

Alerus



AS OF DECEMBER 31, 2017

OTCQX: ALRS

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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 included in our most recent annual report.

COMPANY OVERVIEW



COMPANY PROFILE

COMPANY PORTFOLIO

OUR MISSION

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

DIVERSIFIED FINANCIAL SERVICES COMPANY

- \$2.1 billion banking assets
- \$3.8 billion assets under management
- \$28.2 billion assets under administration
- \$867 million year-to-date mortgage originations

ALERUS BUSINESS LINES

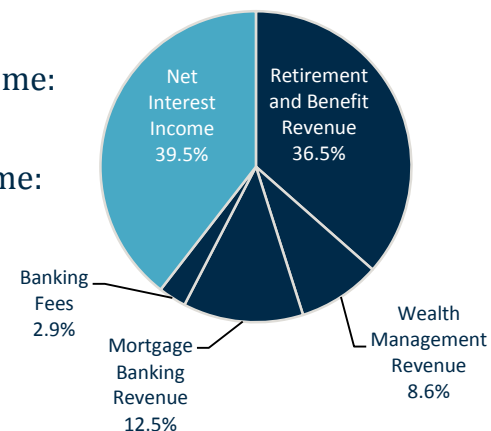
- Banking
- Mortgage
- Retirement and Benefits
- Wealth Management

Data as of 12/31/2017.

DIVERSIFIED REVENUE STREAM

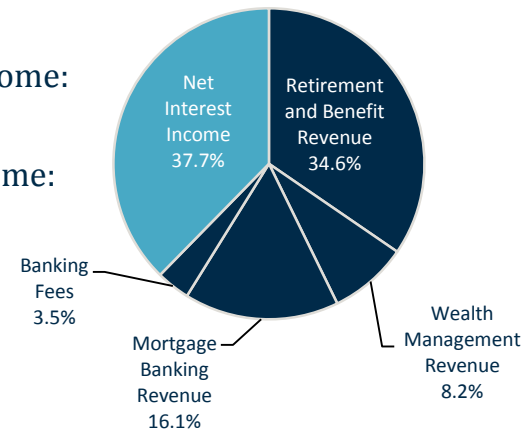
FULL YEAR 2017

- Non-interest income: \$103.5 million
- Net interest income: \$67.7 million



FULL YEAR 2016

- Non-interest income: \$104.2 million
- Net interest income: \$62.9 million



FRANCHISE FOOTPRINT

MARKET PRESENCE :: BANK

Grand Forks, ND

- 5 full-service banking and wealth management offices

Fargo, ND

- 3 full-service banking and wealth management offices

Twin Cities, MN

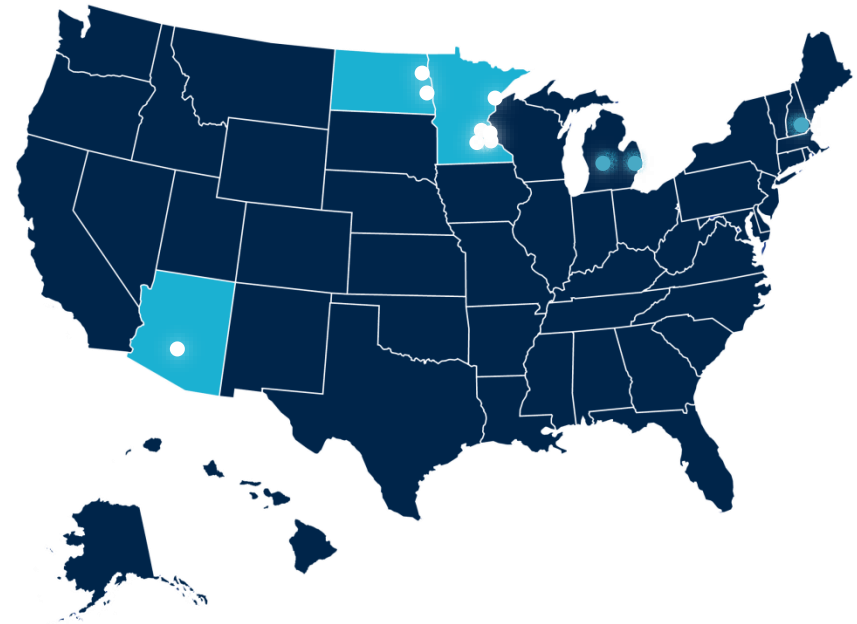
- 6 full-service banking and wealth management offices
- 2 residential mortgage offices

Duluth, MN

- 2 full-service banking and wealth management offices

Scottsdale, AZ

- 1 full-service banking and wealth management office



MARKET PRESENCE :: RETIREMENT SERVICES

- 2 retirement and benefits offices in Minnesota
- 2 retirement and benefits offices in Michigan
- 1 retirement and benefits office in New Hampshire
- Serve customers in all 50 states through retirement plan services

CUSTOMER BASE

- 45,802 individual customers
- 11,425 businesses
- 6,526 employer-sponsored retirement plans
- 354,243 employer-sponsored retirement plan participants

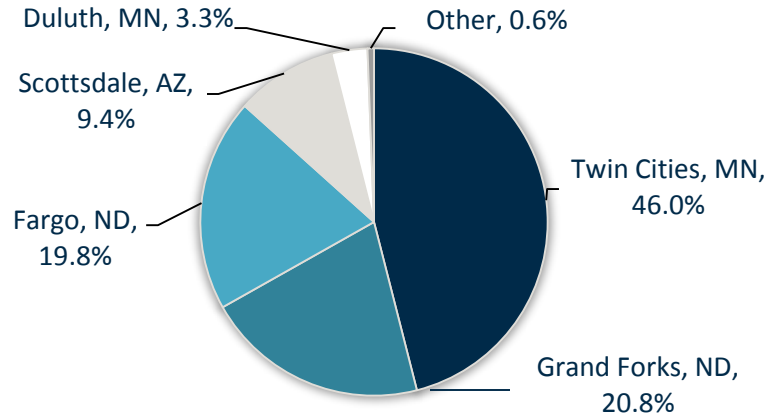
Data as of 12/31/2017.

MARKET DISTRIBUTION

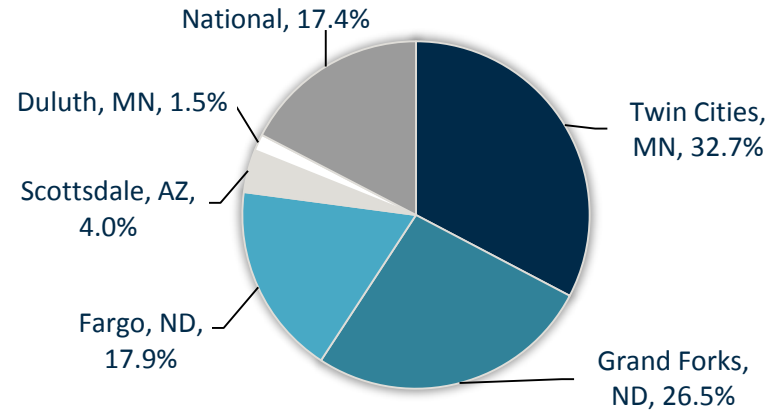
BANKING :: MORTGAGE :: RETIREMENT :: WEALTH MANAGEMENT

(IN MILLIONS)

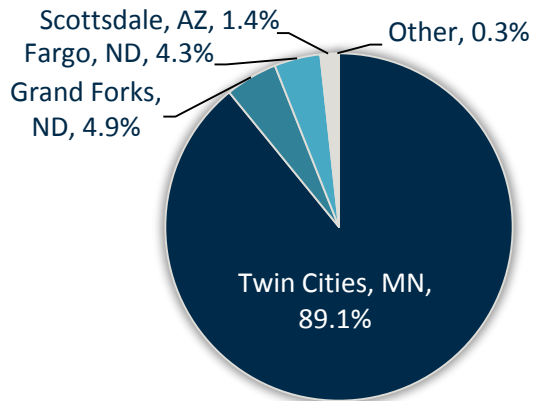
LOANS* (\$1,574)



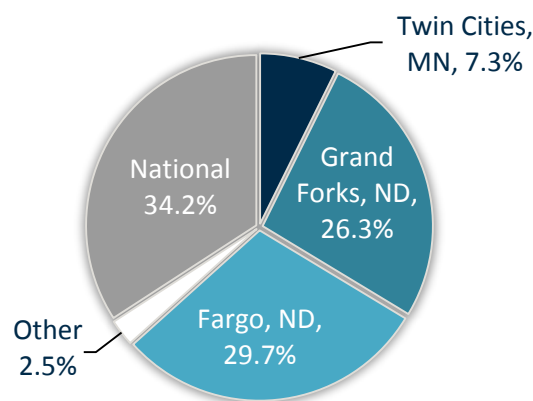
DEPOSITS (\$1,835)



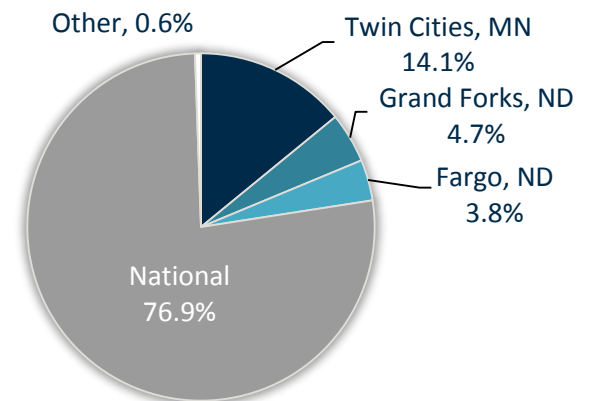
MORTGAGE (\$867)



ASSETS UNDER MGMT. (\$3,848)



ASSETS UNDER ADMIN. (\$28,220)



* Excludes loans held for sale. Data as of 12/31/2017.

OUR FUNDAMENTAL BELIEFS

THE FOUNDATION OF OUR CULTURE IS OUR CORE PRINCIPLES

DO THE
RIGHT
THING.

People want to do business with people they trust.

CHERISH
PEOPLE.

Take care of co-workers so everyone can take care of customers.

EMPOWER
WITH
KNOWLEDGE.

Knowledge drives confidence and positive action.

RESPECT
EVERYONE.

Mutual respect is an important building block of good teamwork.

SERVE
WITH
PASSION.

Foster a culture of service.

EMBRACE
CHANGE.

Success is never final.

2017 STRATEGIC HIGHLIGHTS

CUSTOMER ENHANCEMENTS

- Partnered with a leading financial technology company to develop online account portal.
- Selected the premier customer relationship management software provider.
- Launched mobile wallet capability making Alerus debit and credit cards usable with Apple Pay® and Samsung Pay®.
- Introduced CardValet® fraud mitigation and management tool to enhance debit card security.
- Introduced simplified online account access for retirement and health and welfare account holders.
- Added online lending statement capability for business banking customers.

COMPANY DEVELOPMENTS

- Reorganized senior executive management, adding Ann McConn (Chief Business Officer) and Katie Lorenson (Chief Financial Officer) to the C*Suite.
- Created the Alerus Leadership Council a highly collaborative and cross-functional team of talent.
- Added \$94.9 million of Health Savings Accounts (H.S.A. deposits) in the fourth quarter of 2017.
- Consolidated and remodeled multiple office locations to better utilize space and support additional staff expansion.

STOCKHOLDER RETURNS

WE'RE HERE FOR THE LONG TERM

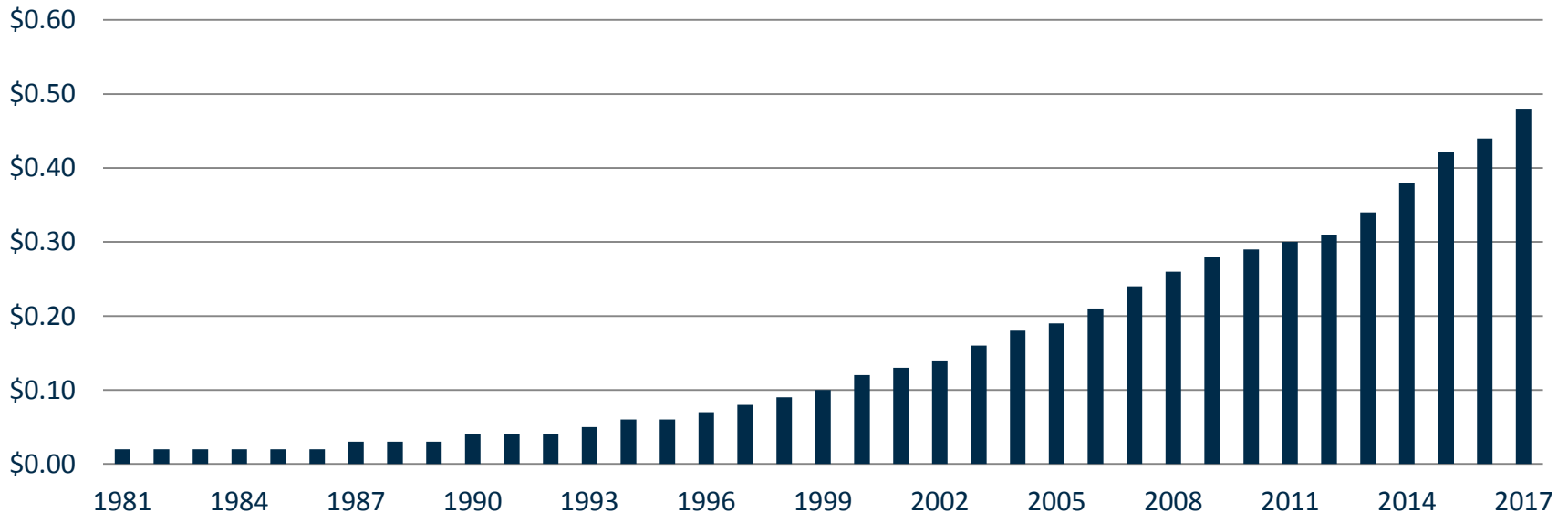
DIVIDENDS (SINCE 1980)

Dividend Payout Ratio	30.6%
Dividend Increase per Year	9.02%

TOTAL RETURN

2017 Return	20.08%
5-Year Return (2013–2017)	122.25%
10-Year Return (2008–2017)	151.67%

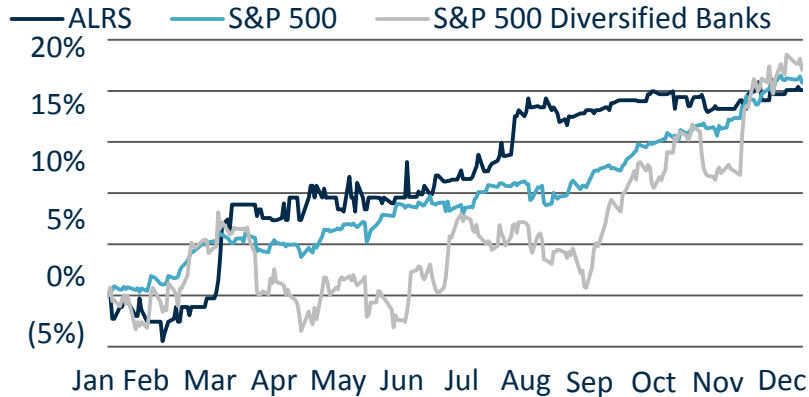
HISTORY OF CONTINUOUS DIVIDENDS



Data as of 12/31/2017. Source: Alerus Financial Corporation and SNL Financial.

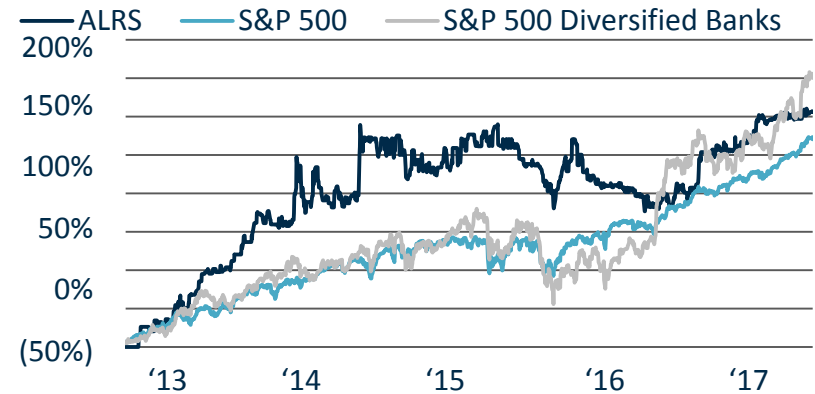
HISTORICAL STOCK PERFORMANCE

2017 TOTAL RETURN



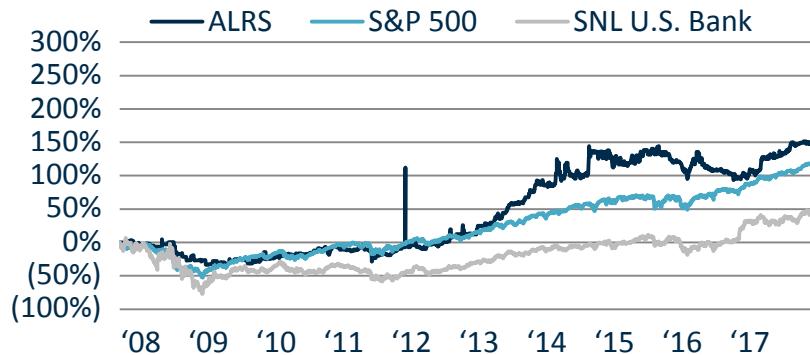
Total Return: ALRS = 20% | S&P 500 = 21% | S&P 500 Div. Banks = 22%

5-YEAR TOTAL RETURN



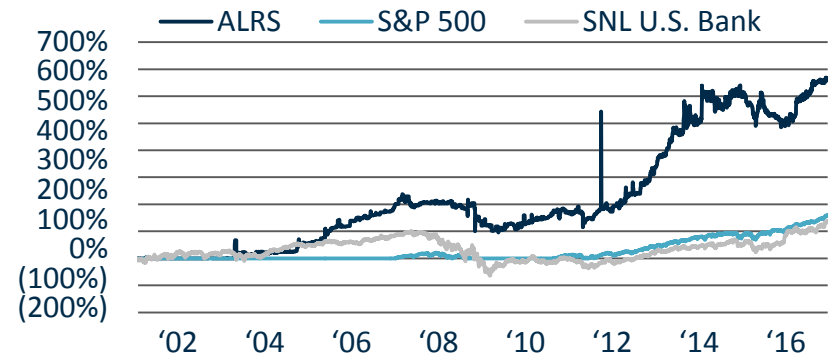
Total Return: ALRS = 122% | S&P 500 = 108% | S&P 500 Div. Banks = 140%

10-YEAR TOTAL RETURN



Total Return: ALRS = 152% | S&P 500 = 126% | SNL US Bank = 54%

TOTAL RETURN SINCE 2000



Total Return: ALRS = 662% | S&P 500 = 159% | SNL US Bank = 135%

Source: SNL Financial. SNL U.S. Bank : Includes all Major Exchange (NYSE, NYSE MKT, NASDAQ) Banks in SNL's coverage universe.

FINANCIAL OVERVIEW



CONSOLIDATED FINANCIAL INFORMATION

(\$ IN THOUSANDS)

	2017	2016	2015	2014	2013
Total Assets	\$ 2,137,058	\$ 2,050,579	\$ 1,744,863	\$ 1,487,732	\$ 1,381,727
Total Gross Loans	\$ 1,592,412	\$ 1,402,015	\$ 1,175,563	\$ 1,130,500	\$ 944,818
Total Deposits	\$ 1,834,962	\$ 1,785,209	\$ 1,458,021	\$ 1,262,168	\$ 1,182,603
Stockholder's Equity	\$ 180,571	\$ 168,785	\$ 182,821	\$ 171,086	\$ 153,311
Total Revenue*	\$ 171,129	\$ 167,129	\$ 146,125	\$ 129,484	\$ 126,067
Net Income	\$ 15,444	\$ 14,031	\$ 17,108	\$ 20,770	\$ 20,537
Net Interest Margin	3.76%	3.62%	3.81%	3.97%	3.94%
Assets under Management	\$ 3,848,000	\$ 3,380,000	\$ 2,735,000	\$ 2,583,000	\$ 2,424,000
Assets under Administration	\$ 28,220,000	\$ 25,028,000	\$ 17,500,000	\$ 15,500,000	\$ 12,900,000
Mortgage Originations	\$ 867,253	\$ 1,065,132	\$ 986,979	\$ 729,913	\$ 1,028,208

* Total revenue equals net interest income plus non interest income. Beginning in 2017, certain items have been reclassified to accurately reflect customer pass through expenses.

2017 FINANCIAL HIGHLIGHTS

RECORD PRE-TAX EARNINGS

- Record level Pre-Tax Earnings of \$32.9 million a \$11.8 million or 55% increase from 2016

STRONG GROWTH

- Total assets increased to \$2.1billion, up \$86.5 million or 2.4% from 2016
- Total loans increased to \$1.57 billion or 15.2% from 2016.
- Deposits grew \$49.8 million or 2.8% in 2017 to \$1.83 billion
- Assets under administration increased \$3.2 billion in 2017 ending the year at \$28.2 billion
- Assets under management increased \$468 million in 2017 to \$3.8 billion

SOLID CREDIT QUALITY

- Non-Performing Assets of \$6.4 million, decreased \$3.2 million or 33.7% from 2016
- Allowance for loan losses to non-performing loans was 282% at December 31, 2017, compared to 204% at December 31, 2016

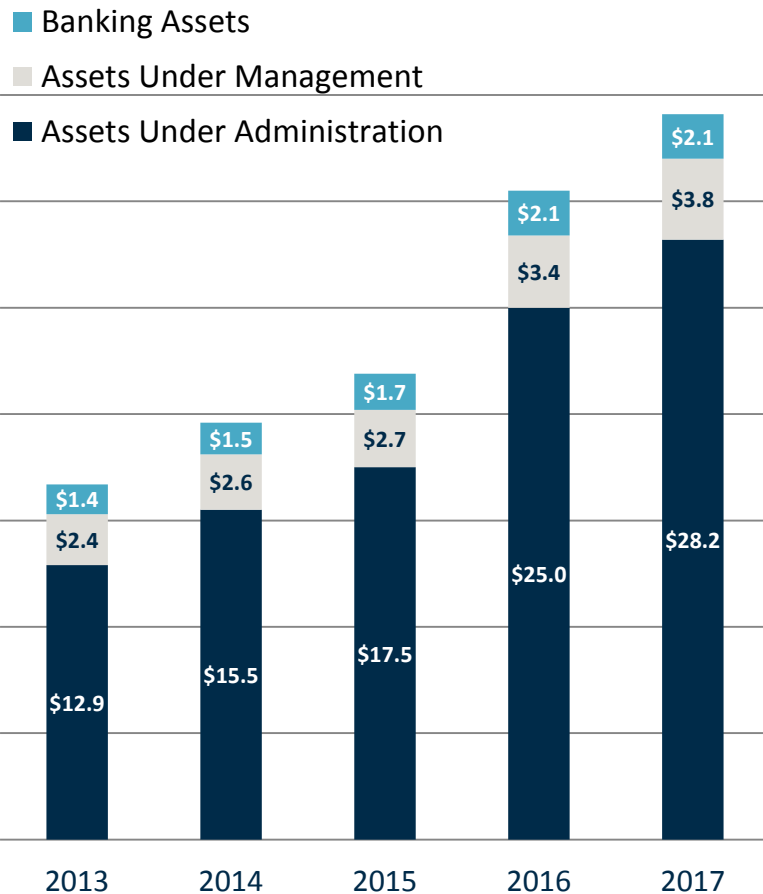
GROWING CAPITAL RATIOS

- Tier 1 capital was 8.29 percent at December 31, 2017, up from 8.23 percent at December 31, 2016
- Total risk based capital was 12.17 percent at December 31, 2017, down from 12.29 percent at December 31, 2016
- The tangible common equity to tangible assets ratio was 6.06 percent at December 31, 2017 compared with 5.46 percent at December 31, 2016

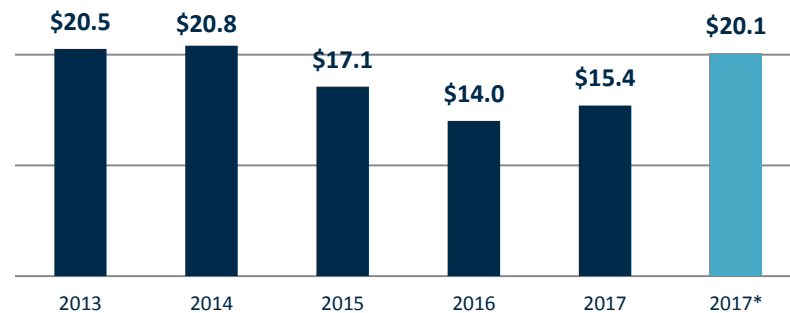
ALERUS PERFORMANCE SUMMARY

SENSIBLE AND STRATEGIC GROWTH

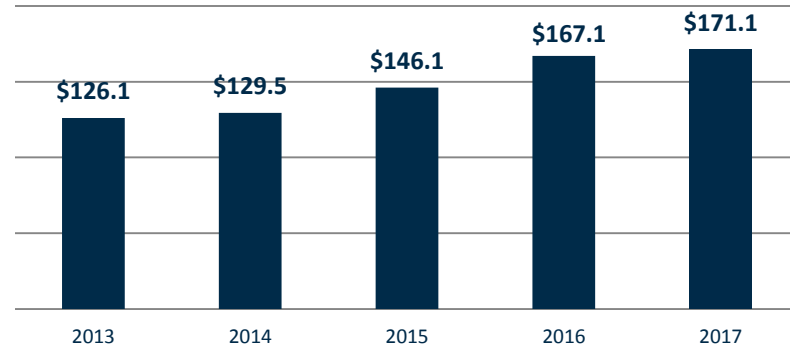
ASSET GROWTH (\$B)



NET INCOME (\$MM)



TOTAL COMPANY REVENUE (\$MM)

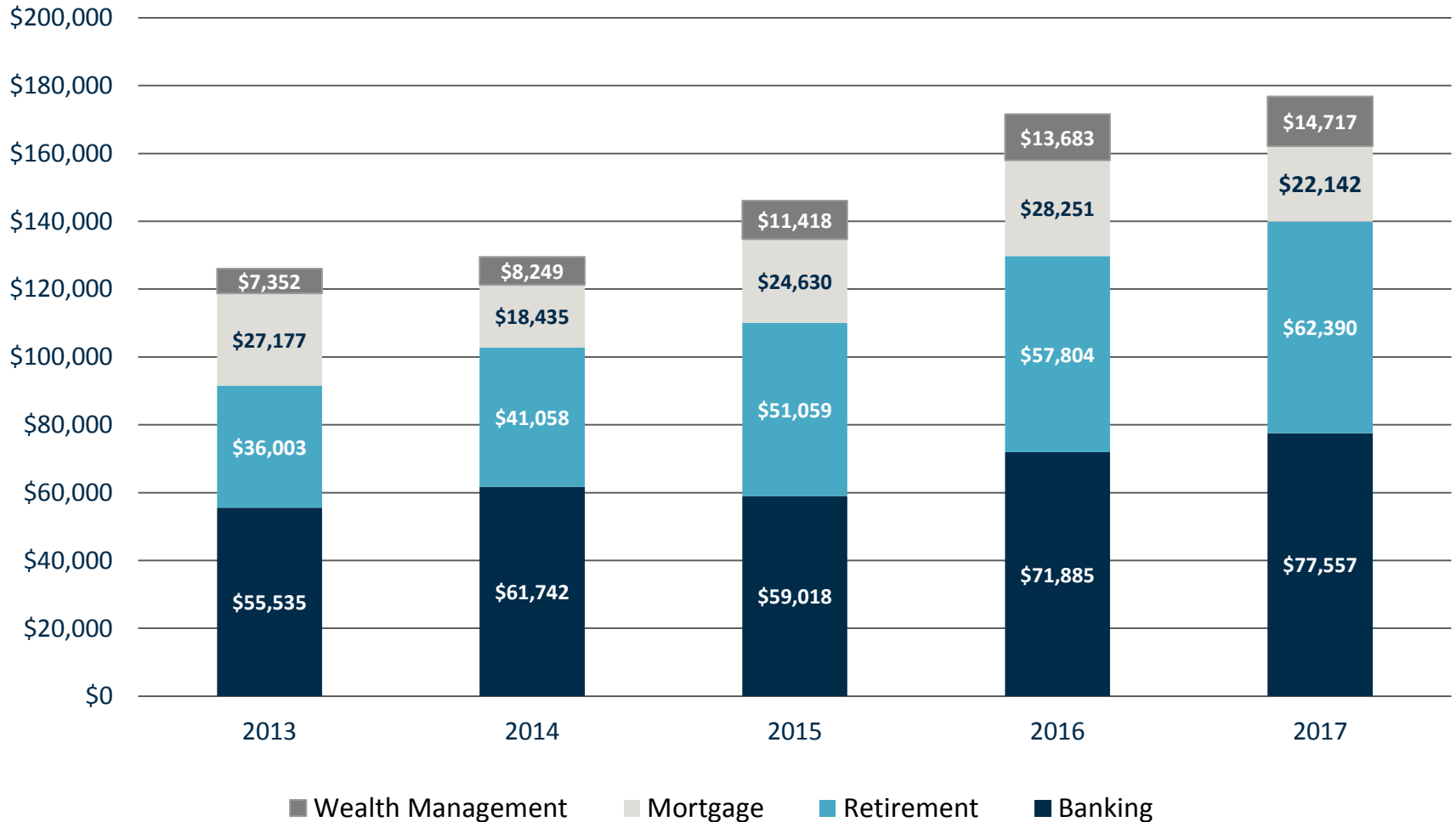


* Net Income excluding the impact of \$4.6 million charge to deferred tax asset due to tax reform.

REVENUE BY BUSINESS

CORE BUSINESS LINES

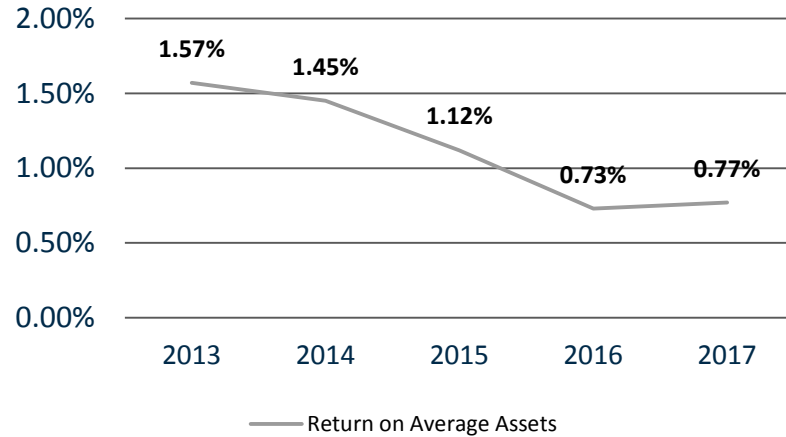
(\$ IN THOUSANDS)



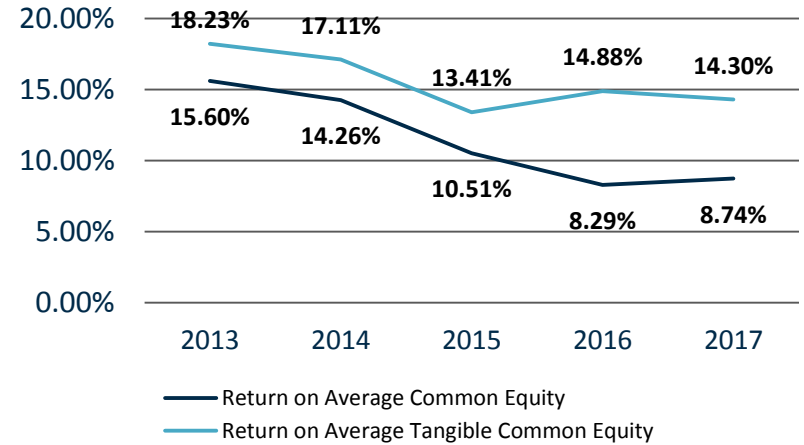
Revenue excludes holding company interest expense associated with subordinated and trust preferred debt.

PROFITABILITY

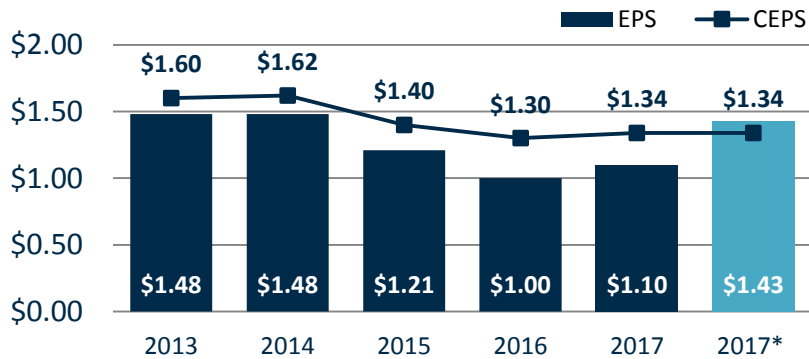
ROAA



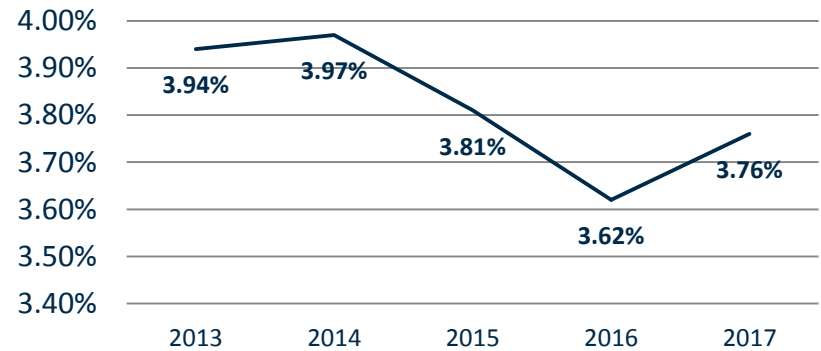
ROACE AND ROATCE



EARNINGS & CASH EARNINGS PER SHARE¹



NET INTEREST MARGIN



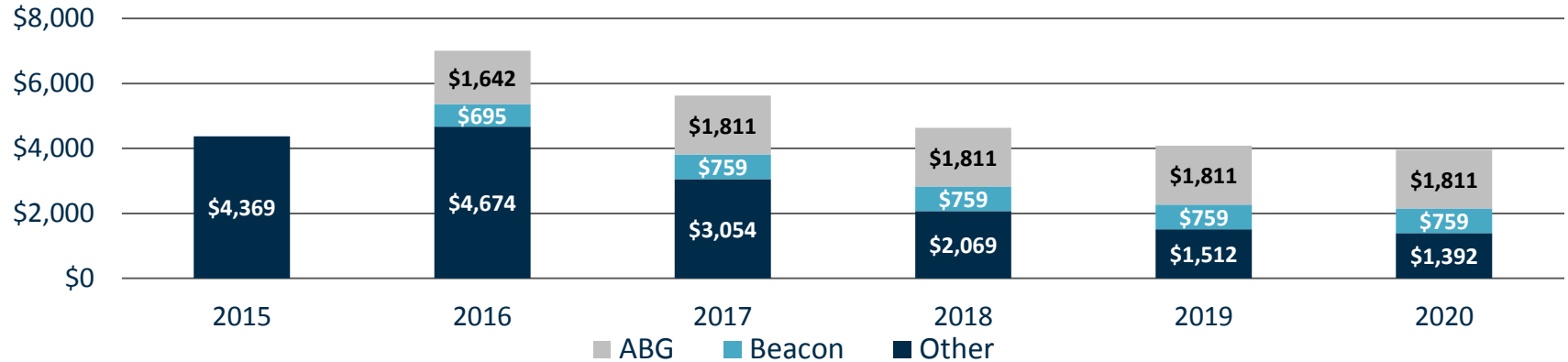
* Net Income excluding the impact of \$4.6 million charge to deferred tax asset due to tax reform.

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

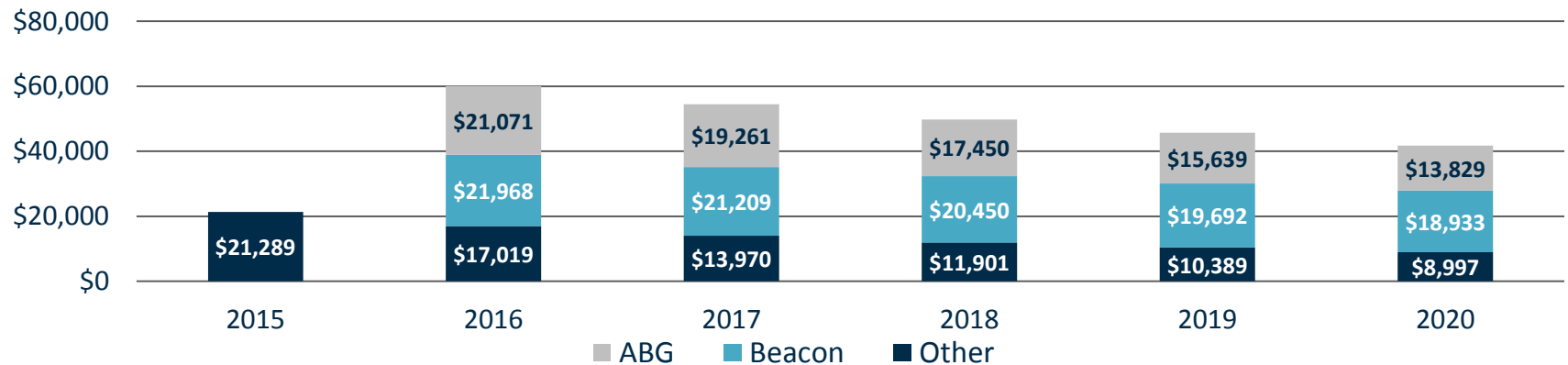
GOODWILL AND INTANGIBLES

(\$ IN THOUSANDS)

INTANGIBLE AMORTIZATION EXPENSE



GOODWILL AND INTANGIBLE BALANCES



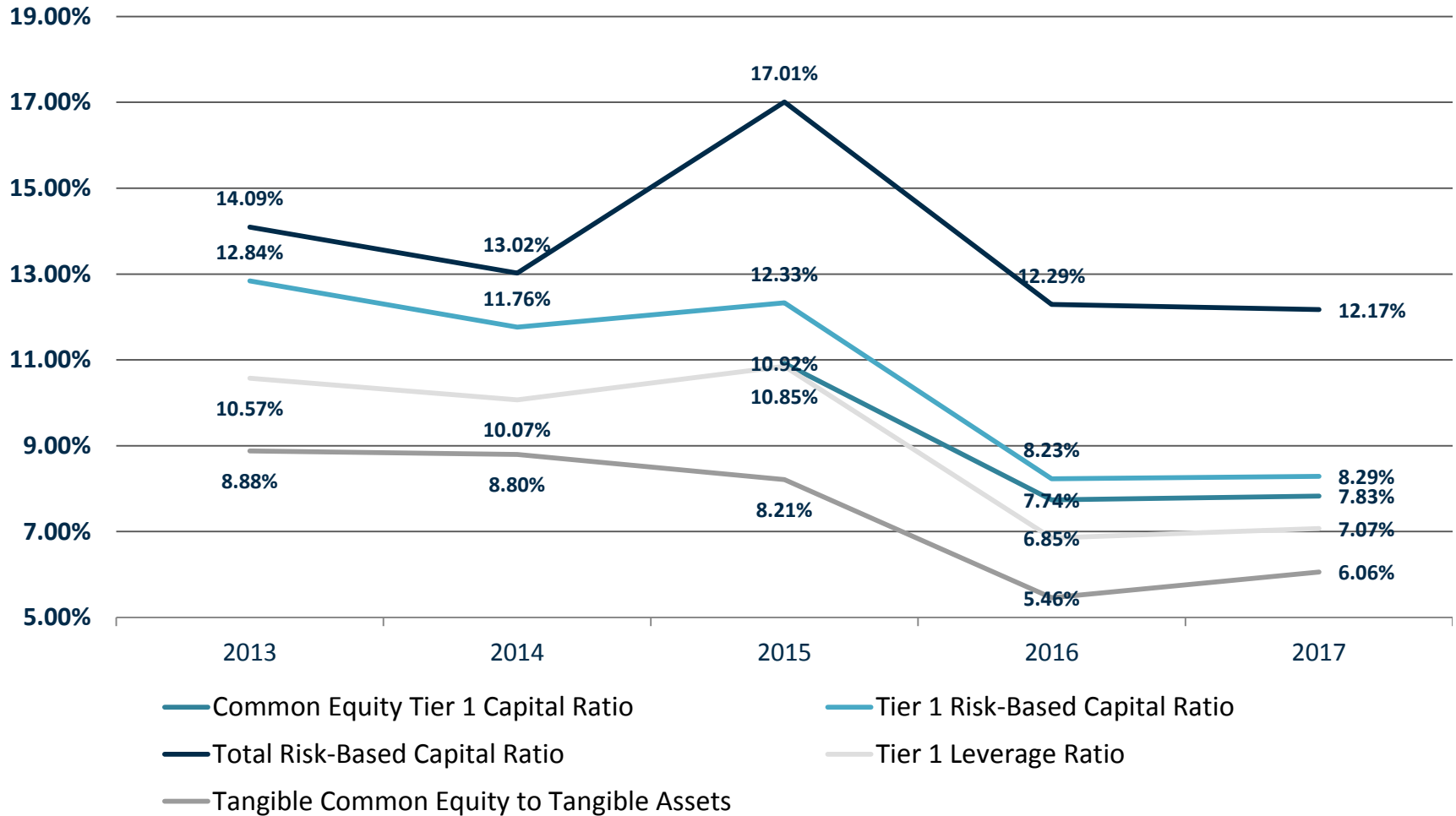
Note: Current intangible balances will be fully amortized at the end of 2025.

CAPITAL



CAPITAL RATIOS

ALERUS FINANCIAL CORPORATION

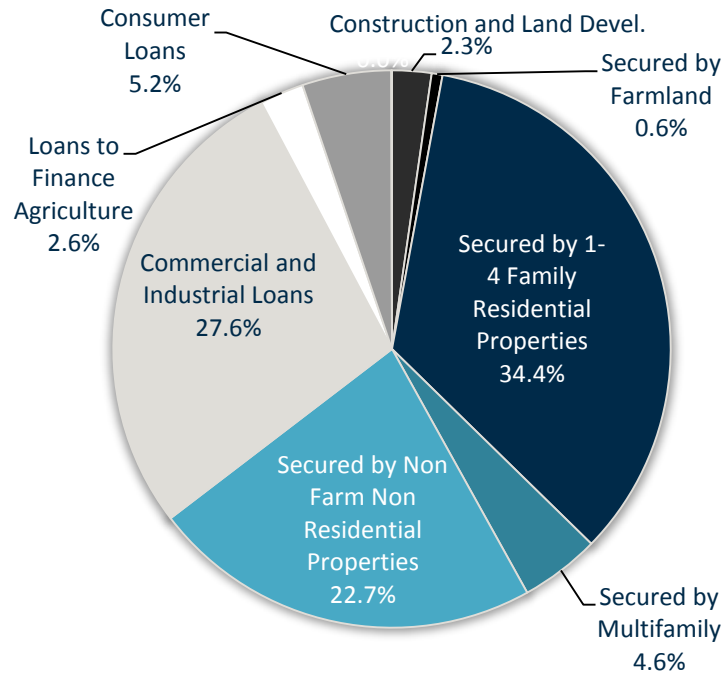


LOAN PORTFOLIO, ASSET QUALITY, AND DEPOSITS

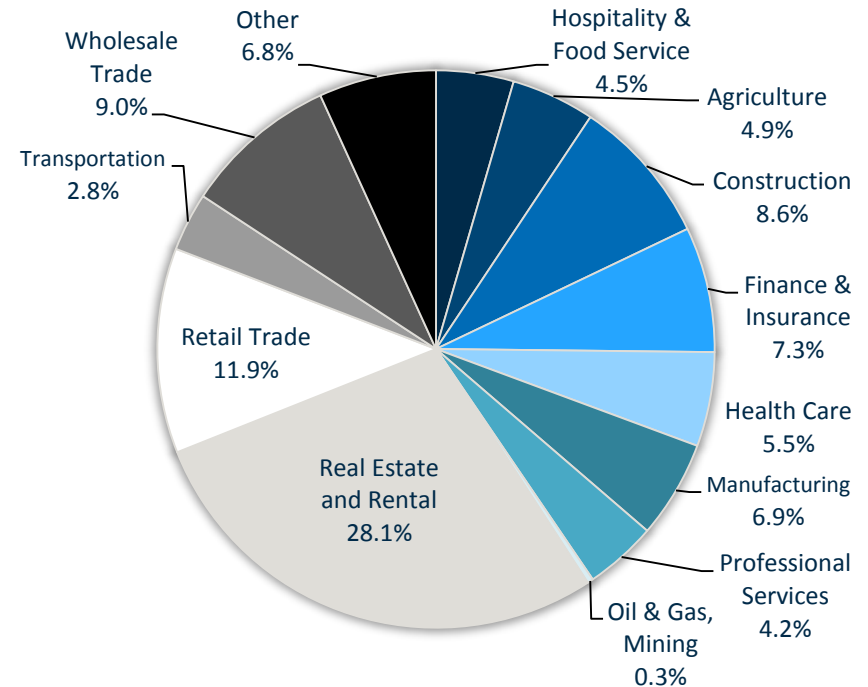


ASSET DIVERSIFICATION

LOAN PORTFOLIO (\$1,592MM)



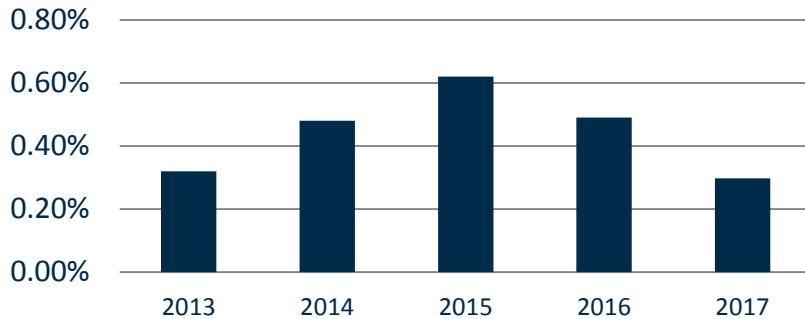
CONCENTRATION BY INDUSTRY



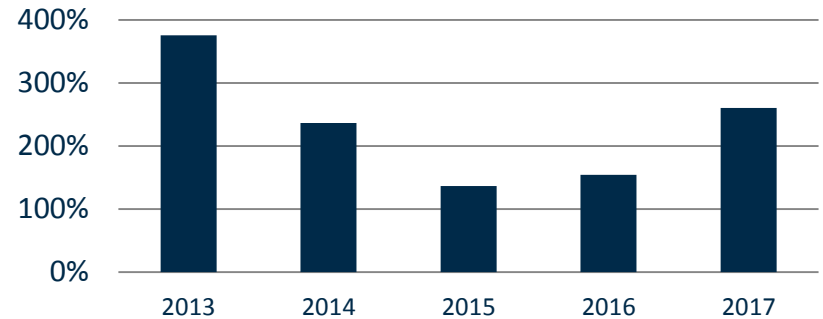
Data as of 12/31/2017.

ASSET QUALITY

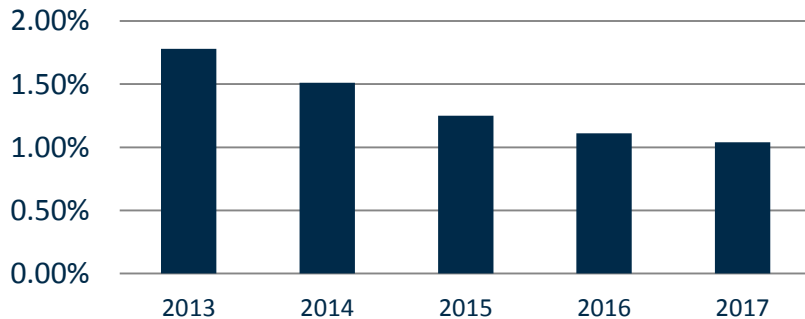
NPA / TOTAL ASSETS



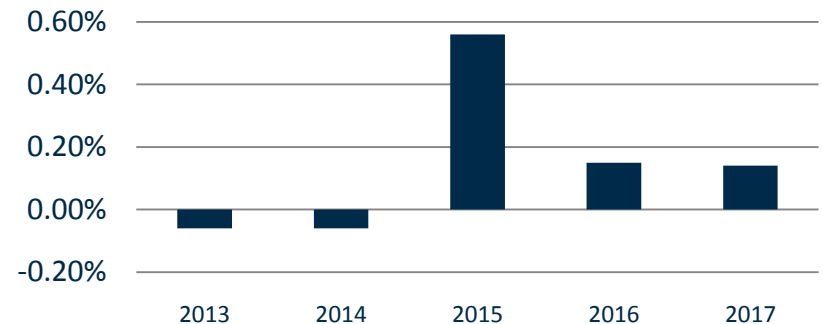
RESERVES / NPA



RESERVES / GROSS LOANS

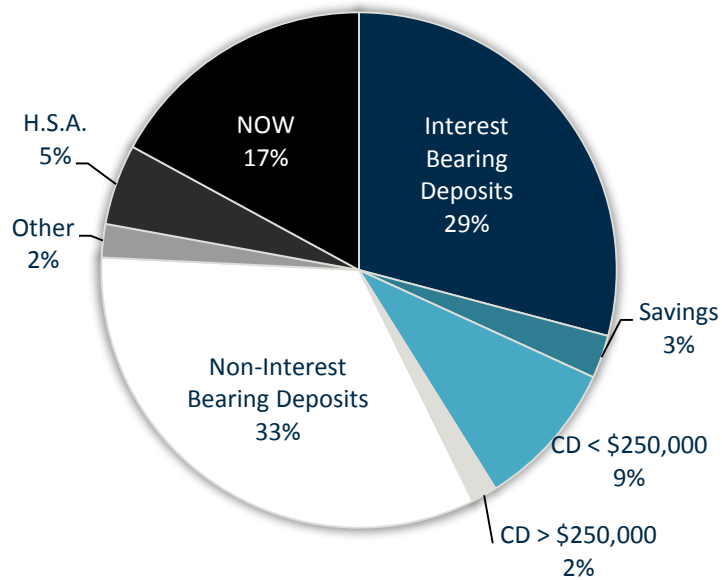


NET CHARGE OFFS / AVG LOANS

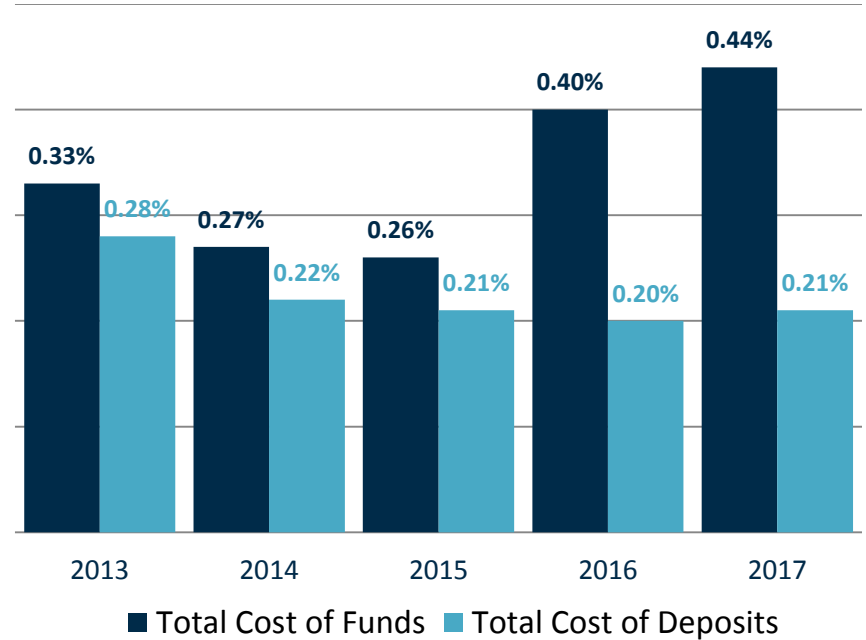


FUNDING MIX

Q4 FUNDING (\$1,874MM)



LOW COST OF FUNDS



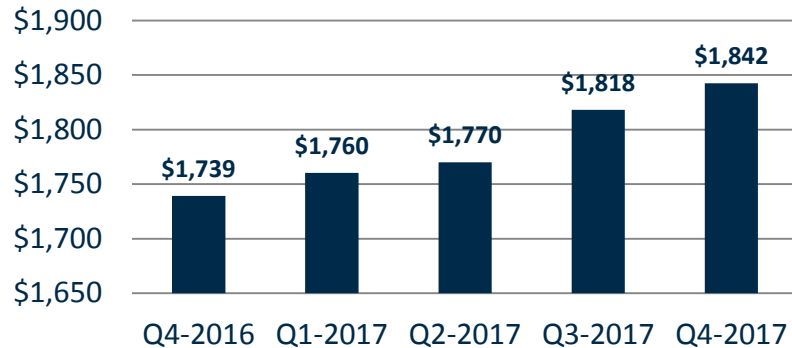
Data as of 12/31/2017.

BUSINESS LINES

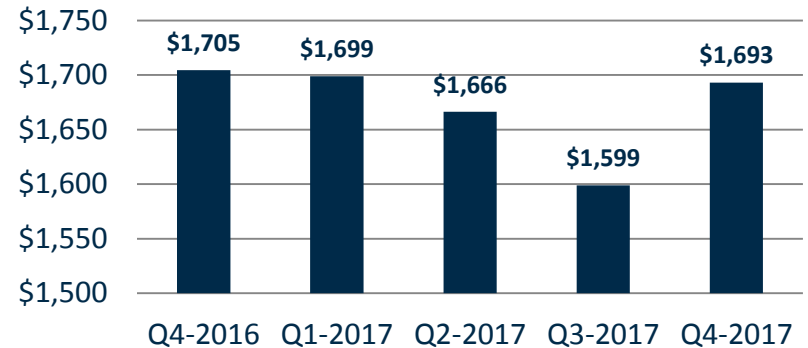


BANKING

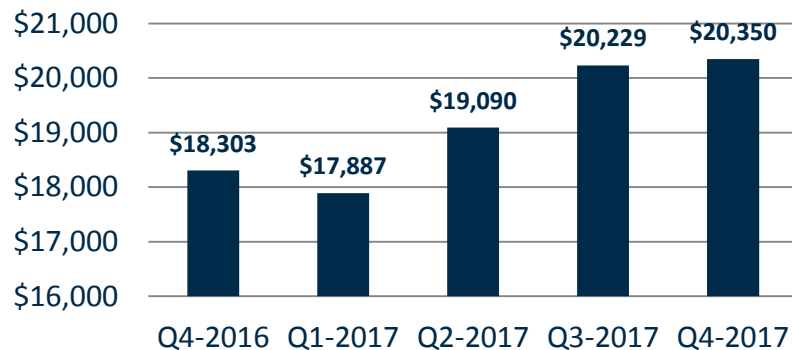
AVERAGE EARNING ASSETS (\$MM)



AVERAGE DEPOSITS (\$MM)

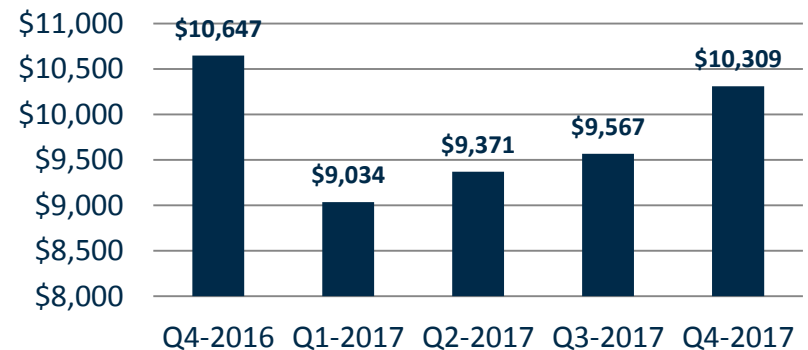


BANKING REVENUE (\$000's)*



NET INCOME (\$000's)*

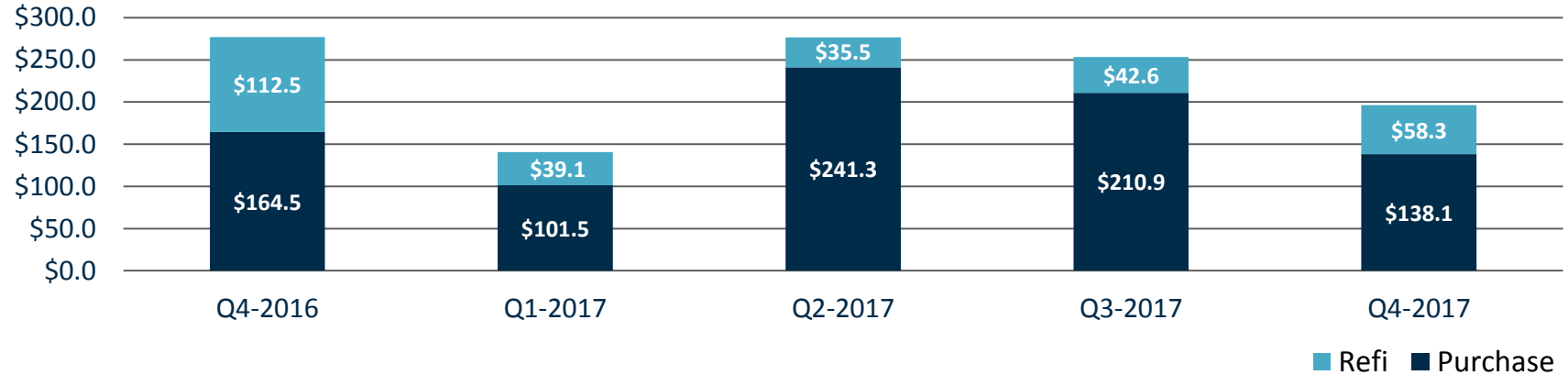
BEFORE TAX AND INDIRECT ALLOCATIONS



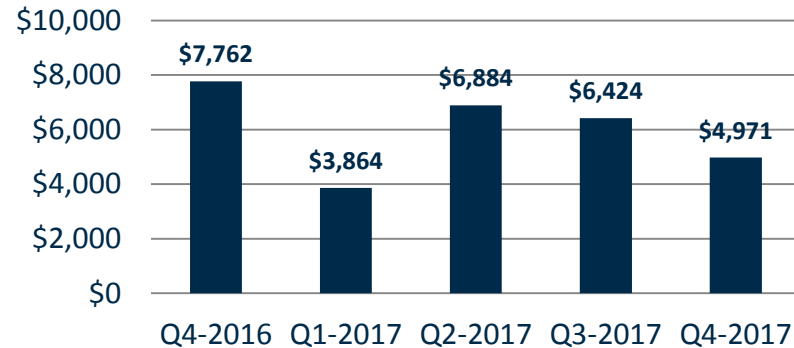
* For comparative purposes, historical expense and net income figures have been adjusted to reflect intercompany expense from banking to mortgage for loan purchases.

MORTGAGE

MORTGAGE ORIGINATIONS (\$MM)

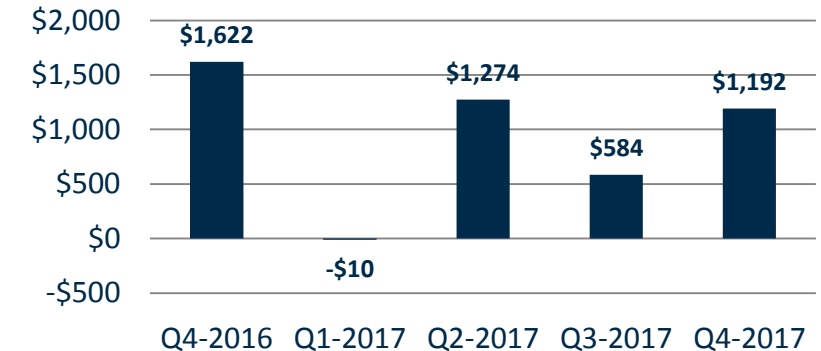


MORTGAGE BANKING REVENUE (\$000's)*



NET INCOME (\$000's)*

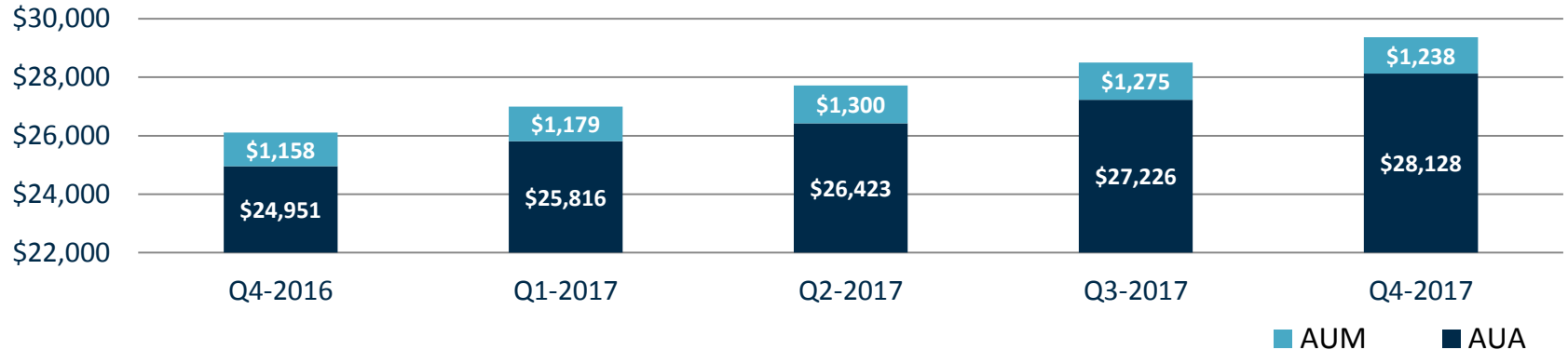
BEFORE TAX AND INDIRECT ALLOCATIONS



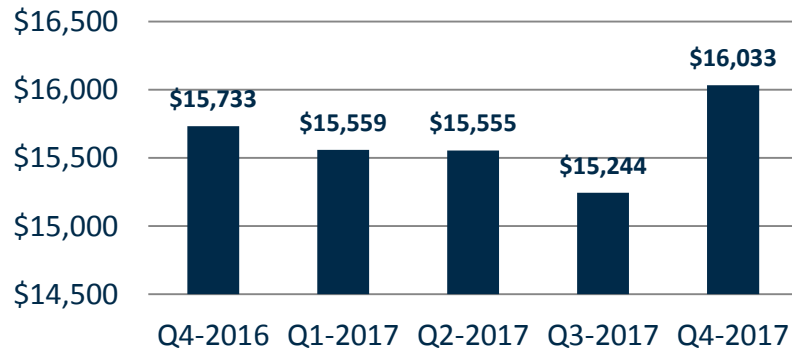
* For comparative purposes, historical revenue and net income figures have been adjusted to reflect intercompany revenue from banking for loan purchases.

RETIREMENT AND BENEFITS

ASSETS UNDER MANAGEMENT & ADMINISTRATION (\$MM)

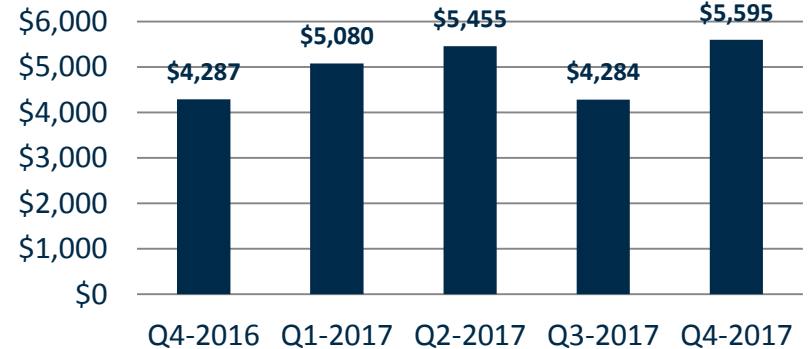


RETIREMENT AND BENEFITS REVENUE (\$000's)



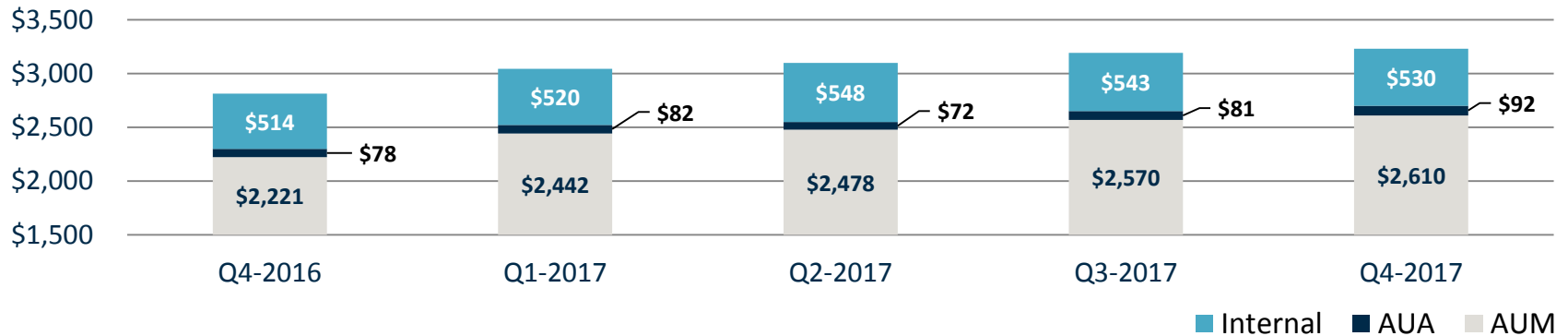
NET INCOME (\$000's)

BEFORE TAX AND INDIRECT ALLOCATIONS

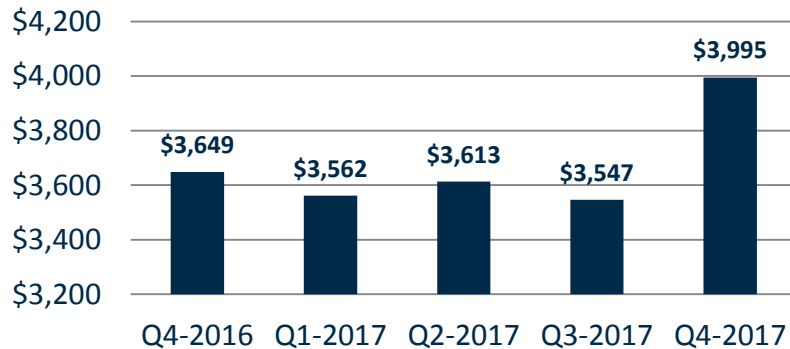


WEALTH MANAGEMENT

ASSETS UNDER MANAGEMENT & ADMINISTRATION (\$MM)

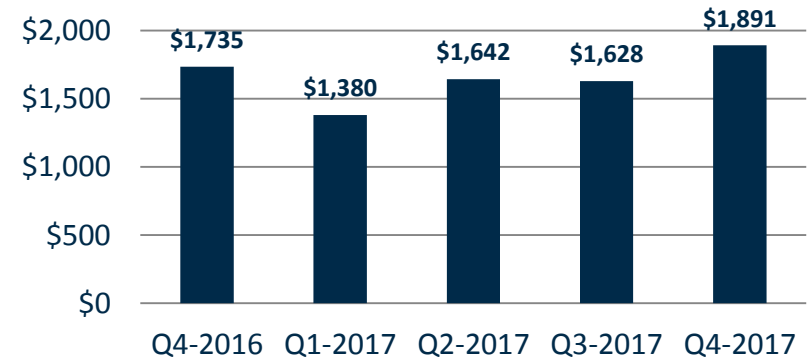


WEALTH MANAGEMENT REVENUE (\$000's)



NET INCOME (\$000's)

BEFORE TAX AND INDIRECT ALLOCATIONS

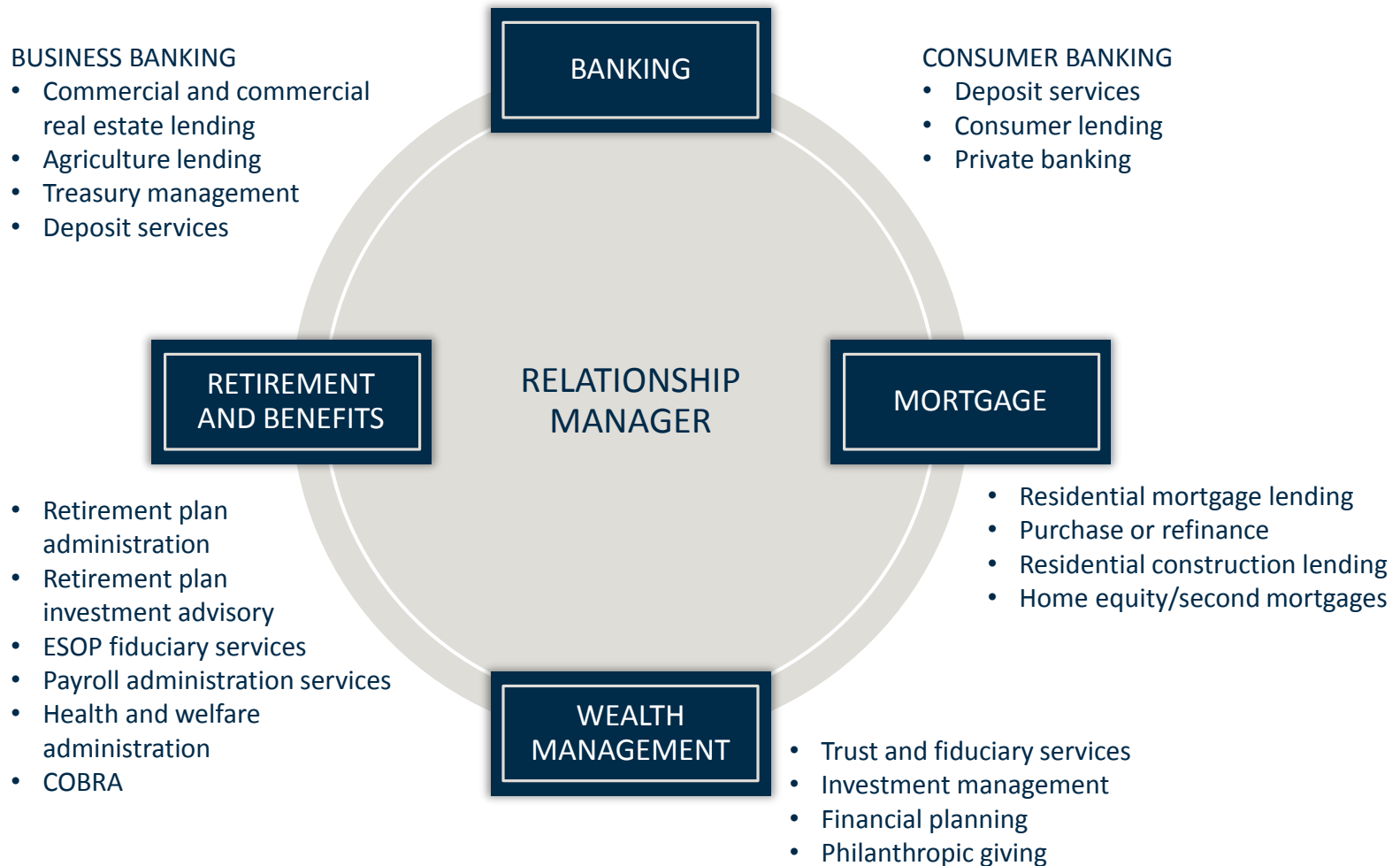


FUTURE OF ALERUS



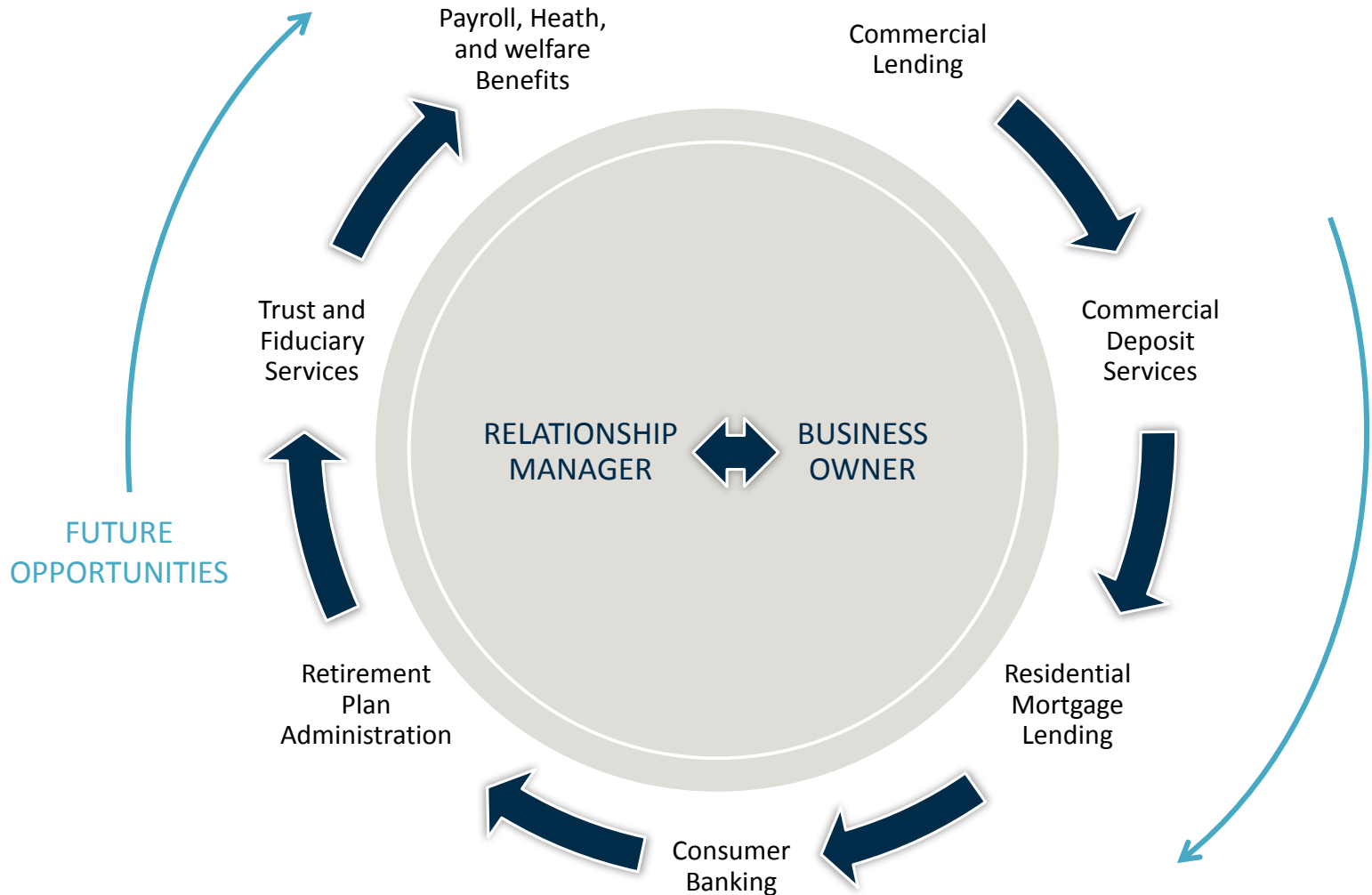
OUR CORE BUSINESS LINES

A BIG COMPANY MODEL WITH SMALL COMPANY EXECUTION



ONE POINT OF CONTACT

STRONG INTEGRATION OF TEAMS SUPPORTED BY STRUCTURE AND COLLABORATION



KEY ATTRIBUTES OF SUCCESS

MOVING BOLDLY AHEAD

- **Professional, High-Performing and Engaged Employees**
 - Employee Ownership
 - Professional Culture
 - Strong Collaboration across all business lines
 - Training and development of staff to meet changing customer needs and expectations
 - Employer of Choice
- **Strong Leadership**
 - Board and Formation of Leadership Council
 - Management succession to assure promotion from within
 - High personal responsibility and accountability for results
 - Leadership and Management training
- **Core Strengths**
 - Strong Balance Sheet
 - Diversified and Strong Core Earnings
 - Relationship-oriented business model driven by advisor focus
 - Highly skilled professional service employee base
 - Commitment to business expansion opportunities
 - Significant Investments in Technology and Business Process Innovations (\$3MM Planned for 2018)

STRATEGIC OBJECTIVES

EXCELLENCE IN EXECUTION

- Organic growth across business lines supplemented by strategic acquisitions – disrupt our competition through the combination of digital capabilities and relationship based service.
- Investment in customer friendly technology solutions complemented by Financial Advisors to help individuals and businesses become more financially fit.
- Focus on process improvements that begin with the customer experience – using technology solutions to streamline processes.
- Training and development of staff to meet changing customer needs and expectations.
- Build on our relationship model, serving as one cohesive team across the company to assure an integrated customer experience – ONE ALERUS.
- Integrate newly acquired business lines of Payroll and Benefits.

SUMMARY



- Strong Midwestern financial services franchise located in high growth cities
- Nationwide retirement plan administration providing significant levels of non-interest income
- Experienced executive management team and independent board of directors
- Substantial ownership by employees (ESOP collectively owns 10%), officers, and directors
- Extensive history of disciplined acquisitions with successful integration experience
- Growth through strategic acquisitions in both the Bank and Alerus Retirement and Benefits space
- Organic growth through relationship management and referrals – leverage national customer base
- Strong capital levels maintained through consistent profitability and conservative leverage
 - Accessed the capital markets in 2015 with a \$50 million Subordinated Debt Offering and received a BBB rating from Kroll Bond Rating Agency

CONTACT INFORMATION

CORPORATE HEADQUARTERS

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401 Demers Avenue
Grand Forks, ND 58201

800.279.3200
ALERUS.COM

CORPORATE CONTACTS

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Katie Lorenson
Chief Financial Officer
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Dan Cheever
Chief Development Officer
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Missy Keney
Investor Relations
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APPENDIX



NON-GAAP DISCLOSURE RECONCILIATION

	(\$000s)	2017	2016	2015	2014	2013
Average Common Equity	\$	176,778	\$ 168,742	\$ 160,903	\$ 144,203	\$ 130,300
Less: Goodwill		(27,329)	(25,699)	(2,365)	(1,090)	(664)
Less: average other Intangibles, net of tax benefit		(17,869)	(20,651)	(12,903)	(7,869)	(6,797)
Average Tangible Common Equity	\$	131,580	\$ 122,392	\$ 145,635	\$ 135,244	\$ 122,839

The following table presents a reconciliation of net income available to common shareholders to net cash available to common shareholders for the years presented.

	(\$000s)	2017	2016	2015	2014	2013
Net Income available to common shareholders	\$	15,444	\$ 14,006	\$ 16,908	\$ 20,570	\$ 20,337
Add: Other intangible, net of tax benefit		3,374	4,203	2,618	2,518	1,993
Net Cash Available to common shareholders	\$	18,818	\$ 18,209	\$ 19,526	\$ 23,088	\$ 22,330

Cash ROTCE		14.30%	14.88%	13.41%	17.07%	18.18%
Average Common Shares (000s)		14,007	14,000	13,947	13,887	13,762
Cash Earnings Per Share	\$	1.34	\$ 1.30	\$ 1.40	\$ 1.66	\$ 1.62

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
37 years with Alerus



KATIE LORENSON

Executive Vice President and
Chief Financial Officer
Joined Alerus in 2017



KRIS COMPTON

Executive Vice President and
Chief Strategy Officer
43 years with Alerus



ANN MCCONN

Executive Vice President and
Chief Business Officer
16 years with Alerus



DAN CHEEVER

Executive Vice President and
Chief Development Officer
3 years with Alerus

ALERUS LEADERSHIP COUNCIL

Karl Bollingberg

Director of Lending

Lori Day

Director of Mortgage

Jon Hendry

Chief Information Officer

Travis Ingebrigtsen

Manager of Financial Planning
and Analysis

Missy Keney

Director of Marketing and
Customer Experience

Karna Loyland

Director of Deposits

Chip Norris

Group President, Director
of Sales and Service

Brian Overby

President of Alerus
Retirement and Benefits

Brian Schumacher

Director of Wealth
Management

Teresa Wasvick

Director of Human Resources

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



JAMES KARLEY

Since 1997

President
Johnstown Bean, Cavalier
Bean Companies, and
North Central Commodities
Gilby, 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

President and CEO
Buffalo Wild Wings, Inc.
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