

# Alerus



INVESTOR PRESENTATION  
JANUARY 2021

ALERUS

# DISCLAIMERS

## Forward-Looking Statements

This presentation contains “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, statements concerning plans, estimates, calculations, forecasts and projections with respect to the anticipated future performance of Alerus Financial Corporation. These statements are often, but not always, identified by words such as “may”, “might”, “should”, “could”, “predict”, “potential”, “believe”, “expect”, “continue”, “will”, “anticipate”, “seek”, “estimate”, “intend”, “plan”, “projection”, “would”, “annualized”, “target” and “outlook”, or the negative version of those words or other comparable words of a future or forward-looking nature. Examples of forward-looking statements include, among others, statements we make regarding our projected growth, anticipated future financial performance, financial condition, credit quality, management’s long-term performance goals and the future plans and prospects of Alerus Financial Corporation.

Forward-looking statements are neither historical facts nor assurances of 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. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances 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: the effects of the COVID-19 pandemic, including its effects on the economic environment, our clients and our operations, as well as any changes to federal, state or local government laws, regulations or orders in connection with the pandemic; our ability to successfully manage credit risk and maintain an adequate level of allowance for loan losses; new or revised accounting standards, including as a result of the future implementation of the new Current Expected Credit Loss Standard; business and economic conditions generally and in the financial services industry, nationally and within our market areas; the overall health of the local and national real estate market; concentrations within our loan portfolio; the level of nonperforming assets on our balance sheet; our ability to implement our organic and acquisition growth strategies; the impact of economic or market conditions on our fee-based services; our ability to continue to grow our retirement and benefit services business; our ability to continue to originate a sufficient volume of residential mortgages; the occurrence of fraudulent activity, breaches or failures of our information security controls or cybersecurity related incidents; interruptions involving our information technology and telecommunications systems or third-party servicers; potential losses incurred in connection with mortgage loan repurchases; the composition of our executive management team and our ability to attract and retain key personnel; rapid technological change in the financial services industry; increased competition in the financial services industry; our ability to successfully manage liquidity risk; the effectiveness of our risk management framework; the commencement and outcome of litigation and other legal proceedings and regulatory actions against us or to which we may become subject; potential impairment to the goodwill we recorded in connection with our past acquisitions; the extensive regulatory framework that applies to us; the impact of recent and future legislative and regulatory changes; interest rate risks associated with our business; fluctuations in the values of the securities held in our securities portfolio; governmental monetary, trade and fiscal policies; severe weather, natural disasters, widespread disease or pandemics, such as the COVID-19 global pandemic, acts of war or terrorism or other adverse external events; any material weaknesses in our internal control over financial reporting; developments and uncertainty related to the future use and availability of some reference rates, such as the London Interbank Offered Rate, as well as other alternative rates; our success at managing the risks involved in the foregoing items; and any other risks described in the “Risk Factors” sections of the reports filed by Alerus Financial Corporation with the Securities and Exchange Commission.

Any forward-looking statement made by us in this presentation is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

## 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.

## Miscellaneous

Except as otherwise indicated, this presentation speaks as of the date hereof. The delivery of this presentation shall not, under any circumstances, create any implication that there has been no change in the affairs of Alerus Financial Corporation after the date hereof. Certain of the information contained herein may be derived from information provided by industry sources. We believe that such information is accurate and that the sources from which it has been obtained are reliable. We cannot guarantee the accuracy of such information, however, and we have not independently verified such information.

# COVID-19 RESPONSE



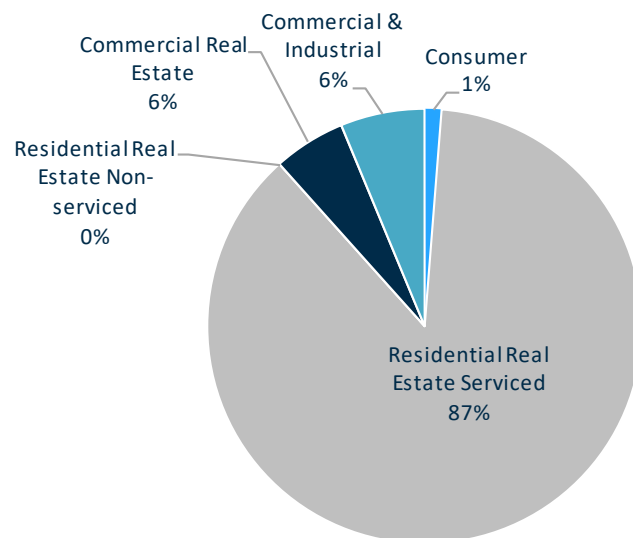
# COVID-19 RESPONSE SUMMARY

## PROACTIVELY RESPONDING WITH AGILITY AND SUPPORT

<b>LEADING DURING THE PANDEMIC CRISIS</b>	<ul style="list-style-type: none"><li>▪ Activated Business Continuity Planning team and Pandemic Policy; frequent meetings with key leadership teams</li><li>▪ Response guided by safety of employees and clients; being a good corporate citizen; and encouraging digital use</li><li>▪ Benefit of past crisis experience; 1997 historic Flood and Fire in Grand Forks, ND</li></ul>
<b>TAKING CARE OF EMPLOYEES</b>	<ul style="list-style-type: none"><li>▪ Early adoption and continuation of self-quarantine recommendations and restricting non-essential business travel</li><li>▪ 82% of staff transitioned to working remote in 1 week; 85% remain working remote</li><li>▪ Established On-Site Pay for staff in offices; introduced Relief Pay for office closures or daycare/school closures</li><li>▪ Frequent all employee virtual calls hosted by C*Suite; 75% of staff attends live; completed 21 in 2020</li></ul>
<b>LEVERAGING INFRASTRUCTURE INVESTMENTS</b>	<ul style="list-style-type: none"><li>▪ Built integrated access between client documents and CRM, allowing team to quickly access client information</li><li>▪ Robotic Process Automation: continue to add robots to automate operational processes</li><li>▪ Leveraged DocuSign to develop pre-filled, dynamic Paycheck Protection Program Forgiveness Application</li><li>▪ Simplified client experience, moving various loan, wealth management, and investment documents to DocuSign</li></ul>
<b>INCREASED DIGITAL ENGAGEMENT</b>	<ul style="list-style-type: none"><li>▪ Built upon holistic financial picture for consumer clients by integrating wealth management and brokerage accounts held with Alerus into My Alerus, simplifying the online account experience down to one login</li><li>▪ Moved all retirement statements and confirmations to electronic format as the default, further driving online engagement</li></ul>
<b>SERVING IN THE BEST INTEREST OF CLIENTS</b>	<ul style="list-style-type: none"><li>▪ Paycheck Protection Program: helped over 1,632 new and existing clients secure ~ \$364 million in funding relief</li><li>▪ Ongoing virtual webinars to provide guidance and help clients with their financial issues on various topics</li><li>▪ Waived fees on loan extensions, loan payment deferrals, or early CD withdrawals due to COVID-19 related hardship</li><li>▪ Proactively helping participants navigate retirement distributions or other lending options</li></ul>
<b>THE NEW NORMAL</b>	<ul style="list-style-type: none"><li>▪ Continue to encourage virtual business; reopening approach is guided by market conditions</li><li>▪ <b>ND:</b> lobbies closed in mid-March, open by appointment only in early June, lobbies reopened in mid-June, markets were never subject to stay at home order and markets are widely open for business</li><li>▪ <b>MN:</b> lobbies closed in mid-March, drive-ups remained open, stay at home order lifted in mid-May, open by appointment only in August, continued progress of state's four-phased approach to businesses reopening</li><li>▪ <b>AZ:</b> lobbies closed in mid-March, drive-up remained open, open by appointment only in September</li></ul>

# COVID-19 RELIEF PROGRAMS

## PAYMENT DEFERRALS, MATURITY EXTENSIONS, AND PAYMENT MODIFICATIONS



December 31, 2020

Loan Group	Number Of Loans	Granted Deferral (\$ in 000's)	Still on Initial Deferral (\$ in 000's)	Second Deferral (\$ in 000's)	Returned to Normal (\$ in 000's)
Consumer	174	\$ 2,420	\$ 125	\$ 26	\$ 2,269
Residential Real Estate Serviced	62	26,939	2,145	8,423	16,371
Residential Real Estate Non-serviced	77	10,550	—	—	10,550
Commercial Real Estate	79	80,763	650	—	80,113
Commercial & Industrial	185	32,899	760	—	32,138
<b>Total</b>	<b>577</b>	<b>\$ 153,571</b>	<b>\$ 3,680</b>	<b>\$ 8,449</b>	<b>\$ 141,441</b>

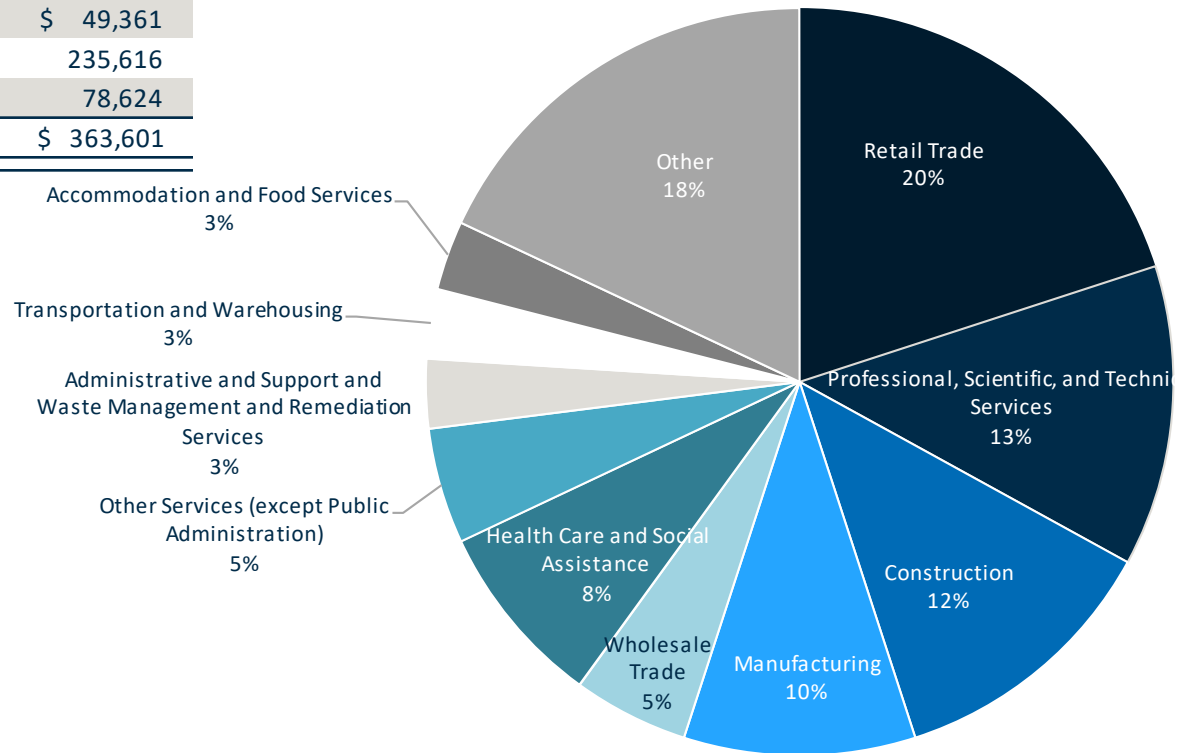
# COVID-19 RELIEF PROGRAMS

## SBA PAYCHECK PROTECTION PROGRAM (PPP)

### INDUSTRY BREAKDOWN OF PPP LOANS MADE TO BORROWERS

THROUGH 12/31/2020 SECURED SBA FINANCING FOR 1,632 LOANS FOR APPROXIMATELY \$364MM

Loan Amount Group	# of Loans	\$ Originated (in 000's)
\$150M or less	1,157	\$ 49,361
\$150M to \$2MM	449	235,616
\$2MM+	26	78,624
<b>Total</b>	<b>1,632</b>	<b>\$ 363,601</b>

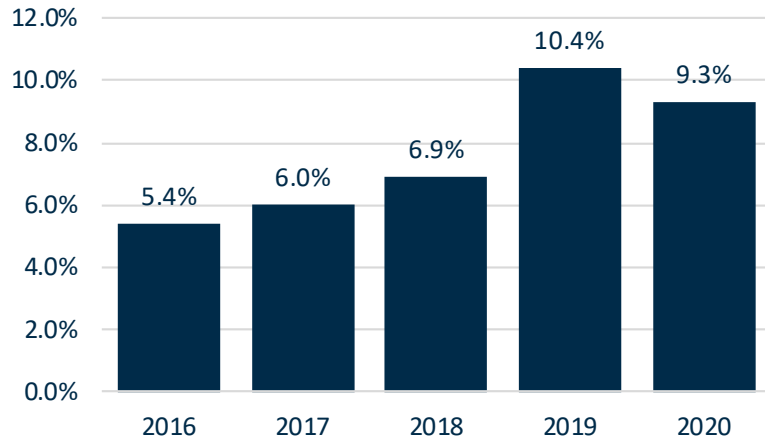


As of 12/31/2020.

We had \$83.6 million of PPP loans forgiven or repaid as of December 31, 2020.

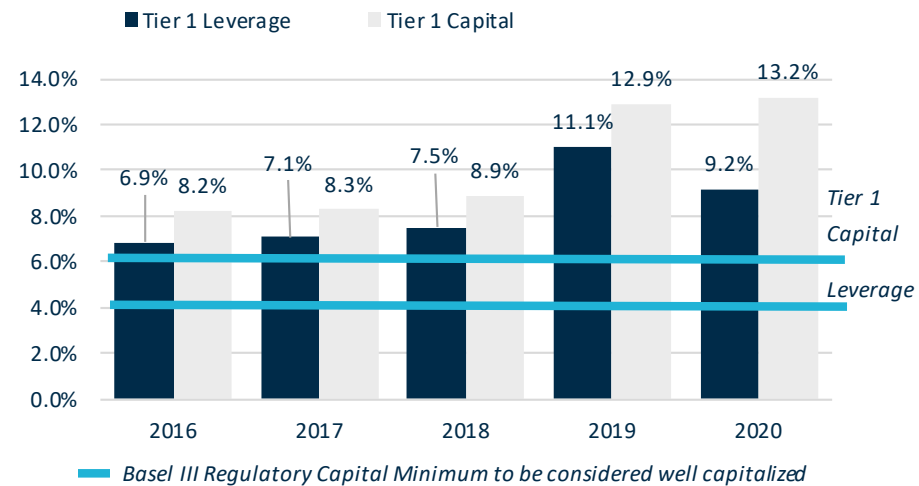
# STRONG CAPITAL AND SOURCES OF LIQUIDITY

## TANGIBLE COMMON EQUITY/TANGIBLE ASSETS

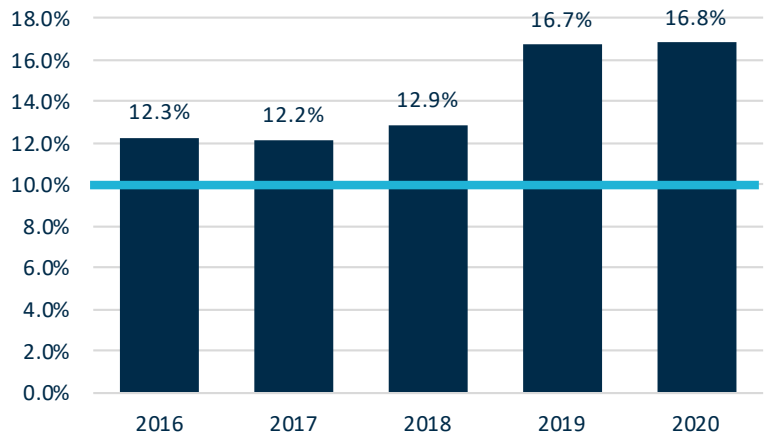


Excluding PPP, Tangible Common Equity/Tangible Assets at December 31, 2020 was 10.19%

## TIER 1 CAPITAL/TIER 1 LEVERAGE RATIOS



## TOTAL RISK BASED CAPITAL



## PRIMARY AND SECONDARY SOURCES OF LIQUIDITY

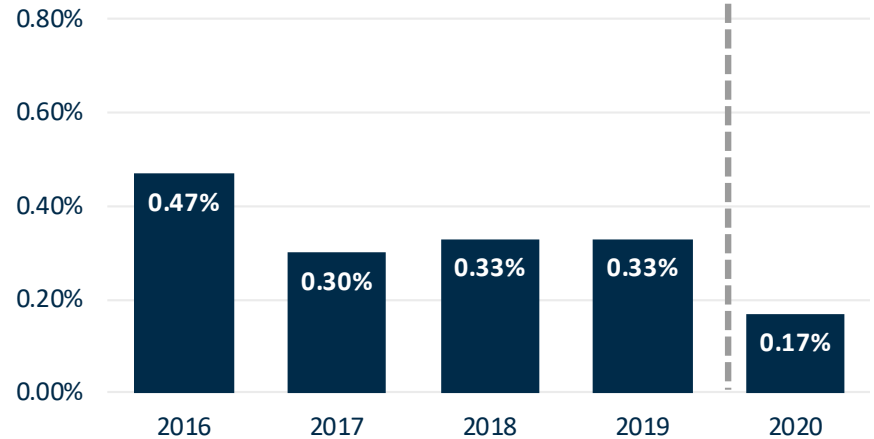
Cash and cash equivalents	\$172,962
Unencumbered securities	431,513
FHLB borrowing availability	631,680
Brokered CD capacity	602,754
Fed funds lines	102,000
<b>Total as of 12/31/2020</b>	<b>\$1,940,909</b>

# ASSET QUALITY AND RESERVE LEVELS

## OVERVIEW

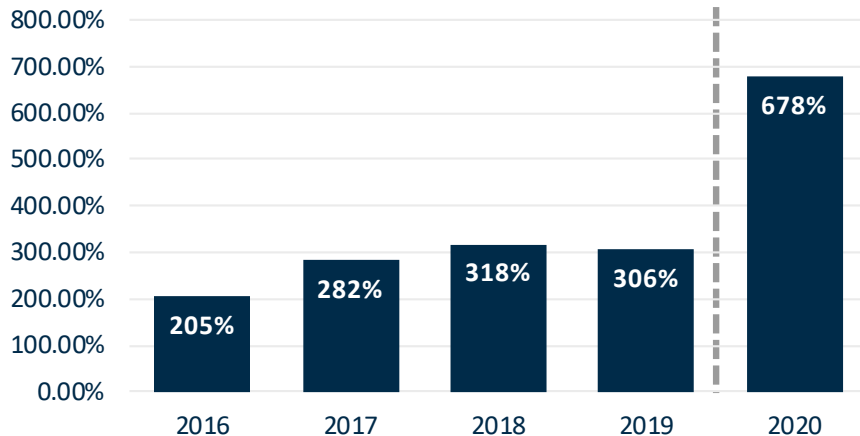
- Solid asset quality
- Strong reserve levels
- Proactive approach to classification of assets and management of loan problems

## NPAS / ASSETS (%)

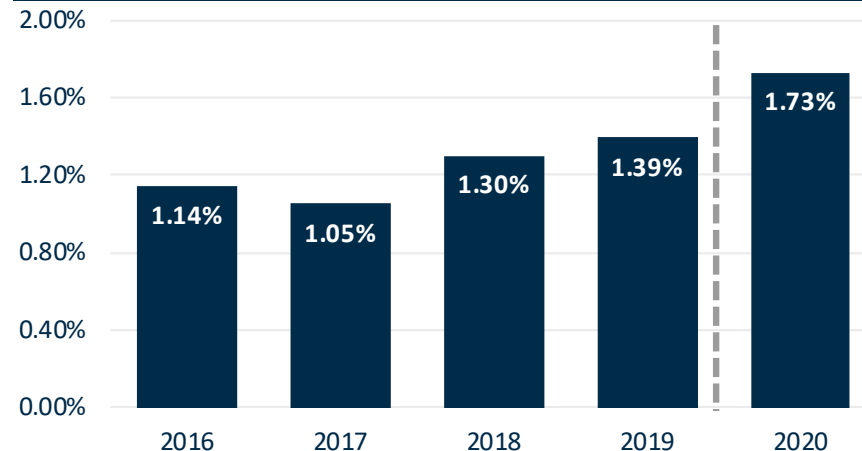


Excluding PPP loans, NPAs/Assets as of December 31, 2020 was 0.19%

## RESERVES / NPLS (%)



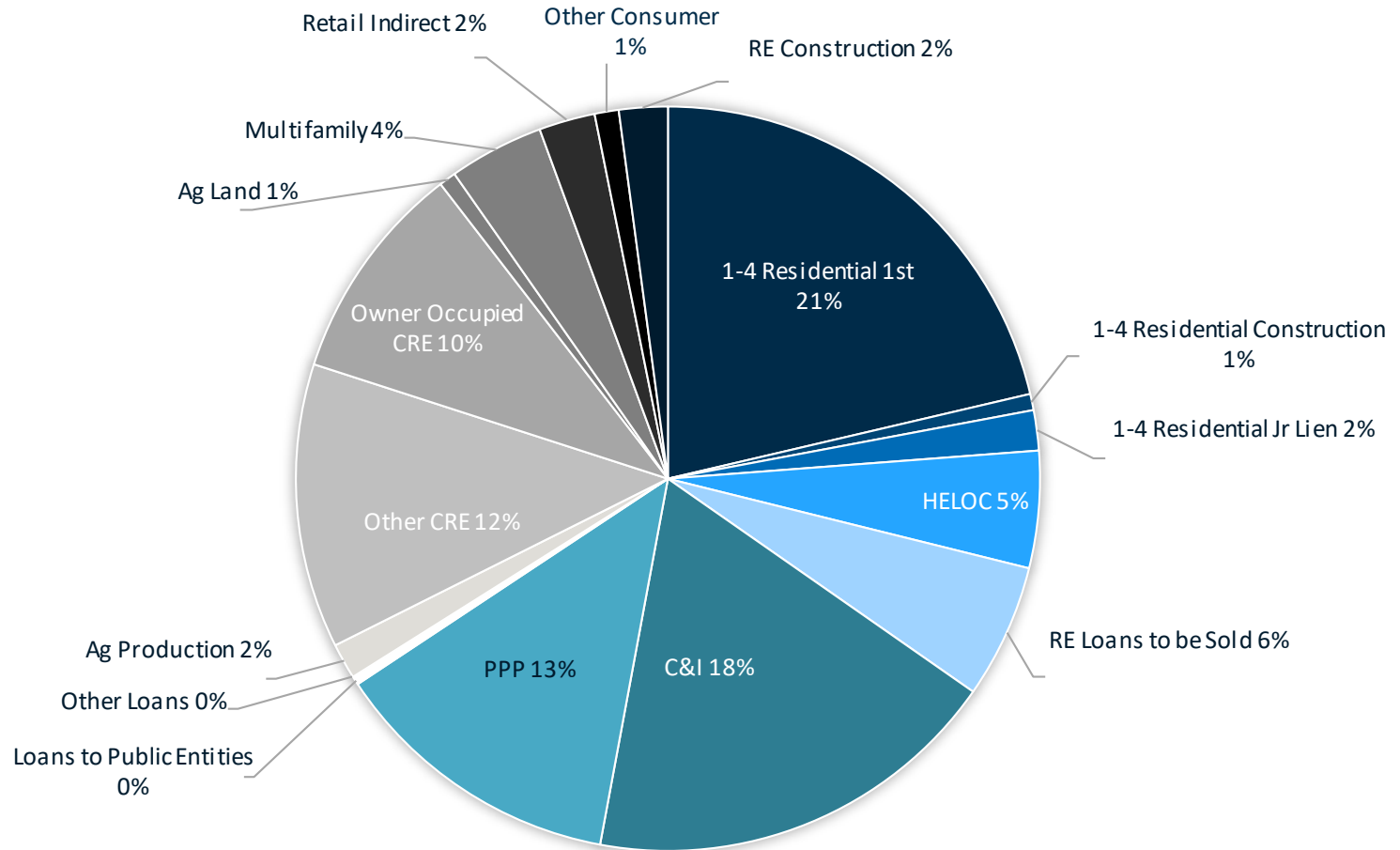
## RESERVES / LOANS (%)



Excluding PPP loans, Reserves/Loans as of December 31, 2020 was 2.00%

# WELL DIVERSIFIED LOAN PORTFOLIO

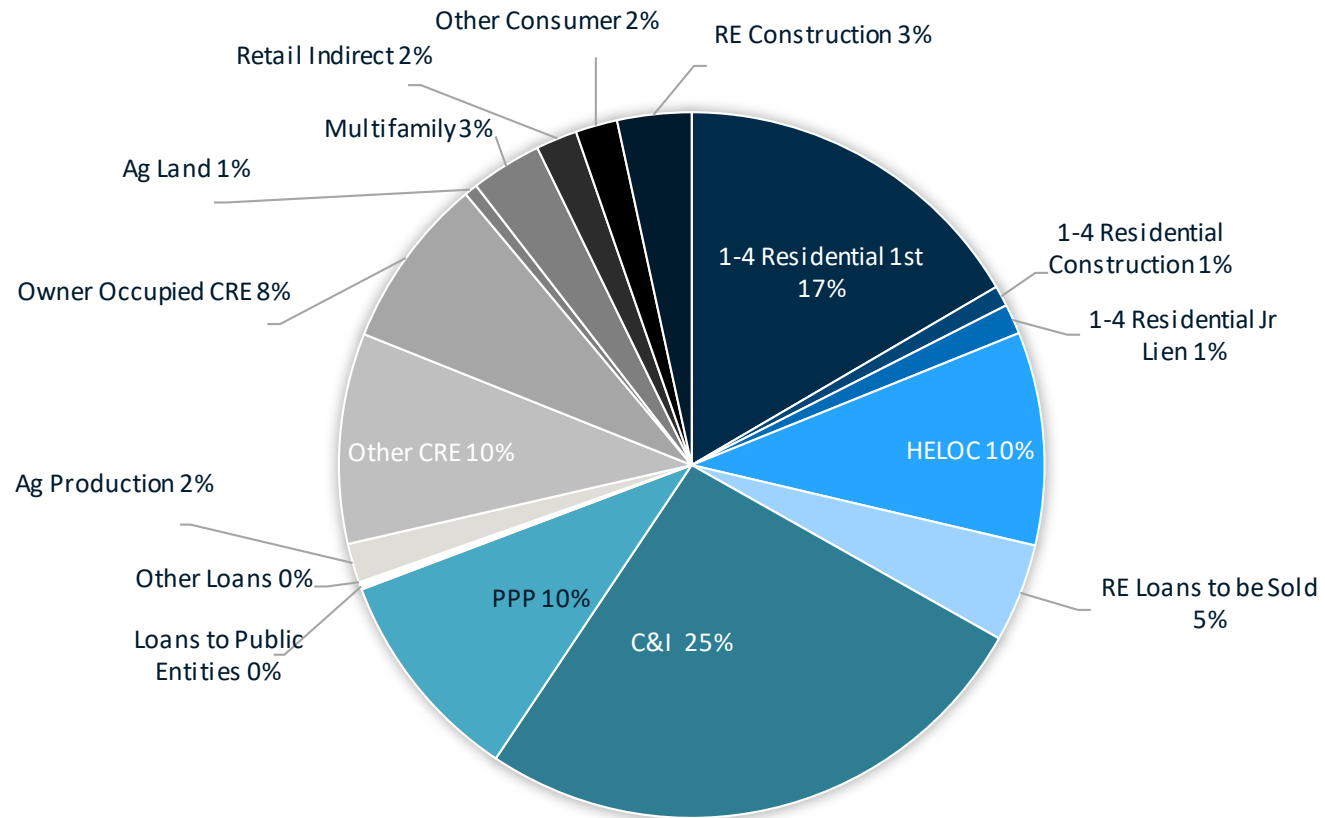
## BY OUTSTANDING BALANCES



As of 12/31/2020.

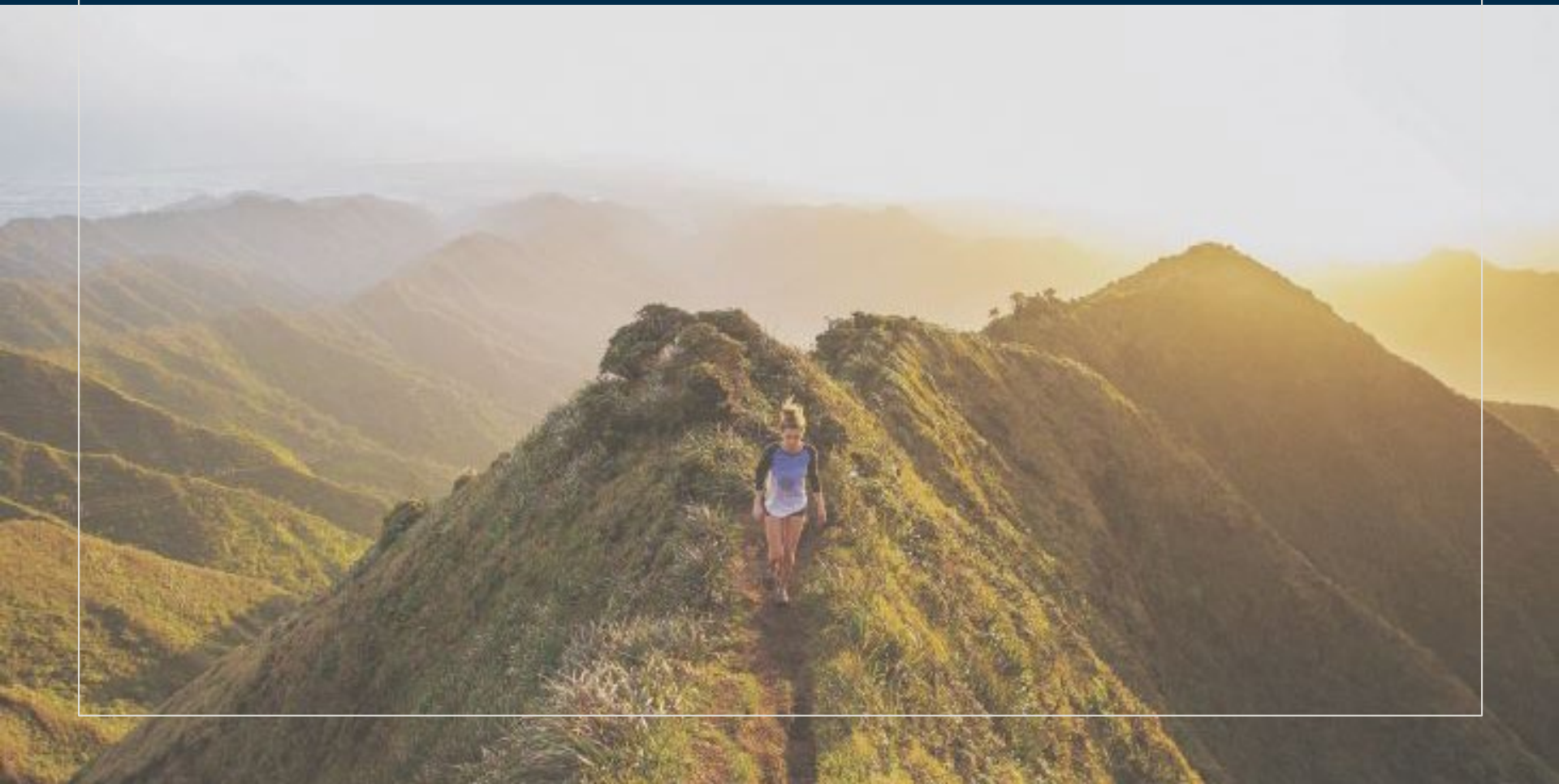
# WELL DIVERSIFIED LOAN PORTFOLIO

BY TOTAL COMMITMENT INCLUDING UNFUNDED COMMITMENT



As of 12/31/2020.

# 2020 HIGHLIGHTS



# 2020 FINANCIAL HIGHLIGHTS

## INCOME STATEMENT

(dollars and shares in thousands, except per share data)	Three months ended			Year ended	
	December	September	December	December	December
	2020	2020	2019	2020	2019
Net Interest Income	\$ 23,153	\$ 21,765	\$ 18,459	\$ 83,846	\$ 74,551
Provision for Loan Losses	1,400	3,500	1,797	10,900	7,312
Net Interest Income After Provision for Loan Losses	21,753	18,265	16,662	72,946	67,239
Noninterest Income	38,696	45,256	29,556	149,371	114,194
Noninterest Expense	47,125	40,214	36,435	163,799	142,537
Income Before Income Taxes	13,324	23,307	9,783	58,518	38,896
Income Tax Expense	3,144	5,648	2,131	13,843	9,356
<b>Net Income</b>	<b>\$ 10,180</b>	<b>\$ 17,659</b>	<b>\$ 7,652</b>	<b>\$ 44,675</b>	<b>\$ 29,540</b>
<b>Per Common Share Data</b>					
Earnings Per Common Share – Diluted	\$ 0.57	\$ 0.99	\$ 0.43	\$ 2.52	\$ 1.91
Diluted Average Common Shares Outstanding	17,450	17,453	17,397	17,438	15,093
<b>Performance Ratios</b>					
Return on Average Total Assets	1.34%	2.42%	1.33%	1.61%	1.34%
Return on Average Tangible Common Equity <sup>(1)</sup>	15.13%	26.67%	13.78%	17.74%	17.46%
Noninterest Income as a % of Revenue	62.57%	67.53%	61.56%	64.05%	60.50%
Net Interest Margin (Tax-Equivalent) <sup>(1)(2)</sup>	3.23%	3.17%	3.45%	3.22%	3.65%
Efficiency Ratio <sup>(1)</sup>	74.44%	58.42%	73.68%	68.40%	73.22%

1 – Represents a non-GAAP Financial measure. See “Non-GAAP Disclosure Reconciliation.”

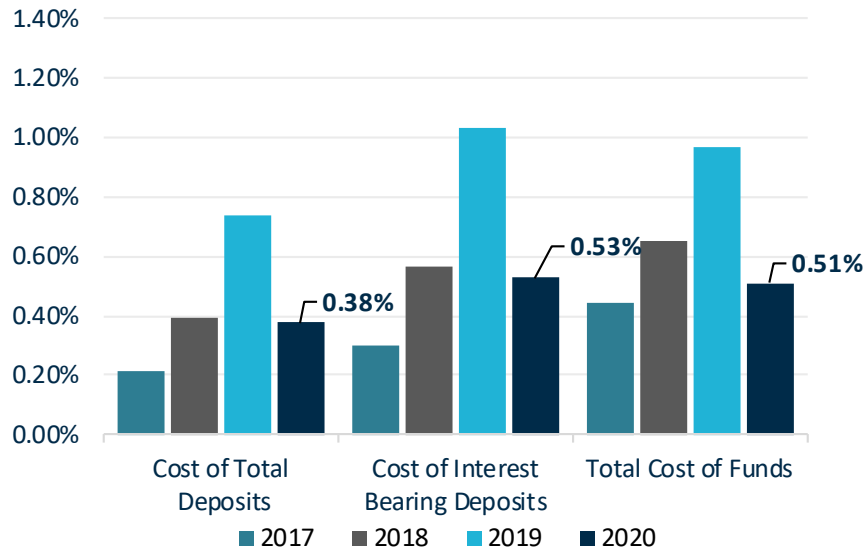
2 – Net interest margin (tax-equivalent) excluding PPP loans for three months ended and the year ended December 31, 2020 was 3.03% and 3.16%, respectively.

# STRONG CORE FUNDING MIX

## OVERVIEW AS OF DECEMBER 31, 2020

- Commercial transaction accounts totaled \$1.1 billion and increased 35.5% YTD. Consumer transaction accounts totaled \$644.2 million and increased 20.2%
- Synergistic deposits, including HSA deposits and those sourced through retirement plans and participants, totaled \$595.6 million, with a cost of 0.40%
- CD portfolio is primarily 6 month flex CD with over 50% held by clients for 10+ years
- Stable deposit relationships with 22 year average tenure on 10 largest depositors

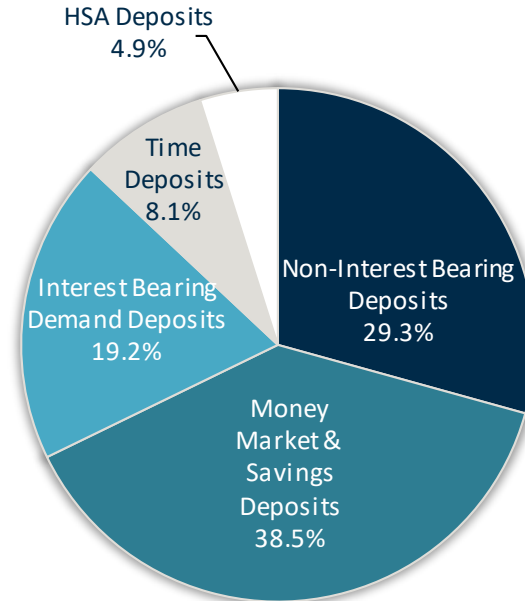
## LOW COST OF FUNDS



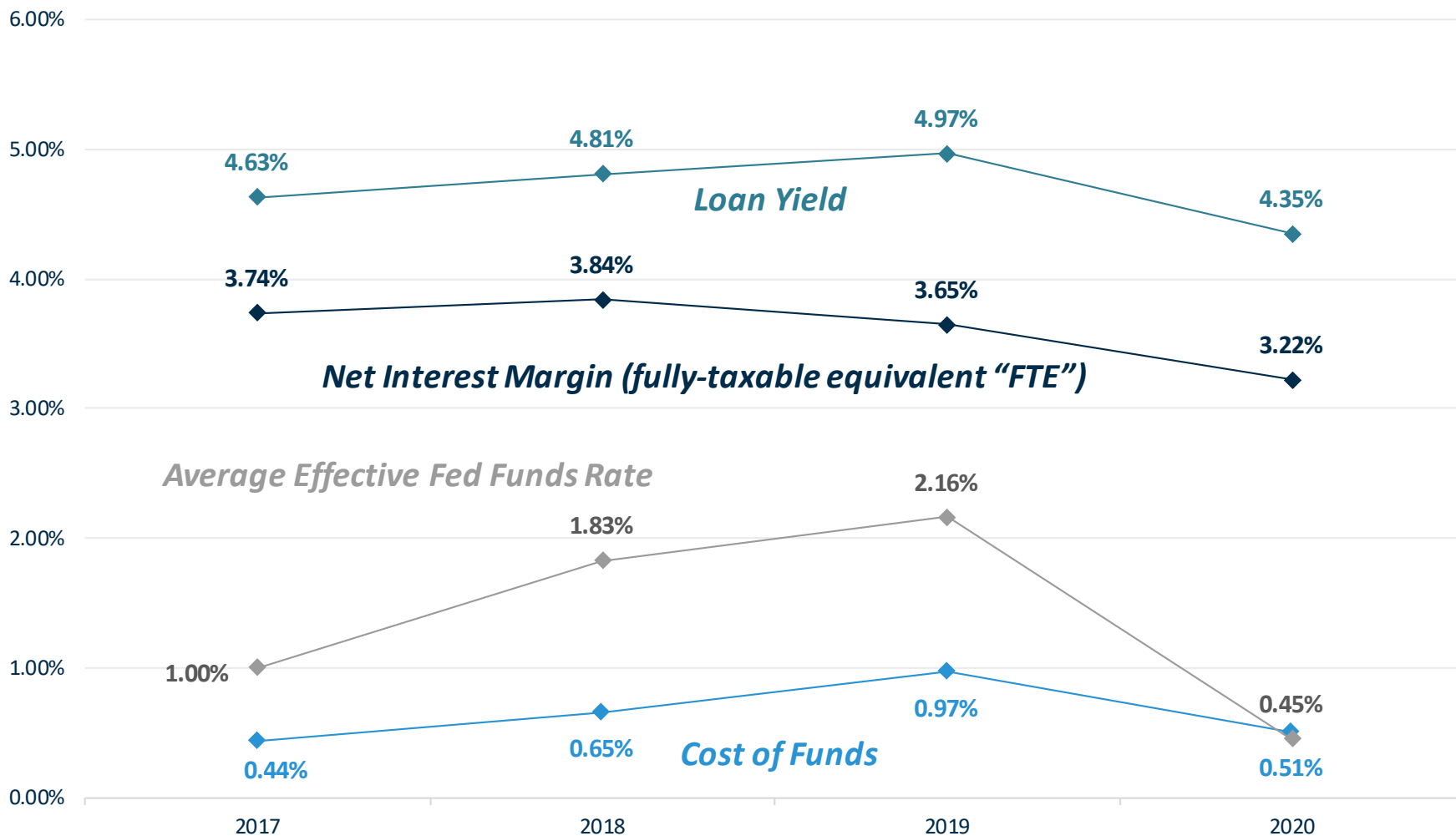
Data YTD as of 12/31/2020.

## DECEMBER 31, 2020 DEPOSIT FUNDING (\$2,572MM)

*As of December 31, 2020, core deposits totaled \$2.6 billion or 97.5% of our total deposits*



# NET INTEREST MARGIN (NIM)



Source: Alerus Financial Corporation; Federal Reserve

Note: Net interest margin (FTE) is a non-GAAP financial measure; See "Non-GAAP Disclosure Reconciliation" in the Appendix to this presentation

# NIM AND LOAN FLOORS

## VARIABLE RATE FLOORS BY INDEX

<i>\$ in Millions</i> Index	In the Money	Out of the Money	No Floor	Total	Total%
Prime	\$ 254	\$ 24	\$ 15	\$ 293	40.0%
1 Month LIBOR	8	2	161	171	23.4%
12 Month LIBOR	–	75	117	192	26.3%
FHLB 5 Year	26	8	12	46	6.3%
Other	24	–	5	29	4.0%
<b>Total</b>	<b>\$ 312</b>	<b>\$ 109</b>	<b>\$ 310</b>	<b>\$ 731</b>	<b>100.0%</b>

Percent of Total            42.7%        14.9%        42.4%    100.0%

## NET INTEREST MARGIN ROLL FORWARD

	NIM <sup>1</sup>	Average Earning Assets
<b>3Q 2020</b>	<b>3.17%</b>	<b>2,744,759,465</b>
Increased Asset Yields	0.05%	
Asset Balance/Mix	-0.07%	
Deposit Balance/Mix	0.00%	
Lower Deposit Rate	0.07%	
Other Borrowings	0.01%	
<b>4Q 2020</b>	<b>3.23%</b>	<b>2,869,766,519</b>

1 – NIM excluding PPP for the three months ended December 31, 2020 was 3.03%

## VARIABLE RATE FLOORS

<i>\$ in Millions</i>	Balance	% of Total Balance	Cumulative % of Total Balance
No Floors	\$ 310	42.4%	42.4%
Floors Reached	311	42.5%	84.9%
0-50 bps to reach floor	103	14.1%	99.0%
>50bps to reach floor	7	1.0%	100.0%
<b>Total</b>	<b>\$ 731</b>	<b>100.0%</b>	

## COMMENTS

- Quarter over quarter highlights:
  - Increased asset yields driven by increased loan yields of 10bps
  - Excluding PPP loans C&I yield would have been down 11bps
  - Investment portfolio increased \$97 million during the quarter as we put money back to work
  - The duration was 4.37 at 12/31 compared to 4.43 at 9/30
  - Lower investment yield of 14bps
  - Tax equivalent YTW is 1.29 at 12/31 compared to 1.47 at 9/30
  - Lower yields offset by increased earning assets of \$125 million

# OUR DIVERSE BUSINESS LINES

A BIG COMPANY MODEL WITH SMALL COMPANY EXECUTION

## BUSINESS BANKING

- Commercial and commercial real estate lending
- Agriculture lending
- Treasury management
- Deposit services

## BANKING

40% of Revenue

## CONSUMER BANKING

- Deposit products and services
- Consumer lending
- Private banking

## RETIREMENT AND BENEFITS

26% of Revenue

- Retirement plan administration
- Retirement plan investment advisory
- ESOP fiduciary services
- Payroll administration services
- HSA/FSA/HRA administration
- COBRA

## TRUSTED ADVISOR

## MORTGAGE

26% of Revenue

- Residential mortgage lending
- Purchasing or refinancing
- Residential construction lending
- Home equity/second mortgages

## WEALTH MANAGEMENT

8% of Revenue

- Advisory services
- Trust and fiduciary services
- Investment management
- Insurance planning
- Financial planning
- Education planning

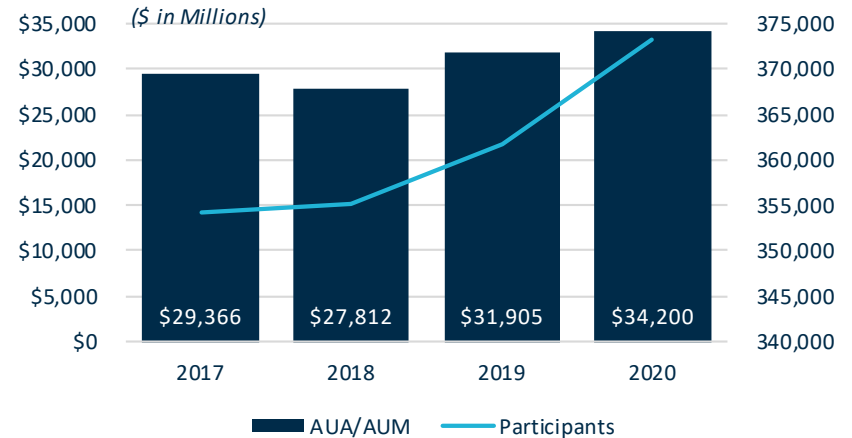
Revenue data LTM as of 12/31/2020.

# RETIREMENT AND BENEFITS

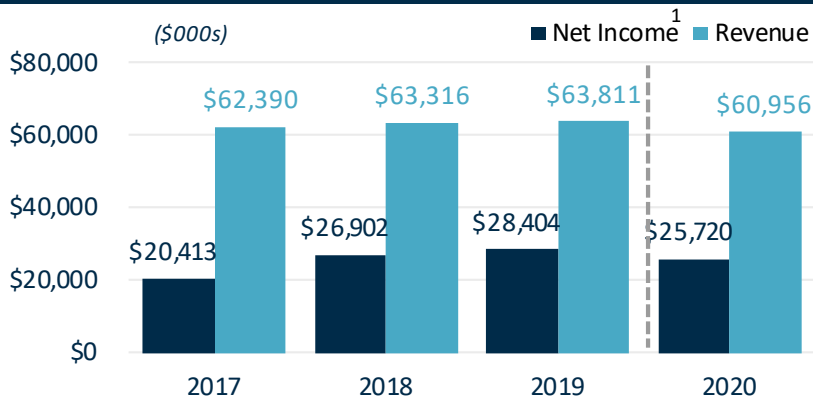
## OVERVIEW-6,500 PLANS- NATIONAL FOOTPRINT

- **RETIREMENT** - Provide recordkeeping and administration services to qualified retirement plans
- **ADVISORY SERVICES** - Provide investment fiduciary services to retirement plans
- **HEALTH AND WELFARE** - Provide HSA, FSA, COBRA recordkeeping and administration services to employers
- **ESOP** - Provide trustee, recordkeeping and administration to employee stock ownership plans
- **PAYROLL** - Provide payroll and HRIS services for employers
- **ONE ALERUS SYNERGIES**
  - IRA rollovers \$117.7 million YTD 12/31/2020
  - Deposits - HSA deposits, 401(k) Money Market Funds, Emergency Savings, Terminated Participants
  - Managed accounts

## ASSETS UNDER ADMINISTRATION/MANAGEMENT



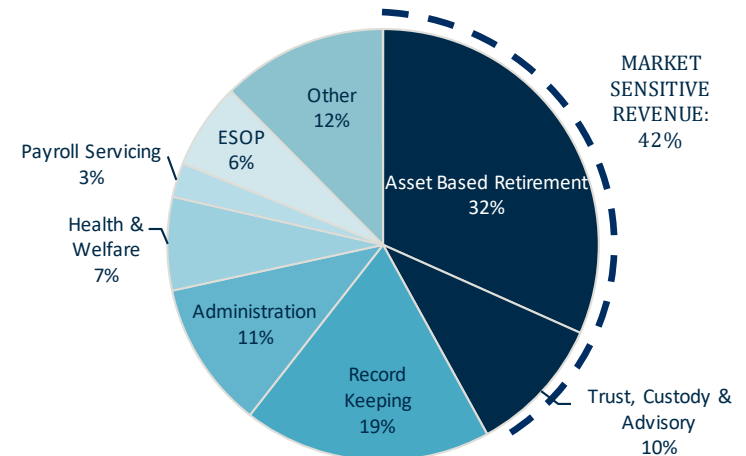
## PROFIT MARGIN



Profit Margin:	2017	2018	2019	2020
	32.7%	42.5%	44.5%	42.2%

<sup>1</sup> Net Income before Tax and Indirect Allocations.

## REVENUE MIX

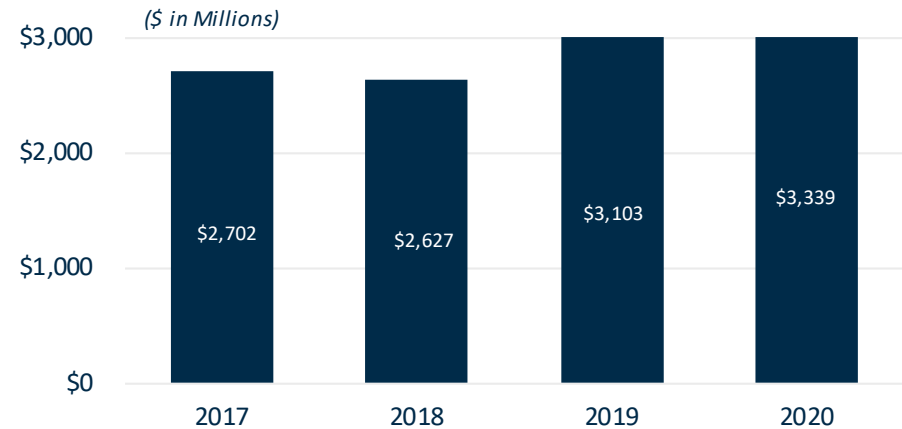


# WEALTH MANAGEMENT SERVICES

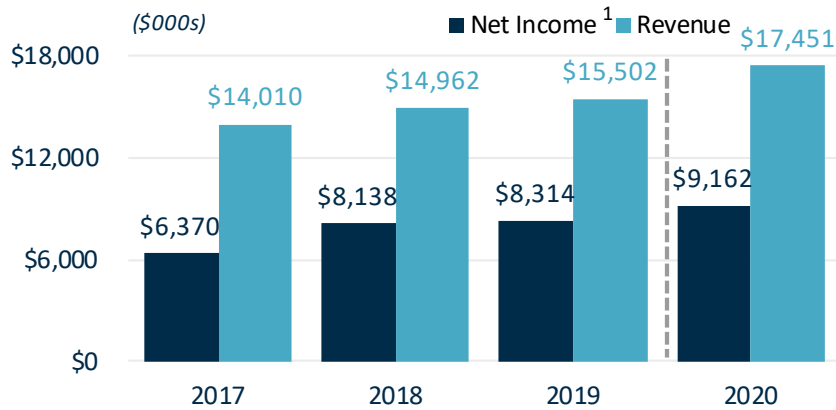
## OVERVIEW OF SERVICES

- **ADVISORY AND PLANNING SERVICES**
  - Retirement Planning, Tax Planning, Insurance Planning, Wealth Transfer Planning and Business Transition Planning
- **ASSET MANAGEMENT**
  - Personalized SMA strategies, Tax Management and Global Perspective
- **FIDUCIARY SERVICES**
  - IRA, Agency and Personal Trust
- **ONE ALERUS SYNERGIES**
  - IRA rollovers
  - 401(k) managed accounts

## ASSETS UNDER ADMINISTRATION/MANAGEMENT



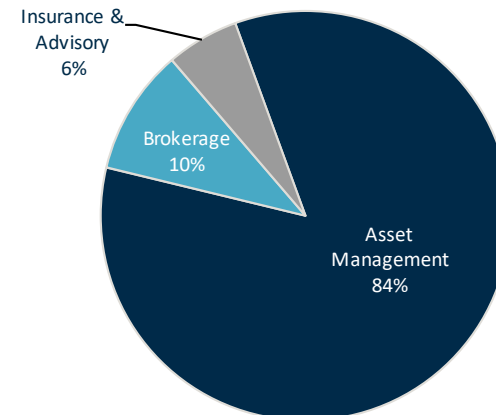
## PROFIT MARGIN



Profit Margin:	2017	2018	2019	2020
	45.5%	54.4%	53.6%	52.5%

<sup>1</sup> Net Income before Tax and Indirect Allocations.

## REVENUE MIX



# MORTGAGE BANKING

## OVERVIEW OF SERVICES

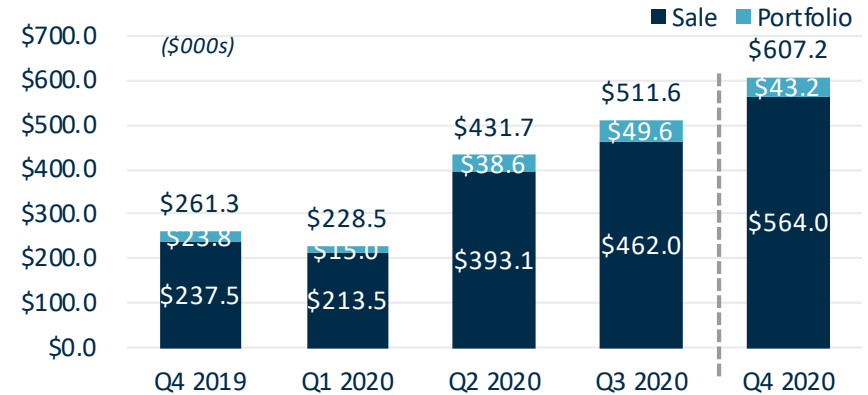
- 1st and 2nd mortgage product offerings through centralized mortgage operations in Minnesota
- Our Twin Cities originators averaged \$42+ million in annual volume over the last three years
- YTD 5,948 loans closed, approximately 45% purchase originations, with approximately 89% sourced from the Twin Cities MSA
- Year ended 92.9% pull through on secondary market
- ONE ALERUS SYNERGIES**
  - Through enhanced technology, digital applications exceed 80%. Paperless environment eliminated nearly 200,000+ pages printed on a monthly basis
  - As of December 31, 2020, residential real estate first mortgages excluding construction mortgages totaled \$449 million

## REVENUE SUMMARY

(\$000s)	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Origination and Sale	\$ 7,017	\$ 5,926	\$ 11,516	\$ 16,289	\$ 19,071
Fair Value Changes	(951)	(881)	6,030	5,980	(2,290)
<b>Total</b>	<b>\$ 6,066</b>	<b>\$ 5,045</b>	<b>\$ 17,546</b>	<b>\$ 22,269</b>	<b>\$ 16,781</b>
Net income <sup>(1)</sup>	\$ 426	\$ (126)	\$ 10,056	\$ 13,113	\$ 4,367
Profit Margin	6.6%	(2.4%)	55.6%	57.3%	25.0%

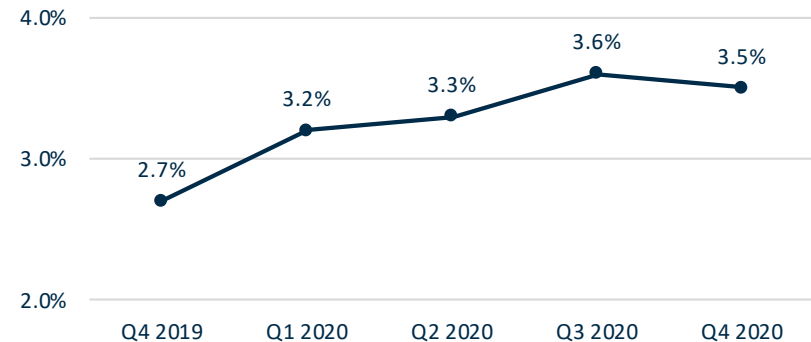
<sup>1</sup> Net Income before Tax and Indirect Allocations.

## MORTGAGE ORIGINATIONS



Purchase %	56.3%	50.9%	37.7%	52.8%	42.1%
Refinance %	43.7%	49.1%	62.3%	47.2%	57.9%

## GAIN ON SALE MARGIN

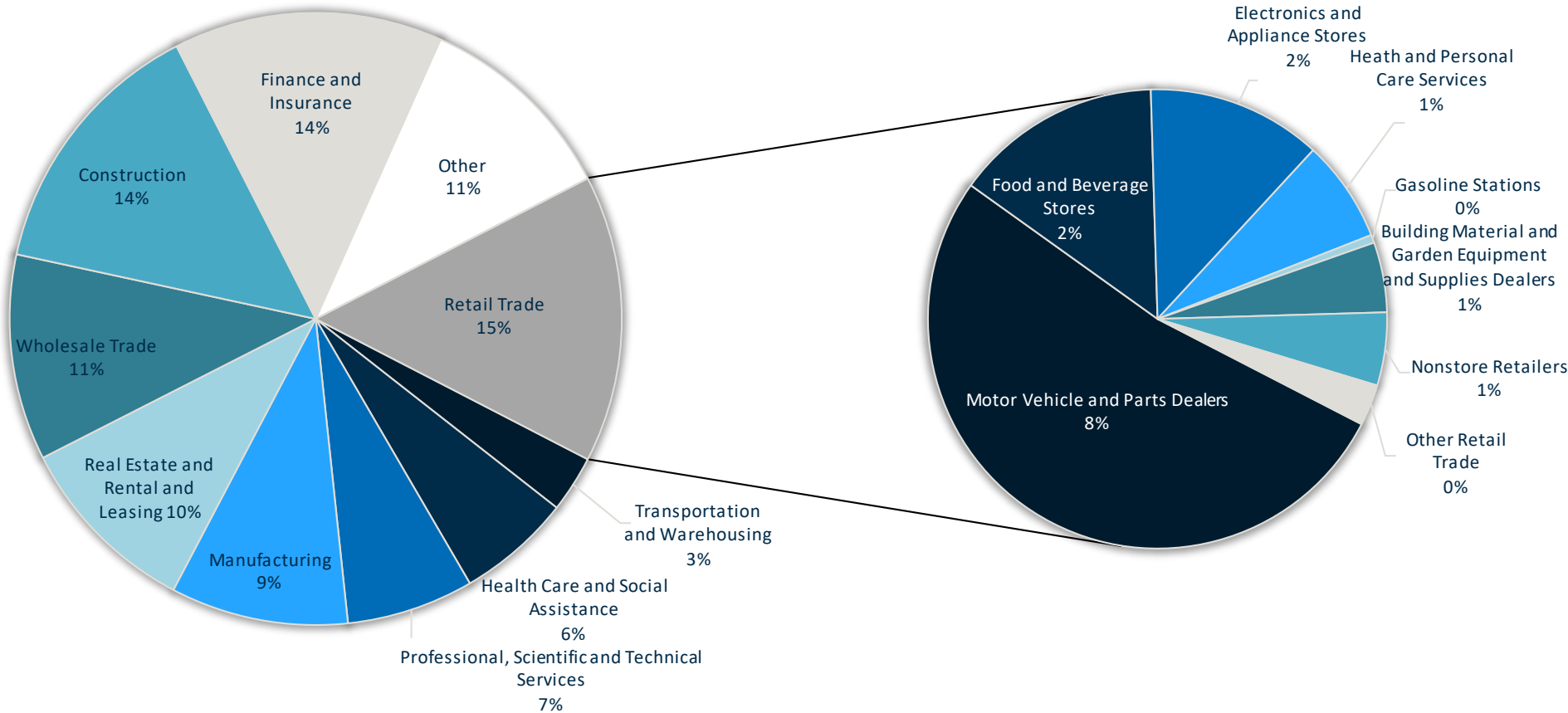


# LOAN PORTFOLIO AND CREDIT QUALITY



# SUMMARY BY INDUSTRY TYPE

## TOTAL COMMITMENT COMMERCIAL & INDUSTRIAL<sup>1</sup>



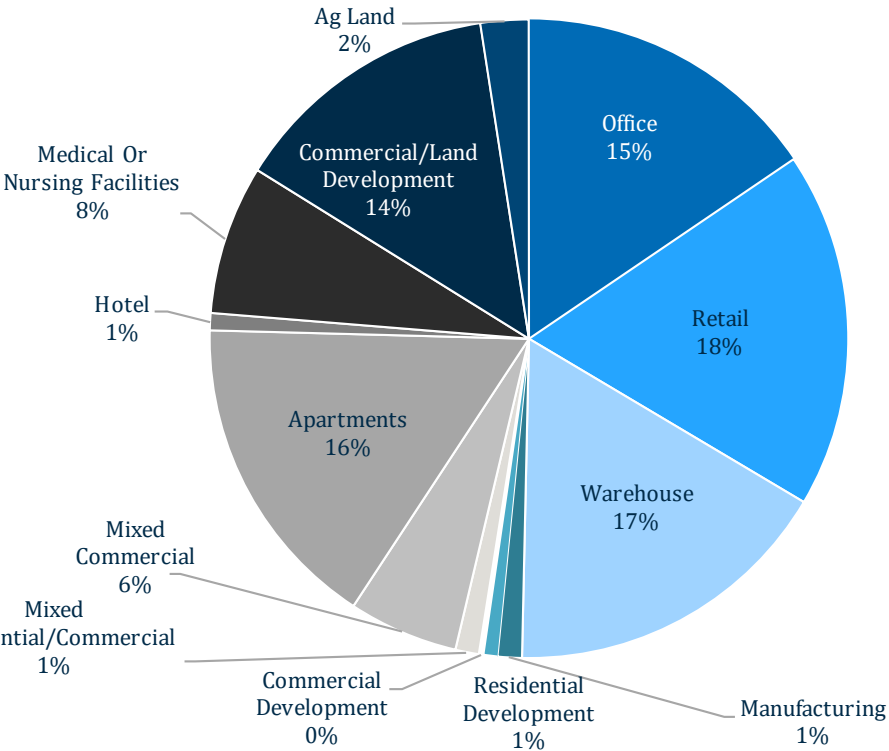
1 – Commercial and industrial loans includes C & I, Loans to Public Entities, and Other Loans. It Excludes PPP and Ag Production loans

"Other" includes the following industries (1) Nonclassifiable establishments, (2) Management of Companies and Enterprises, (3) Administrative and Support and Waste Management and Remediation Services, (4) Accommodation and Food Services, (5) Educational Services, (6) Other Services (except Public Administration), (7) Information, (8) Arts, Entertainment, and Recreation, (9) Agriculture Forestry, Fishing, and Hunting, (10) Public Administration, (11) Mining Quarrying, and Oil and Gas Extraction, and (12) Utilities

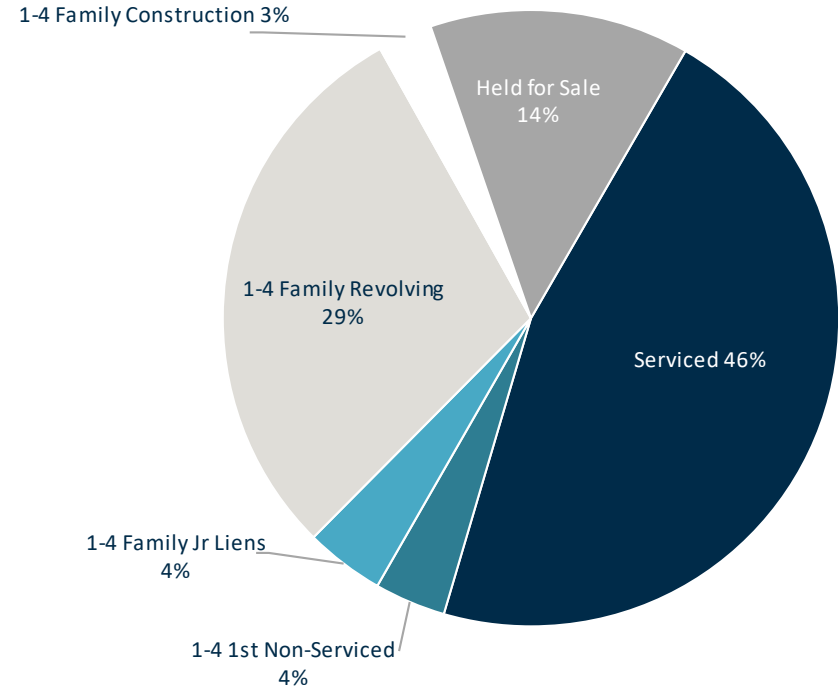
"Other Retail Trade" includes the following sub-industries within Retail Trade: (1) Miscellaneous Store Retailers, (2) Furniture and Home Furnishings Stores, (3) Sporting Goods, Hobby, Musical Instrument, and Book Stores, (4) Clothing and Clothing Accessories Stores, and (5) General Merchandise Stores

# LOANS SECURED BY REAL ESTATE

## TOTAL COMMITMENT COMMERCIAL REAL ESTATE<sup>1</sup>



## TOTAL COMMITMENT RESIDENTIAL REAL ESTATE

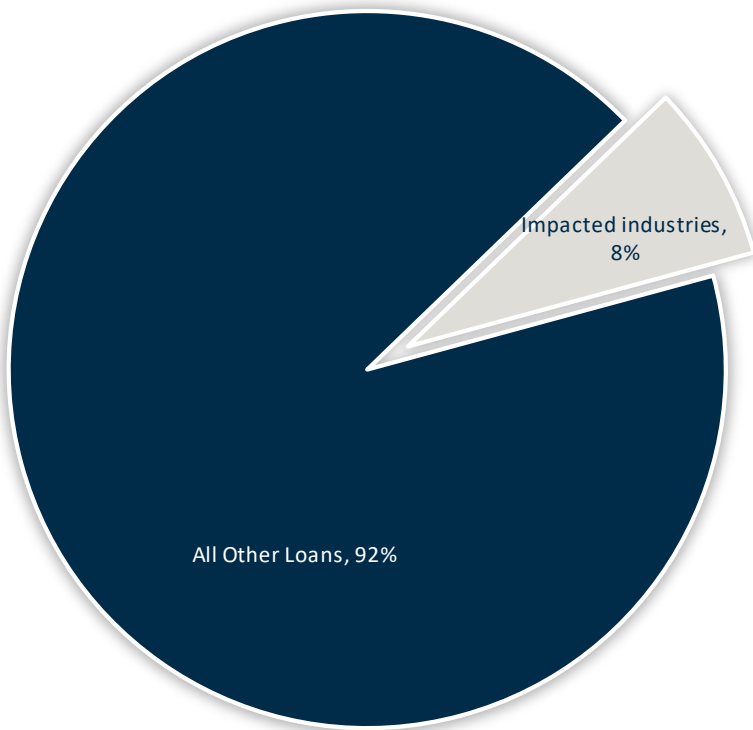


Portfolio	Avg FICO	Avg LTV
Serviced	754	67%
Non-Serviced	779	38%
Junior	757	70%
HELOC	794	66%

<sup>1</sup> – Loans secured by commercial real estate include Multifamily loans, Ag land, Other CRE, Owner Occupied CRE, and Ag production

# INDUSTRIES DIRECTLY IMPACTED BY COVID-19

## COMMERCIAL AND INDUSTRIAL AND COMMERCIAL REAL ESTATE



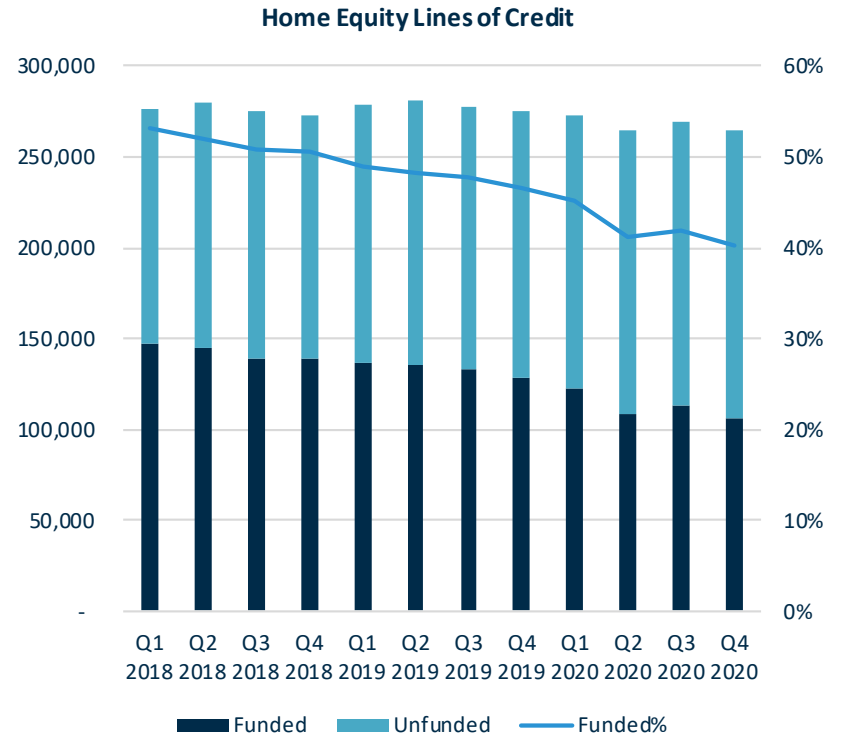
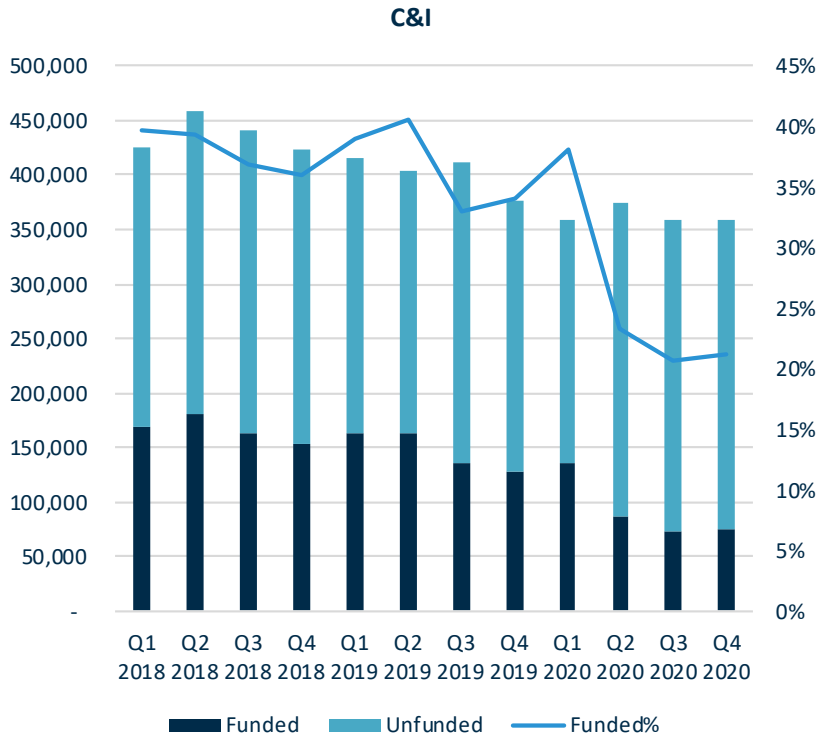
C&I	Total Commitment (\$ in 000's)	% of Total
Accommodation and Food Services	\$ 8,756	0.61%
Arts, Entertainment, and Recreation	3,689	0.26%
Oil and Gas	584	0.04%
Other Retail Trade	3,120	0.22%
<b>Total</b>	<b>\$ 16,149</b>	<b>1.13%</b>

CRE	Total Commitment (\$ in 000's)	% of Total
Retail	\$ 121,283	8.51%
Medical or Nursing Facilities	50,763	3.56%
Hotel	5,869	0.41%
<b>Total</b>	<b>\$ 177,915</b>	<b>12.49%</b>

As of 12/31/2020.

# LINE OF CREDIT UTILIZATION

## C&I AND HOME EQUITY LINES OF CREDIT



# ALLOWANCE FOR LOAN LOSSES

## CHANGES IN THE ALLL BY PORTFOLIO SEGMENT

<i>(dollars in thousands)</i>	Year ended December 31, 2020				
	Beginning Balance	Provision for Loan Losses	Loan Charge-offs	Loan Recoveries	Ending Balance
<b>Commercial</b>					
Commercial and industrial	\$ 12,270	\$ (2,168)	\$ (4,249)	\$ 4,352	\$ 10,205
Real estate construction	303	355	—	—	658
Commercial real estate	6,688	8,185	(865)	97	14,105
Total commercial	19,261	6,372	(5,114)	4,449	24,968
<b>Consumer</b>					
Residential real estate first mortgage	1,448	4,321	—	5	5,774
Residential real estate junior lien	671	507	(12)	207	1,373
Other revolving and installment	352	514	(242)	129	753
Total consumer	2,471	5,342	(254)	341	7,900
Unallocated	2,192	(814)	—	—	1,378
Total	\$ 23,924	\$ 10,900	\$ (5,368)	\$ 4,790	\$ 34,246

# ALLOWANCE FOR LOAN LOSSES

## ALLOCATION BY PORTFOLIO SEGMENT

<i>(dollars in thousands)</i>	December 31, 2020		December 31, 2019	
	Allocated Allowance	Percentage of loans to total loans	Allocated Allowance	Percentage of loans to total loans
Commercial and industrial	\$ 10,205	35.1%	\$ 12,270	27.8%
Real estate construction	658	2.2%	303	1.5%
Commercial real estate	14,105	28.4%	6,688	28.8%
Residential real estate first mortgage	5,774	23.4%	1,448	26.6%
Residential real estate junior lien	1,373	7.2%	671	10.3%
Other revolving and installment	753	3.7%	352	5.0%
Unallocated	1,378	—%	2,192	—%
Total loans	\$ 34,246	100.0%	\$ 23,924	100.0%

# ALLOWANCE FOR LOAN LOSSES

## ALLOCATION BY RISK SEGMENT (\$ IN 000'S)

Risk Level	Total Loans	Unguaranteed Balance	Reserve Amount	Reserve / Unguaranteed Loans	Reserve/Total Loans
Pass	\$ 1,912,644	\$ 1,649,499	\$ 27,238	1.65%	1.42%
Special Mention	21,388	15,006	639	4.26%	2.99%
Substandard	36,813	32,832	3,786	11.53%	10.28%
Total Loans Evaluated Collectively	1,970,845	1,697,337	31,663	1.87%	1.61%
Total Loans Evaluated Individually	8,530	8,222	1,205	14.66%	14.13%
Unallocated	–	–	1,378	–	–
<b>Total</b>	<b>\$ 1,979,375</b>	<b>\$ 1,705,559</b>	<b>\$ 34,246</b>	<b>2.01%</b>	<b>1.73%</b>

As of 12/31/2020.

# APPENDIX



# COMPANY PROFILE

## OUR MISSION

- To always act in the best interest of our clients by providing innovative and comprehensive financial solutions that are delivered through a relationship-oriented single point of contact and supported by client-friendly technology.

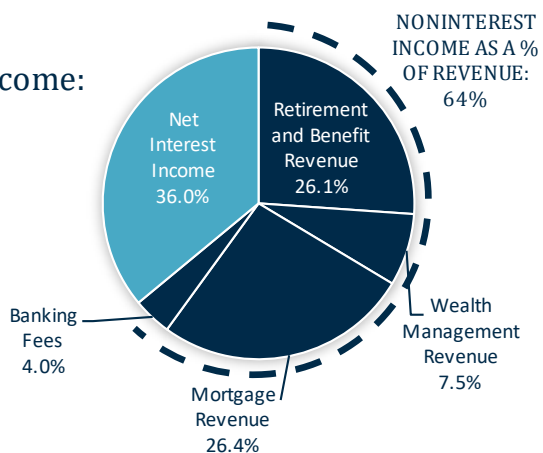
## ALERUS BUSINESS LINES

- Banking
- Retirement and Benefits
- Wealth Management
- Mortgage

## DIVERSIFIED REVENUE STREAM

### FOR THE TWELVE MONTHS ENDED DEC. 31, 2020

- Noninterest income: \$149.4 million
- Net interest income: \$83.8 million



Data as of 12/31/2020.

## DIVERSIFIED FINANCIAL SERVICES COMPANY

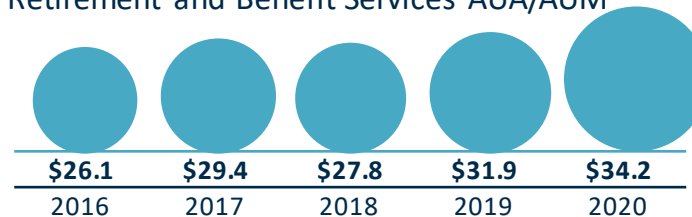
- \$3.0 billion Banking assets
- \$34.2 billion Retirement and Benefits AUA/AUM
- \$3.3 billion Wealth Management AUA/AUM
- \$1.8 billion in Mortgage Originations

## ASSET GROWTH (IN BILLIONS)

### Banking Assets



### Retirement and Benefit Services AUA/AUM



### Wealth Management AUA/AUM



# FRANCHISE FOOTPRINT

## FULL-SERVICE BANKING OFFICES\*

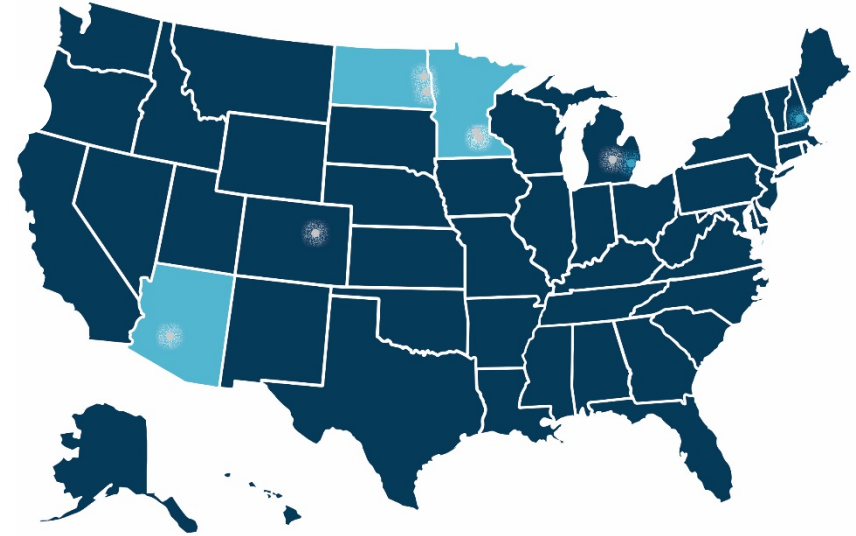
*Alerus offers banking, retirement and benefits, mortgage and wealth management services at all full-service banking offices*

- **Grand Forks, ND:** 3 full-service banking offices
- **Fargo, ND:** 3 full-service banking offices
- **Twin Cities, MN:** 6 full-service banking offices
- **Phoenix, AZ:** 2 full-service banking offices

## RETIREMENT AND BENEFITS SERVICES OFFICES\*

- 1 retirement and benefits office in Minnesota
- 1 retirement and benefits office in Michigan
- 1 retirement and benefits office in Colorado
- Serve clients in all 50 states through retirement plan services

*\* Exited 6 offices across footprint in last three months*



## DIVERSIFIED CLIENT BASE

- 48,200 consumers
- 10,400 businesses
- 7,500 employer-sponsored retirement plans
- 373,100 employer-sponsored retirement plan participants
- 59,900 health savings account participants
- 46,700 flexible spending account/health reimbursement arrangement participants

Data as of 12/31/2020.

# ONE ALERUS

## ONE ALERUS STRATEGY

One Alerus enables us to bring all of our product and service offerings to clients in a cohesive and seamless manner. We believe the One Alerus initiative will enable us to achieve future organic growth by leveraging our existing client base and help us continue to provide strong returns to our stockholders

## TECHNOLOGY INVESTMENT

We have proactively invested in technology to further our goal to effectively integrate all departments and business lines

These investments allow for digital and proactive engagement with clients

## TAILORED ADVICE

We strive to provide each client with a primary point of contact—a trusted advisor—who deals with individual needs and integrates other department's expertise when necessary

## DIVERSIFIED SERVICES

We are able to offer comprehensive product and service packages to our clients including banking, mortgage, wealth management, retirement benefits and payroll administration

## REINVENTION OF PROCESSES

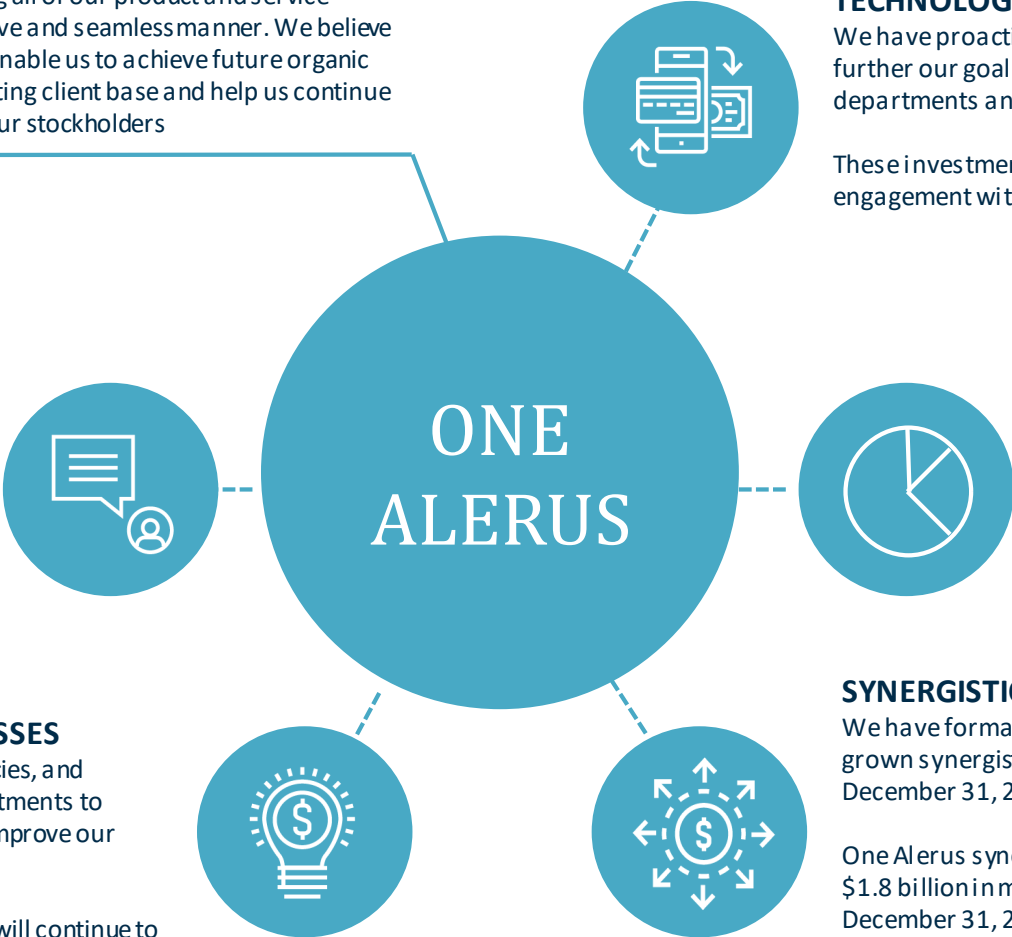
We have aligned processes, policies, and procedures throughout all departments to enhance client experience and improve our Company's efficiency

Our expectation is this initiative will continue to improve our scalability and operating costs

## SYNERGISTIC GROWTH

We have formalized our National Market which has grown synergistic deposits to \$595.6 million as of December 31, 2020.

One Alerus synergies gained with the addition of \$1.8 billion in mortgage originations as of December 31, 2020



# THE PATH TO FINANCIAL CONFIDENCE

IMPROVING CLIENTS' FINANCIAL WELLBEING THROUGH PEOPLE + TECHNOLOGY

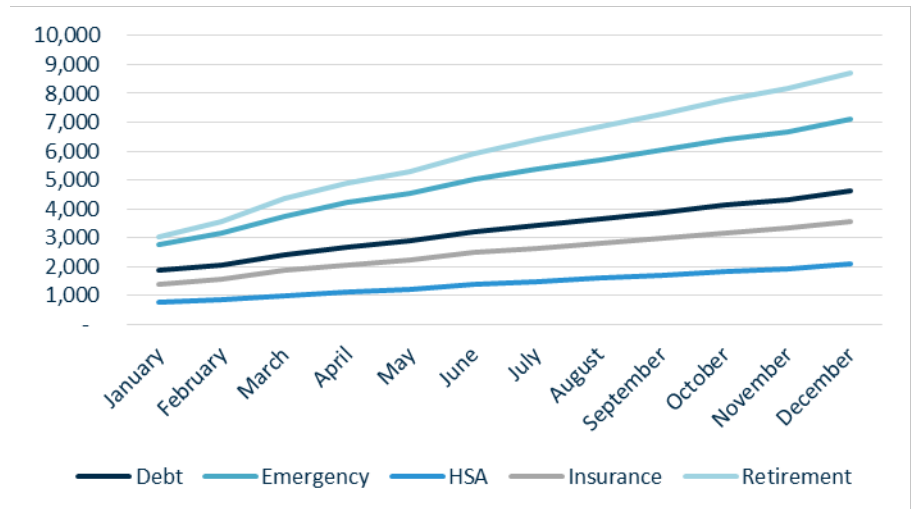
## SKILLED ADVISORS AND FINANCIAL GUIDES

- Team is organized around consumer or business; focuses on holistic needs of clients; depth and breadth of Alerus service offering
- Proprietary Financial Fitness Playbook delivers consistency and augments Financial Workout technology
- Clients expect and value guidance from their advisor, supported by seamless technology

## EMPOWERING CLIENTS WITH RESPONSIVE TECHNOLOGY

- **Omni-Channel**  
Seamless experience via desktop and mobile
- **Leading Account Aggregation**  
Holistic view of entire financial life
- **Single Sign On**  
Remove friction in being an Alerus client
- **Financial Wellness Score**  
Your most current financial data is used to create easy, intuitive workouts

WORKOUTS COMPLETED BY CLIENTS SINCE LAUNCH



# KEY STRATEGIC INITIATIVES

## GROWING THE ALERUS FRANCHISE

### LEVERAGE OUR EXISTING CLIENT BASE

- Diversified client base consists of **48,200** consumers, **10,400** businesses and over **373,100** employer-sponsored retirement plan participants
- Harness **product synergies** unavailable to traditional banking organizations

### EXECUTE STRATEGIC ACQUISITIONS

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

### PURSUE TALENT ACQUISITION

- Recruit **top talent to accelerate growth** in our existing markets or jumpstart our entrance into new markets
- Market disruption caused by M&A activity provides **lift-out opportunities**

### ENHANCE BRAND AWARENESS

- Proactively position ourselves as an **acquirer and employer of choice**
- Invested in one of the **leading marketing automation technologies**

### STRENGTHEN AND BUILD INFRASTRUCTURE

- Provide **secure and reliable** technology that meets evolving client expectations
- Integrate our full product and service offerings through our **fast-follower** strategy

### ORGANIC GROWTH "ONE ALERUS"

- Collaborative leadership team focused on **growing organically** by deepening relationships with existing clients through our expansive services
- Maintain **relationship-driven** business model while engaging and attracting new clients digitally and diversifying the composition of our business model

# OFFICERS AND DIRECTORS

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

## SENIOR EXECUTIVE TEAM



**KATIE LORENSEN**  
Executive Vice President and  
Chief Financial Officer  
*4 years with Alerus*



**ANN MCCONN**  
Executive Vice President and  
Chief Shared Services Officer  
*19 years with Alerus*



**RYAN GOLDBERG**  
Executive Vice President and  
Chief Revenue Officer  
*1 year with Alerus*



**KARIN TAYLOR**  
Executive Vice President and  
Chief Risk Officer  
*3 years with Alerus*



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



**KEVIN LEMKE**  
*Since 1994*  
President  
Virtual Systems, Inc.  
Grand Forks, ND



**KAREN BOHN**  
*Since 1999*  
President, Galeo Group, LLC  
Former Chief Administrative Officer  
Piper Jaffray Co.  
Edina, MN



**LLOYD CASE**  
*Since 2005*  
Past President and CEO  
Forum Communications Co.  
Director, Forum Communications  
Fargo, ND



**SALLY SMITH**  
*Since 2007*  
Former President and CEO  
Buffalo Wild Wings, Inc.  
Minneapolis, MN

## BOARD OF DIRECTORS



**GALEN VETTER**  
*Since 2013*  
Former Global CFO, Franklin Templeton  
Investments; Former Partner-in-Charge,  
Upper Midwest Region, RSM  
Minneapolis, MN



**DAN COUGHLIN**  
*Since 2016*  
Former MD & Co-Head – Fin'l Services Inv.  
Banking, Raymond James; Former Chairman  
& CEO, Howe Barnes Hoefler & Arnett  
Chicago, IL



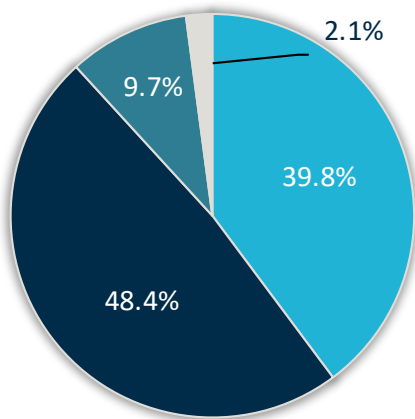
**MICHAEL MATHEWS**  
*Since 2019*  
CIO, Deluxe Corporation  
Former SVP – Technology and Enterprise  
Programs, UnitedHealth Group  
Minneapolis, MN

# MARKET DISTRIBUTION

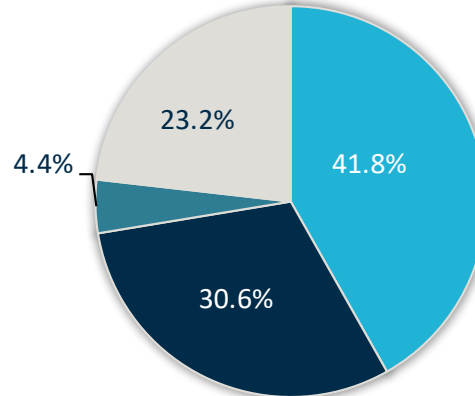
STRONG GROWTH MARKETS AND STABLE CORE FUNDING

(\$ IN MILLIONS)

LOANS (\$1,979)<sup>(1)</sup>



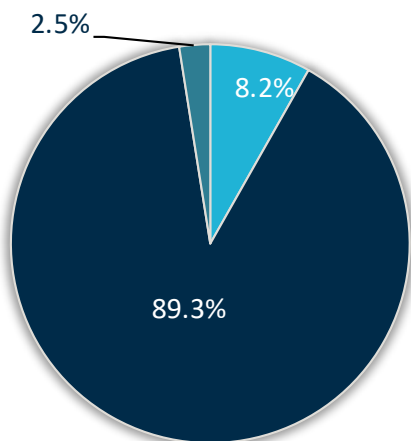
DEPOSITS (\$2,572)



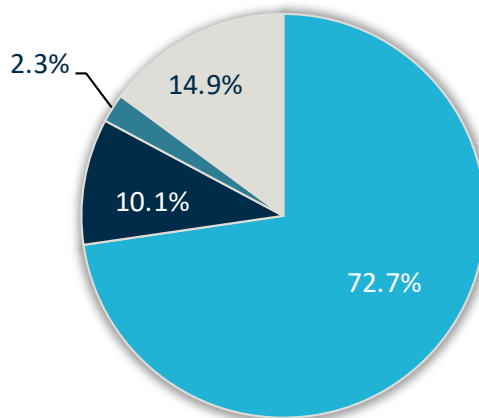
## LEGEND

- North Dakota
- Minnesota
- Arizona
- National

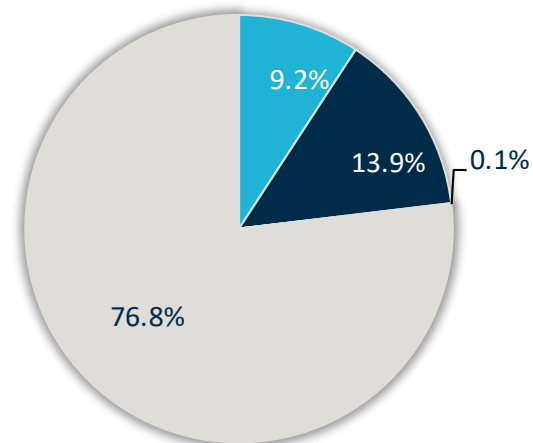
MORTGAGE ORIGINATIONS (\$1,779)



WM ASSETS UNDER ADMIN/MGMT. (\$3,339)



ARB ASSETS UNDER ADMIN/MGMT. (\$34,200)



Data as of 12/31/2020.

<sup>1</sup>-Loans in our national market are participant loans not sourced directly through advisors located in one of our geographical markets.

# FINANCIAL HIGHLIGHTS

(\$000s, except where otherwise noted)	Annual					16-'20 CAGR
	2016	2017	2018	2019	2020	
Total Assets	\$ 2,050,045	\$ 2,136,081	\$ 2,179,070	\$ 2,356,878	\$ 3,013,771	10.1%
Total Loans	1,366,952	1,574,474	1,701,850	1,721,279	1,979,375	9.7%
Total Deposits	1,785,209	1,834,962	1,775,096	1,971,316	2,571,993	9.6%
Tangible Common Equity <sup>1</sup>	108,193	125,154	147,152	240,008	274,043	26.2%
Net Income	\$ 14,036	\$ 15,001	\$ 25,866	\$ 29,540	\$ 44,675	33.6%
ROAA (%)	0.72	0.75	1.21	1.34	1.61	
ROATCE (%)	15.81	18.04	21.02	17.46	17.74	
Net Interest Margin (FTE) (%) <sup>1</sup>	3.63	3.74	3.84	3.65	3.22	
Efficiency Ratio (FTE) (%) <sup>1</sup>	81.12	75.36	73.80	73.22	68.40	
Non-Int. Income / Op. Rev. (%)	62.54	60.36	57.73	60.50	64.05	
Earnings per common share - diluted	1.00	1.07	1.84	1.91	2.52	
Total Equity / Total Assets (%)	8.21	8.41	9.04	12.12	10.96	
Tang. Cmn. Equity / Tang. Assets (%) <sup>1 2</sup>	5.44	6.01	6.91	10.38	9.27	
Loans / Deposits (%)	76.57	85.80	95.87	87.32	76.96	
NPLs / Loans (%) <sup>2</sup>	0.56	0.37	0.41	0.45	0.26	
NPAs / Assets (%) <sup>2</sup>	0.47	0.30	0.33	0.33	0.17	
Allowance / NPLs (%)	205.03	282.04	318.45	305.66	678.14	
Allowance / Loans (%) <sup>2</sup>	1.14	1.05	1.30	1.39	1.73	
NCOs / Average Loans (%) <sup>2</sup>	0.16	0.16	0.18	0.33	0.03	

<sup>1</sup> Represents a non-GAAP financial measure. See "Non-GAAP Disclosure Reconciliation" in the Appendix to this presentation.

<sup>2</sup> Excluding PPP loans, the following ratios were TCE/TA 10.19% NPLs/Loans 0.30%, NPAs/Assets 0.19%, Allowance/Loans 2.00%, and NCOs/Average Loans 0.03%

# NON-GAAP DISCLOSURE RECONCILIATION

	Annual				
	2016	2017	2018	2019	2020
<i>(\$000s, except where otherwise noted )</i>					
<b>Tangible common equity to tangible assets</b>					
Total common stockholders' equity	\$ 168,251	\$ 179,594	\$ 196,954	\$ 285,728	\$ 330,163
Less: Goodwill	27,329	27,329	27,329	27,329	30,201
Less: Other intangible assets	32,729	27,111	22,473	18,391	25,919
Tangible common equity (a)	108,193	125,154	147,152	240,008	274,043
<b>Total assets</b>					
Less: Goodwill	2,050,045	2,136,081	2,179,070	2,356,878	3,013,771
Less: Other intangible assets	27,329	27,329	27,329	27,329	30,201
Less: Other intangible assets	32,729	27,111	22,473	18,391	25,919
Tangible assets (b)	1,989,987	2,081,641	2,129,268	2,311,158	2,957,651
Tangible common equity to tangible assets (a)/(b)	5.44%	6.01%	6.91%	10.38%	9.27%
<b>Tangible common equity per common share</b>					
Total stockholders' equity	\$ 168,251	\$ 179,594	\$ 196,954	\$ 285,728	\$ 330,163
Less: Goodwill	27,329	27,329	27,329	27,329	30,201
Less: Other intangible assets	32,729	27,111	22,473	18,391	25,919
Tangible common equity (c)	108,193	125,154	147,152	240,008	274,043
Common shares outstanding (d)	13,534	13,699	13,775	17,050	17,125
Tangible common equity per common share (c)/(d)	\$ 7.99	\$ 9.14	\$ 10.68	\$ 14.08	\$ 16.00
<b>Return on average tangible common equity</b>					
Net income	\$ 14,036	\$ 15,001	\$ 25,866	\$ 29,540	\$ 44,675
Less: Preferred stock dividends	25	-	-	-	-
Add: Intangible amortization expense (net of tax)	4,553	3,655	3,664	3,224	3,129
Remeasurement due to tax reform	-	4,818	-	-	-
Net income, excluding intangible amortization (e)	18,564	23,474	29,530	32,764	47,804
Average total equity	168,039	176,779	187,341	231,084	310,208
Less: Average preferred stock	2,514	-	-	-	-
Less: Average goodwill	25,698	27,329	27,329	27,329	27,439
Less: Average other intangible assets (net of tax)	22,372	19,358	19,522	16,101	13,309
Average tangible common equity (f)	117,455	130,092	140,490	187,654	269,460
Return on average tangible common equity (e)/(f)	15.81%	18.04%	21.02%	17.46%	17.74%
<b>Net interest margin (tax-equivalent)</b>					
Net interest income	\$ 62,940	\$ 67,670	\$ 75,224	\$ 74,551	\$ 83,846
Tax equivalent adjustment	599	865	462	347	455
Tax equivalent net interest income (g)	63,539	68,535	75,686	74,898	84,301
Average earning assets (h)	1,750,104	1,833,002	1,970,004	2,052,758	2,618,427
Net interest margin (tax equivalent) (g)/(h)	3.63%	3.74%	3.84%	3.65%	3.22%
<b>Efficiency Ratio</b>					
Noninterest expense	\$ 143,792	\$ 134,920	\$ 136,325	\$ 142,537	\$ 163,799
Less: Intangible amortization expense	7,005	5,623	4,638	4,081	3,961
Adjusted noninterest expense (i)	136,787	129,297	131,687	138,456	159,838
Net interest income	62,940	67,670	75,224	74,551	83,846
Noninterest income	105,089	103,045	102,749	114,194	149,371
Tax equivalent adjustment	599	865	462	347	455
Total tax equivalent revenue (j)	168,628	171,580	178,435	189,092	233,672
Efficiency ratio (i)/(j)	81.12%	75.36%	73.80%	73.22%	68.40%