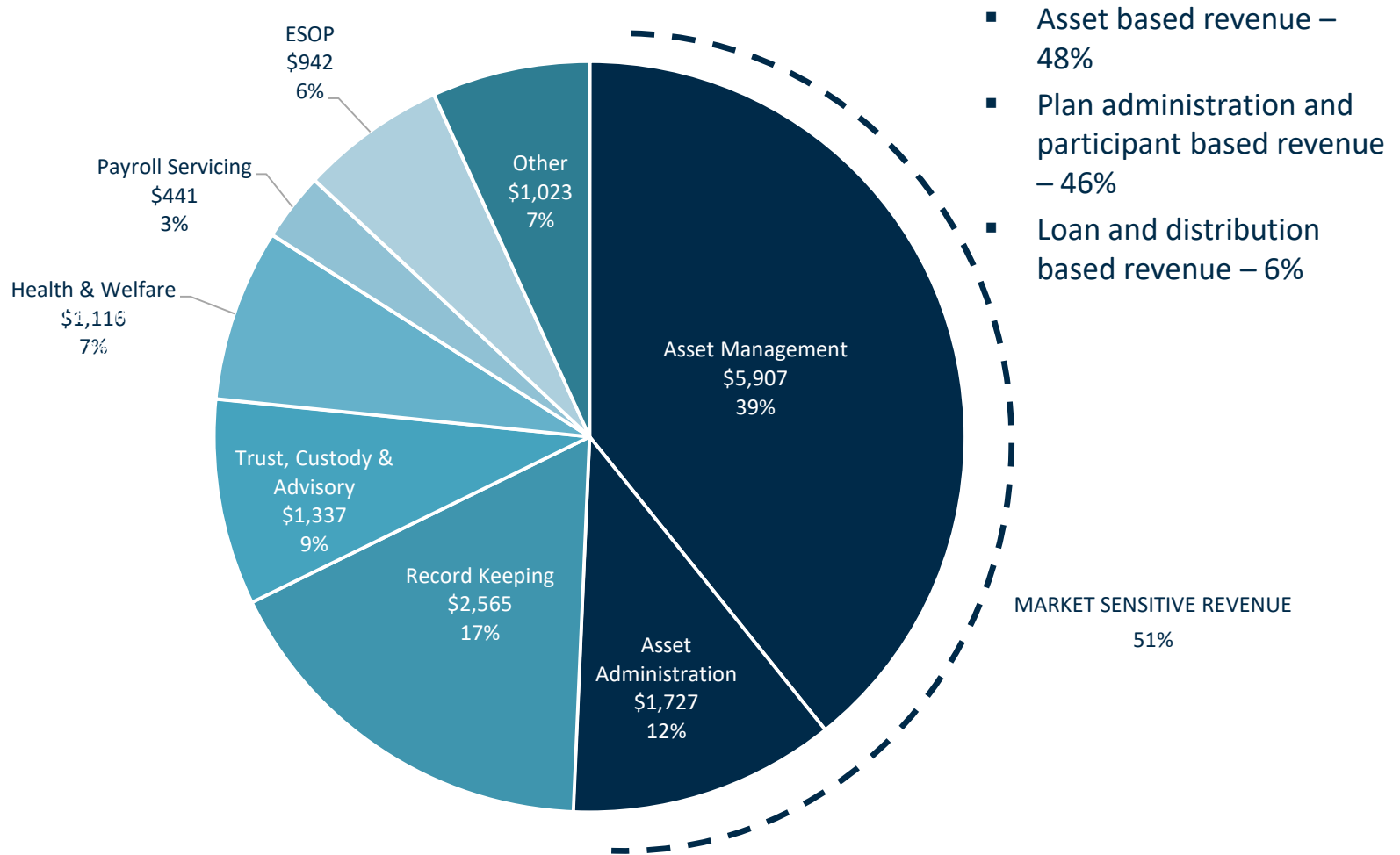


Profit Margin	40.2%	41.2%	41.8%	46.6%	39.7%
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^ Net Income before Tax and Indirect Allocations.

# RETIREMENT AND BENEFITS

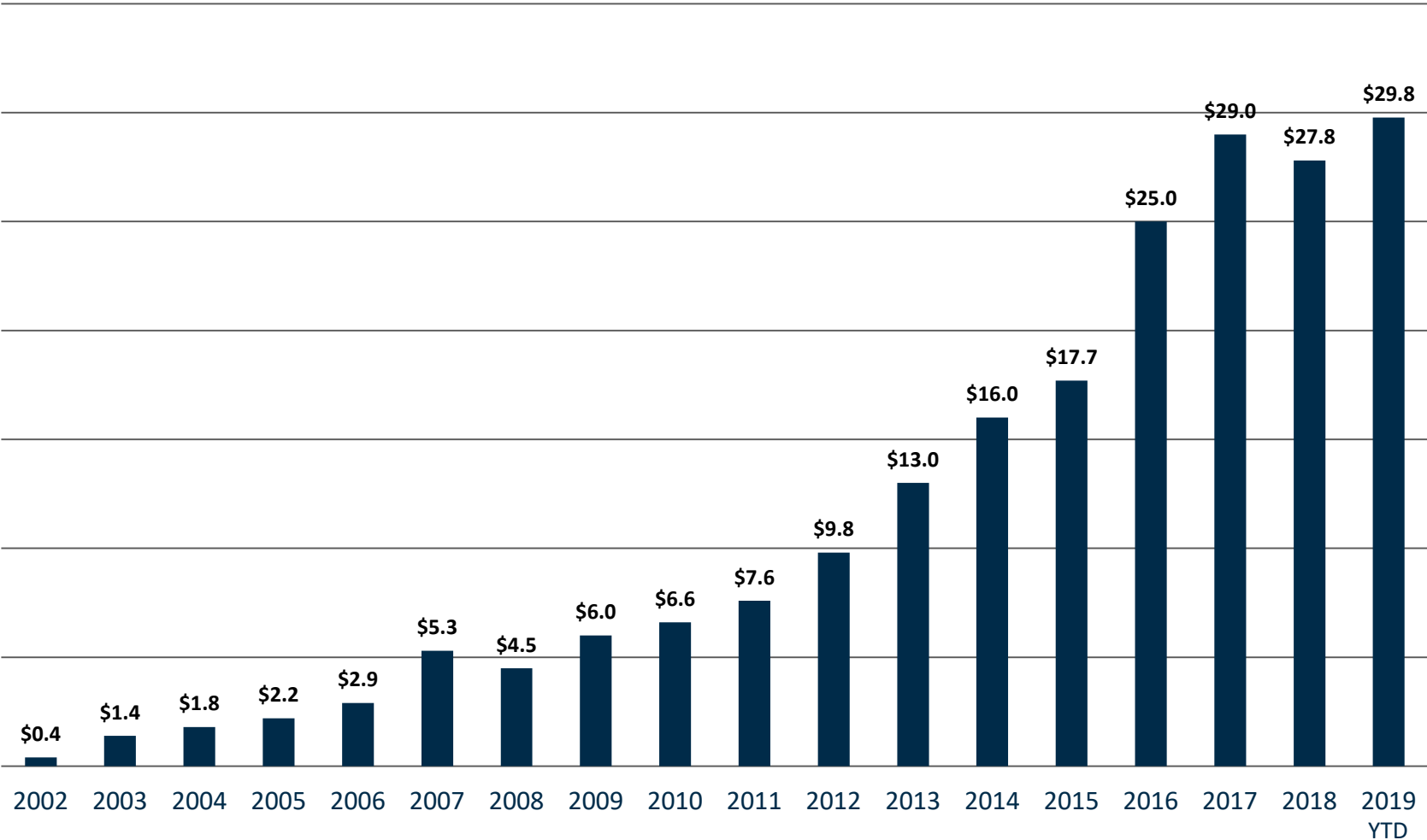
REVENUE MIX, FIRST QUARTER 2019 (000'S)



Sources: Alerus Financial Corporation, Data as of 3/31/2019.

# ALERUS RETIREMENT AND BENEFITS GROWTH HISTORY

ASSETS IN BILLIONS



Data as of 3/31/2019

# WEALTH MANAGEMENT SERVICES

BUILDING, PROTECTING AND TRANSFERRING WEALTH

## ADVISORY AND PLANNING SERVICES

---

Financial Planning

Tax Planning

Insurance Planning

Wealth Transfer Planning

Trust and Estate Planning

## INVESTMENT MANAGEMENT

---

Global Asset Allocation

Tax-Efficient  
Management

Risk Management

Manager/Consultant

Competitive Pricing

## TRUST AND FIDUCIARY SERVICES

---

Trustee

Personal Representative

Conservator

IRA Administration



# A SERVICE MODEL BUILT FOR YOUR SUCCESS

## ADVISORY

- ✓ ADVICE AND PLANNING
- ✓ ASSURES PLAN IMPLEMENTATION
- ✓ PROVIDES ONGOING REVIEW AND RECOMMENDATIONS
- ✓ GOAL TRACKING

## ADMINISTRATION

- ✓ SERVES AS DAY-TO-DAY CONTACT FOR CLIENTS
- ✓ MANAGES CONTRIBUTIONS AND DISTRIBUTIONS
- ✓ WORKS HAND-IN-HAND WITH YOUR ADVISOR

## INVESTMENT MANAGEMENT

- ✓ INDIVIDUAL SECURITY MANAGEMENT
- ✓ RISK MANAGEMENT
- ✓ DEVELOP AND IMPLEMENT INVESTMENT STRATEGIES
- ✓ CREATE AND MANAGE ASSET ALLOCATION

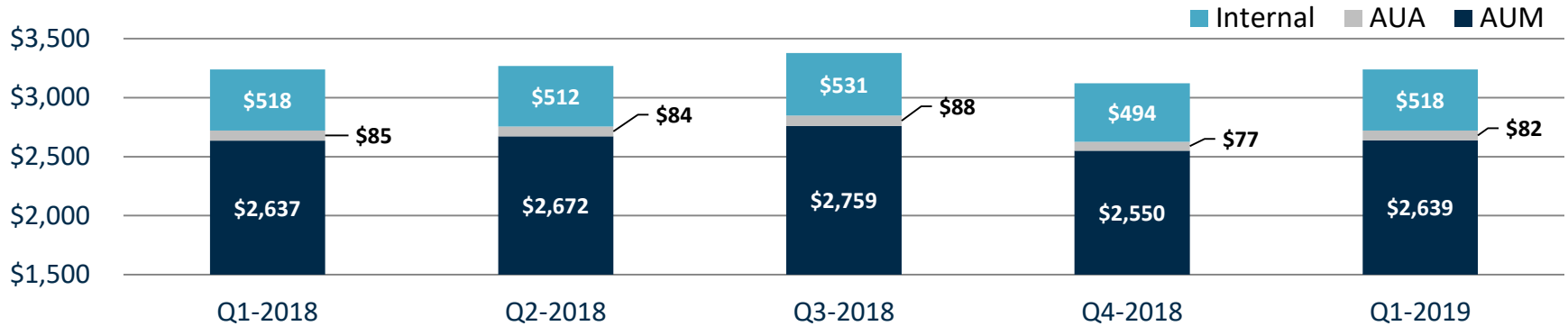
## OPERATIONS

- ✓ MANAGES OPERATIONAL-RELATED ISSUES
- ✓ ACCOUNTING AND RECORDKEEPING
- ✓ MAINTAINS ACCOUNTING FOR CLIENT ACCOUNTS
- ✓ PROCESSES ACCOUNT CASH AND SECURITY TRANSFERS

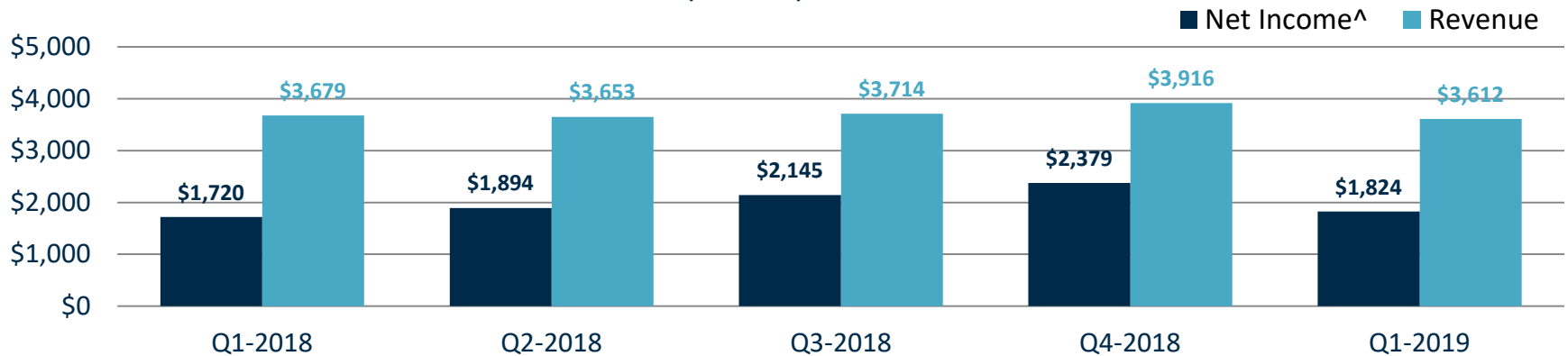
# WEALTH MANAGEMENT

## TRAILING FIVE QUARTERS

### ASSETS UNDER MANAGEMENT & ADMINISTRATION (\$MM, ENDING)



### WEALTH MANAGEMENT PROFIT MARGIN (\$000's)



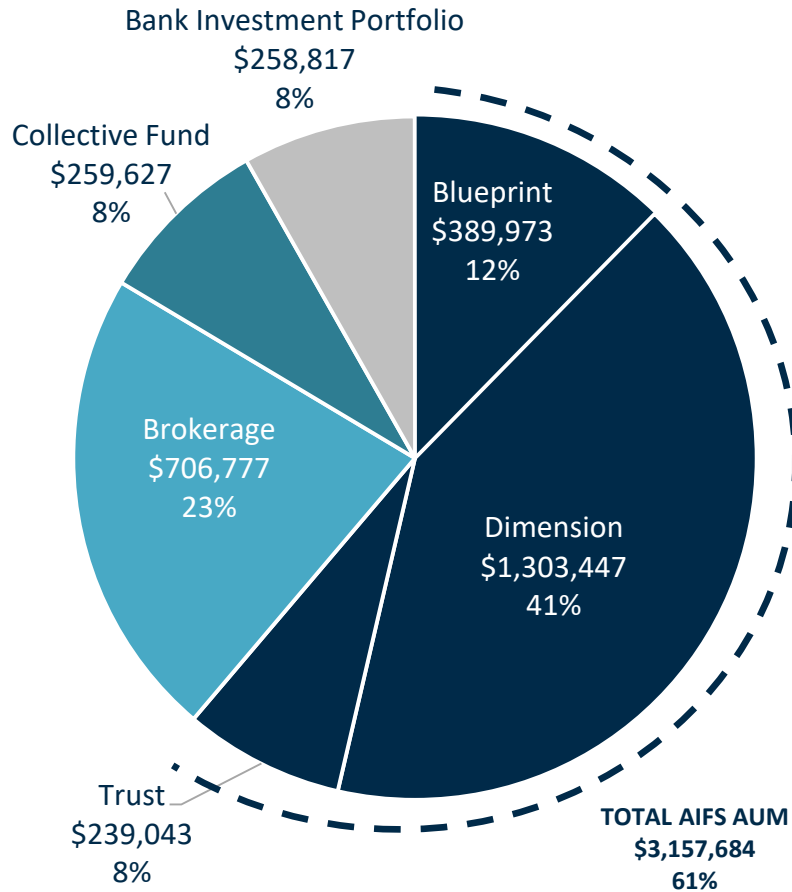
Profit Margin	46.8%	51.9%	57.7%	60.7%	50.5%
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^ Net Income before Tax and Indirect Allocations.

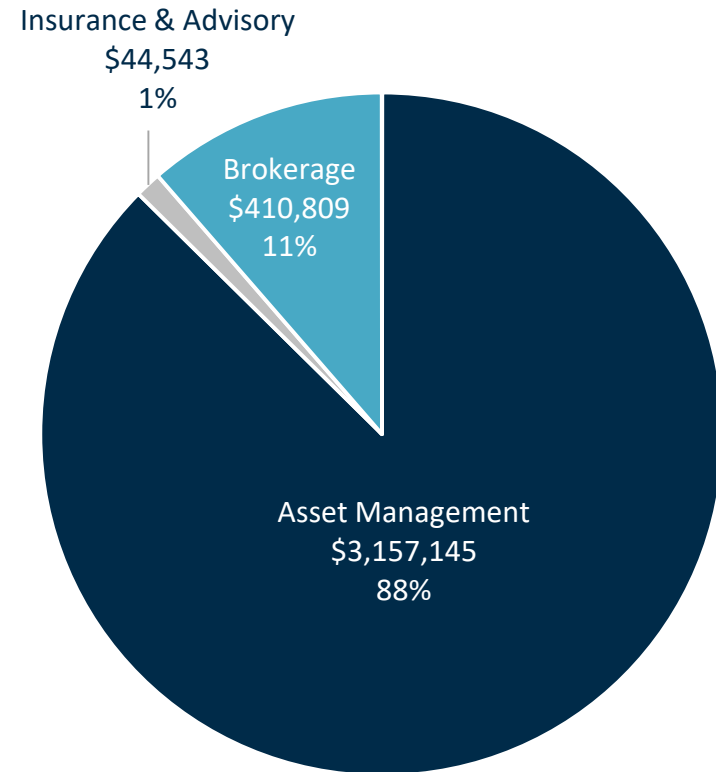
# WEALTH MANAGEMENT

FIRST QUARTER 2019 (000'S)

## ASSETS UNDER MANAGEMENT



## REVENUE

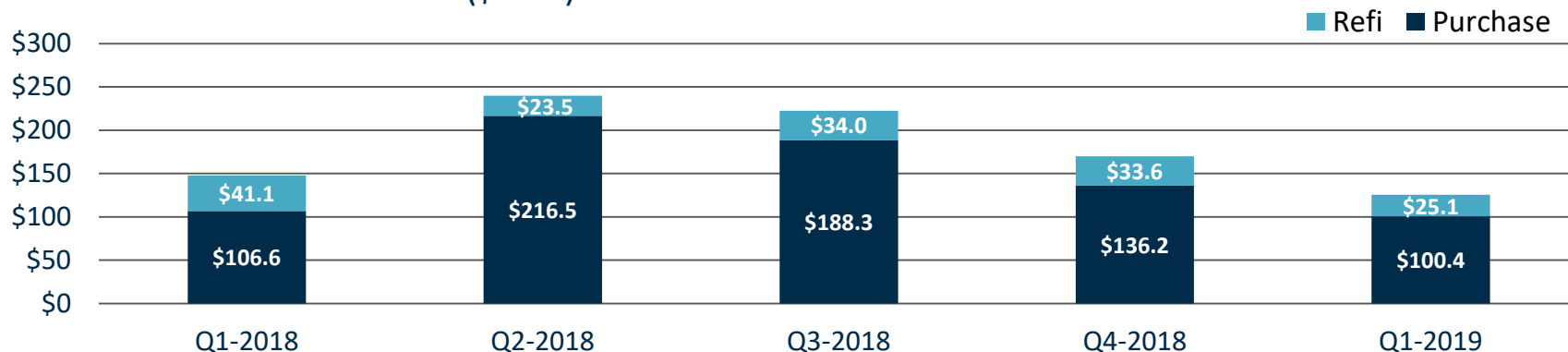


Source: Alerus Financial Corporation, data as of 3/31/2019. Period-end median account balances for Blueprint, Dimension and Trust products are \$37.3k, \$608.8k, and \$984.4k, respectively. Period-end maximum account balances for Blueprint, Dimension and Trust products are \$4.59M, \$36.2M, and \$18.8M, respectively.

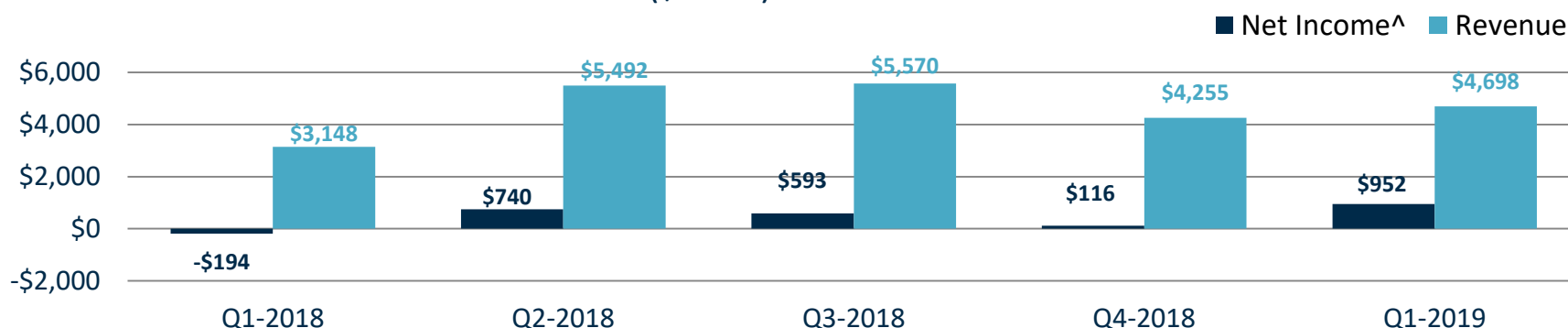
# MORTGAGE

## TRAILING FIVE QUARTERS

### MORTGAGE ORIGINATIONS (\$MM)



### MORTGAGE BANKING PROFIT MARGIN (\$'000's)<sup>1</sup>



Profit Margin	Q1-2018	Q2-2018	Q3-2018	Q4-2018	Q1-2019
	-6.2%	13.5%	10.6%	2.7%	20.3%

<sup>1</sup> For comparative purposes, historical expense and net income figures have been adjusted to reflect intercompany expense from banking to mortgage for loan purchases.

<sup>^</sup> Net Income before Tax and Indirect Allocations.

# ALERUS MORTGAGE

TALENT + TECHNOLOGY = SOLUTIONS

## Talent

- The Twin Cities originators averaged \$30 million in volume in 2018
- Capital markets division added seven new investors in 2018
- Highly skilled operations team allowing for seamless transition to mandatory delivery

## Technology

- Blend: Industry leading partner providing online application process with seamless integration and intuitive technology which translates to operational efficiencies
- Optimal Blue: Industry leading partner providing mandatory delivery hedge advisory services and pricing engine analytics
- Total Expert: Industry leading partner providing mortgage marketing technology that offers RESPA-compliant, co-marketing options
- Salesforce: The Alerus CRM allows us the ability to holistically manage our mortgage client relationships to offer them additional Alerus products and programs

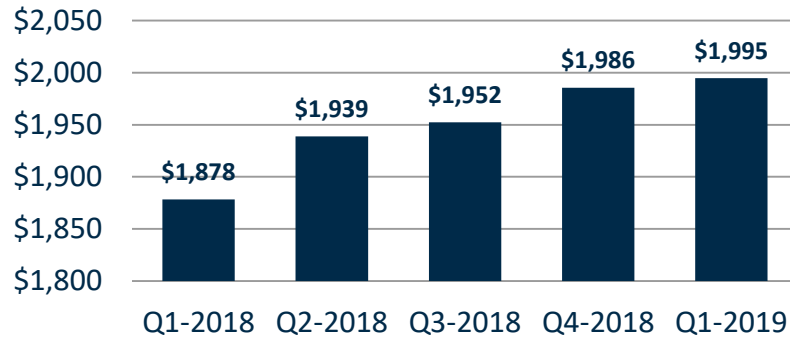
## Solutions

- Continue to provide solutions to clients in our geographical markets with more solutions and digital delivery
- Provide solutions to participants in our national market

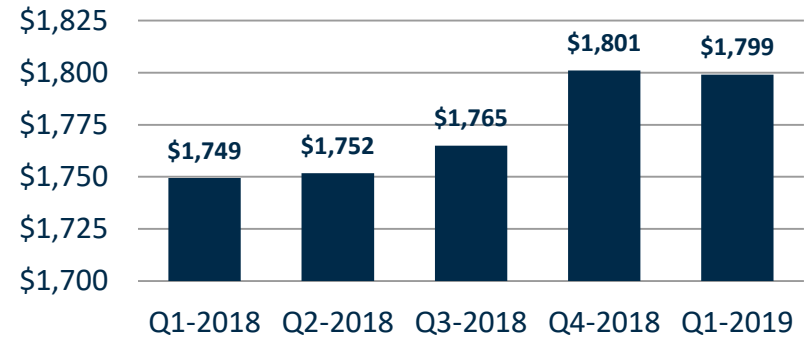
# BANKING

## TRAILING FIVE QUARTERS

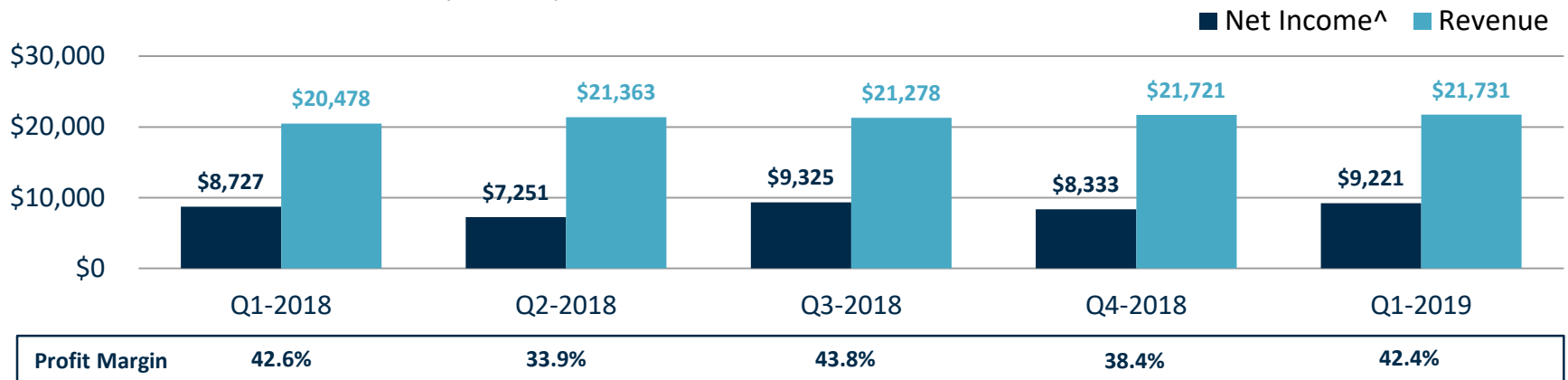
### AVERAGE EARNING ASSETS (\$MM)



### AVERAGE DEPOSITS (\$MM)



### BANKING PROFIT MARGIN (\$000's)<sup>1</sup>



<sup>1</sup> For comparative purposes, historical expense and net income figures have been adjusted to reflect intercompany expense from banking to mortgage for loan purchases.

<sup>^</sup> Net Income before Tax and Indirect Allocations.

# CORPORATE OVERHEAD

## INDIRECT AND DIRECT EXPENSE ALLOCATION METHODOLOGY, BY DEPARTMENT

### INDIRECT

- Based on percentage of time spent in each market and/or division:
  - Finance & Accounting
  - Administrative Services
  - Executive
  - Compliance
  - Enterprise Risk Management
  - Legal
  - Audit (50%)
- Based on FTE count as a percentage of total FTE:
  - Human Resources
  - Facilities
  - Information Technology
  - Audit (50%)
  - Insurance
- Based division revenue:
  - Marketing overhead

### DIRECT

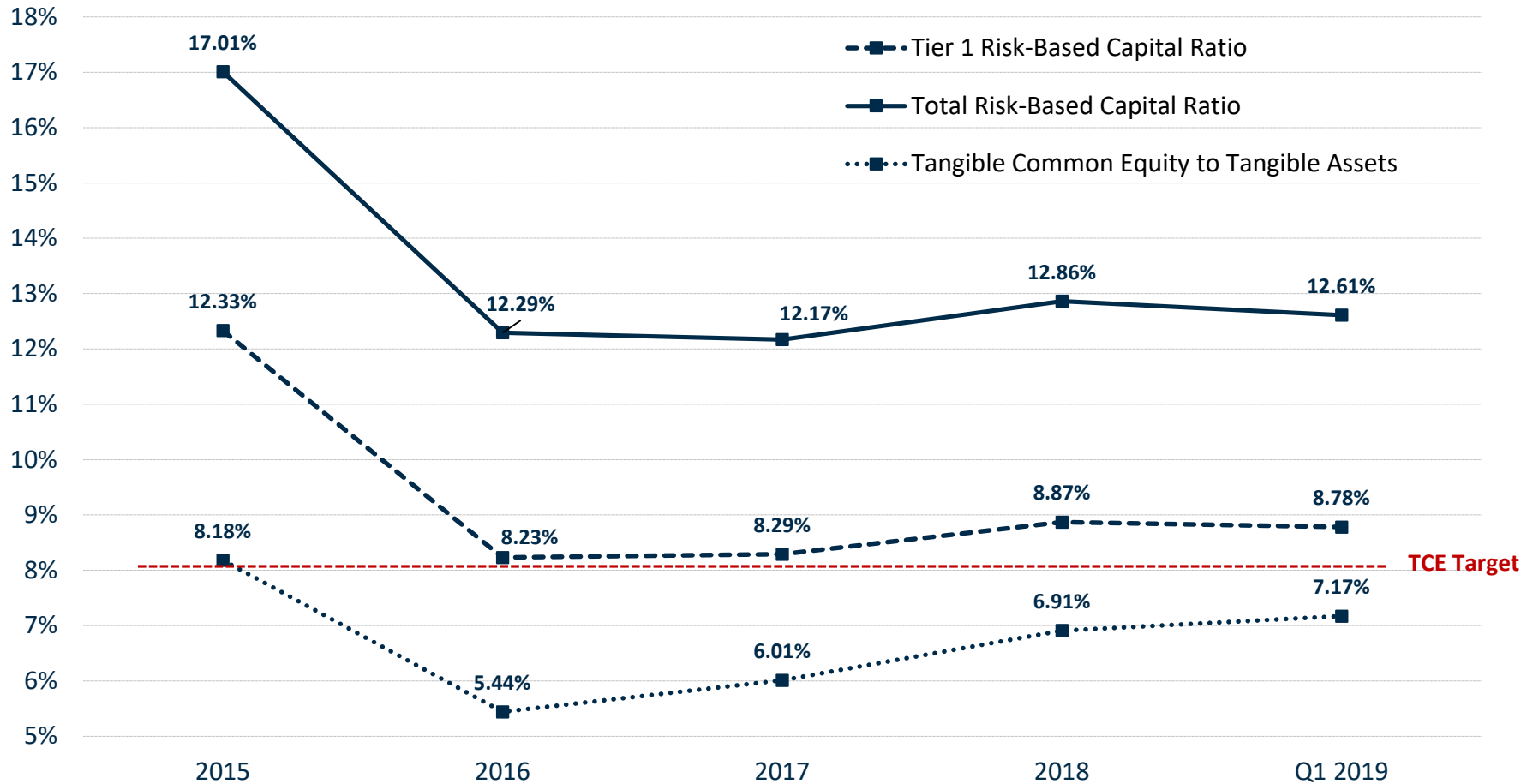
- Personnel
- Technology expense (core providers)
- Specific Vendors/Service Contracts
- Travel
- Legal
- Consulting
- Assessments
- Donations
- Operational Losses/Charge-offs
- Based on FTE count/actual location as a percentage of total FTE:
  - Facilities
- Allocated based on actual spend by market/business line
  - Marketing (excludes personnel and ancillary expense)

CAPITAL | LIQUIDITY | INTANGIBLES



# CAPITAL RATIOS

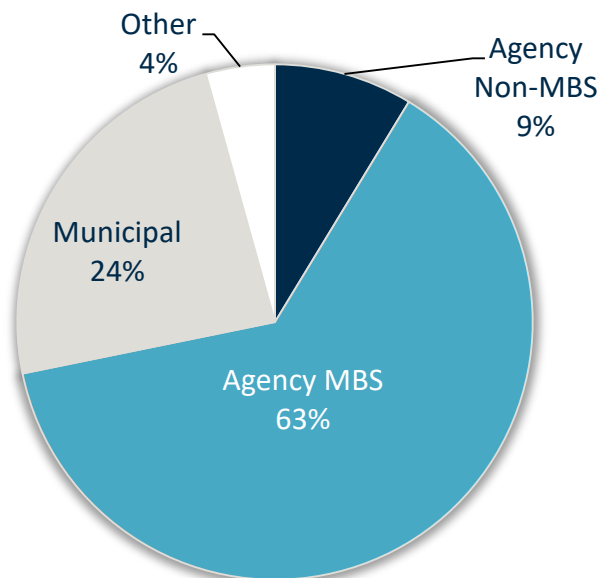
ALERUS FINANCIAL CORPORATION



# INVESTMENT PORTFOLIO & CONTINGENT LIQUIDITY SOURCES

## ALERUS FINANCIAL CORPORATION

### INVESTMENT PORTFOLIO (\$258.8MM)



**Effective Duration:** 3.55  
**Yield:** 2.46%

### CONTINGENT LIQUIDITY SOURCES

	LINE AMOUNT	ADVANCE AMOUNT	AVAILABLE
Fed Funds Purchased	\$ 87,000	\$ -	\$ 87,000
FHLB Advance	545,465	12,346	533,119
Promontory CDs	442,120	7,423	434,697
<b>Subtotal</b>	<b>\$ 1,074,585</b>	<b>\$ 19,769</b>	<b>\$ 1,054,816</b>

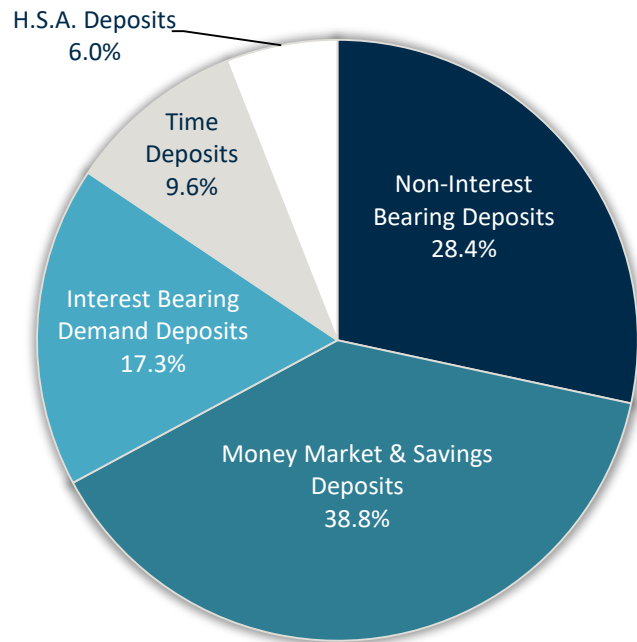
	MARKET VALUE	PLEGGED	UNPLEGGED
Securities AFS (Unpledged @ Market)	\$ 255,828	\$ 147,318	\$ 108,510

<b>TOTAL LIQUIDITY</b>	<b>\$ 1,330,413</b>	<b>\$ 167,087</b>	<b>\$ 1,163,326</b>
------------------------	---------------------	-------------------	---------------------

Source: Alerus Financial Corporation, data as of 3/31/2019

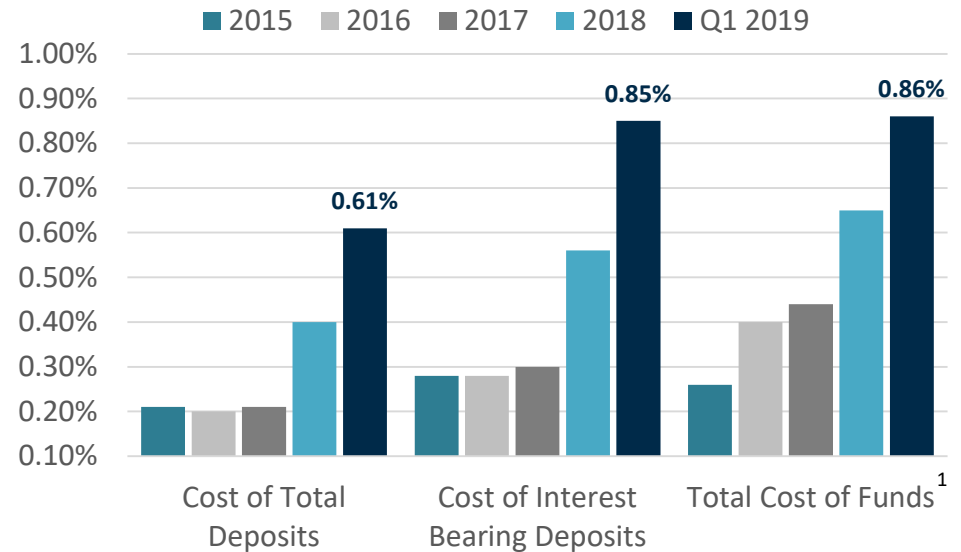
# STRONG CORE FUNDING MIX

Q1 DEPOSIT FUNDING (\$1,902MM)



<b>Commercial:</b> 46%	<b>Consumer:</b> 46%
<b>Brokered<sup>2</sup>:</b> 0%	<b>Internal<sup>2</sup>:</b> 8%

LOW COST OF FUNDS



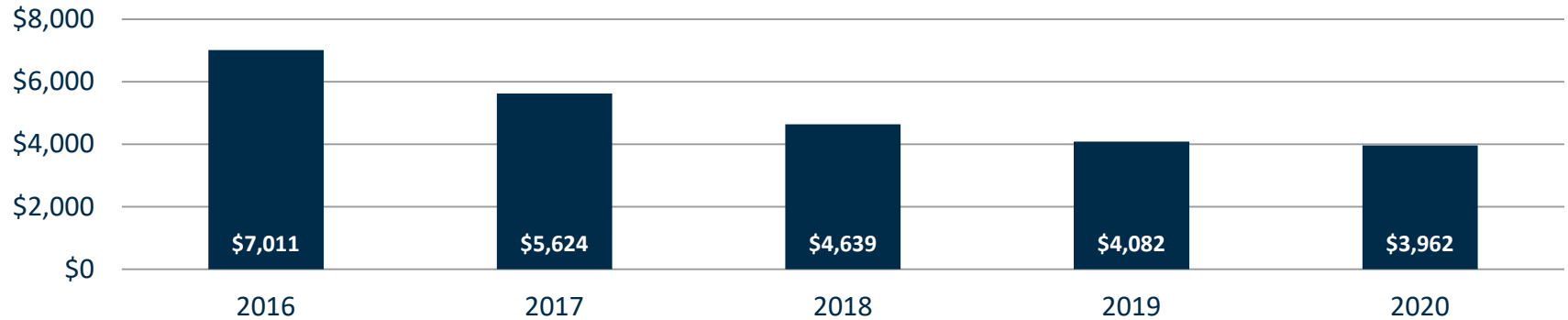
<sup>1</sup> Source: Alerus Financial Corporation, S&P Global Market Intelligence. (S&P MI KeyField: 133834; Interest incurred on liabilities as a percent of average noninterest-bearing deposits and interest-bearing liabilities). Data as of 3/31/2019.

<sup>2</sup> Brokered commercial deposits and internal deposits totaled \$7.4 million and \$144 million, respectively.

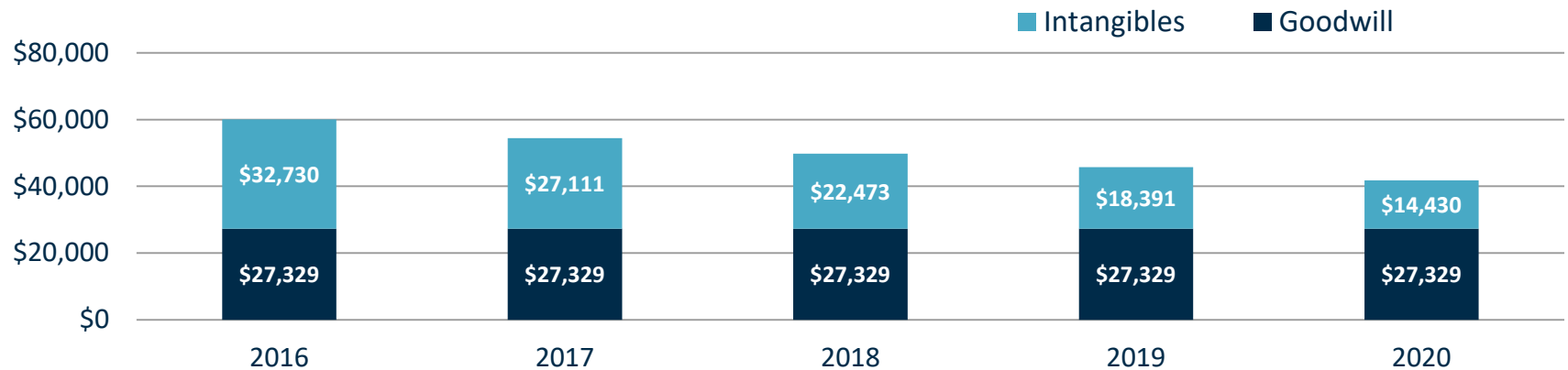
# GOODWILL AND INTANGIBLES

(\$ IN THOUSANDS)

## INTANGIBLE AMORTIZATION EXPENSE



## GOODWILL AND INTANGIBLE BALANCES



Note: Current intangible balances will be fully amortized at the end of 2025.

# APPENDIX



# NON-GAAP DISCLOSURE RECONCILIATION

	(\$000s)	Q1 2019	2018	2017	2016	2015
Average Common Equity	\$	199,853	\$ 187,341	\$ 176,779	\$ 168,039	\$ 178,087
Less: average preferred stock		(0)	(0)	(0)	(2,514)	(20,000)
Less: Goodwill		(27,329)	(27,329)	(27,329)	(25,698)	(2,365)
Less: average other Intangibles, net of tax benefit		(17,329)	(19,522)	(19,358)	(22,372)	(13,978)
Average Tangible Common Equity	\$	155,195	\$ 140,490	\$ 130,092	\$ 117,455	\$ 141,744

	(\$000s)	Q1 2019	2018	2017	2016	2015
Net Income	\$	6,436	\$ 25,866	\$ 15,001	\$ 14,036	\$ 17,010
Less: Preferred stock dividends		0	(0)	(0)	(25)	(200)
Add: Re-measurement due to tax reform		0	0	4,818	0	0
Add: Other intangible, net of tax benefit		830	3,664	3,655	4,553	2,840
Net Income, Excluding Intangible Amortization	\$	7,266	\$ 29,530	\$ 23,474	\$ 18,564	\$ 19,650

Return on Average Tangible Common Equity <sup>1</sup>		18.99%	21.02%	18.04%	15.81%	13.86%
Average Common Shares (000s)		14,063	14,063	14,007	14,000	13,947
Cash Earnings Per Share	\$	0.52	\$ 2.10	\$ 1.68	\$ 1.33	\$ 1.41

<sup>1</sup> Net Income for Q1 2019 is annualized for historical reference purposes