

Alerus



INVESTOR PRESENTATION

APRIL 2020

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 potential 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; our success at managing the risks involved in the foregoing items; and any other risks described in the “Risk Factors” sections of other 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

PREPARED TO PROACTIVELY RESPOND WITH AGILITY AND SUPPORT

LEADING DURING THE PANDEMIC CRISIS

- Activated Business Continuity Planning team and Pandemic Policy; daily or weekly meetings with key leadership teams and Risk Committee
- Response guided by safety of employees and clients; being a good corporate citizen; and encouraging digital use
- Benefit of past crisis experience; 1997 historic Flood and Fire in Grand Forks, ND

TAKING CARE OF EMPLOYEES

- Early adoption of self-quarantine recommendations and restricting non-essential business travel
- 82% of staff transitioned to working remote in 1 week; 86% remain working remote
- Established On-Site Pay for staff still in offices; introduced Relief Pay for office closures or daycare/school closures
- Talk Save Lives™ mental wellness webinar; 78% of staff attended live meeting

LEVERAGING INFRASTRUCTURE INVESTMENTS

- 50% of employees use laptops; transitioned Citrix licenses to non-laptop users
- Robotic Process Automation: established first ever robot to automate critical steps in Paycheck Protection Program
- Transitioned loan closings and signature card changes electronically to DocuSign

INCREASED DIGITAL ENGAGEMENT

- Banking client digital logins spiked with 76% increase in mid-April, timed with first economic impact payments
- Capturing of participant email addresses increased 7%, or 27,750 new email addresses, since early April
- DocuSign usage increased 2,702% since March 1, 2020
- Increased website traffic through targeted email and social campaigns; launched new website to foster engagement

SERVING IN THE BEST INTEREST OF CLIENTS

- Paycheck Protection Program: helped over 900 new and existing clients secure ~ \$300 million in funding relief
- Logged over 7,500 client calls from March 16 to April 16
- Hosted 7 webinars for clients/prospects; total attendance over 1,400; PPP webinar held day before SBA went live
- Waived fees on loan extensions, loan payment deferrals, or early CD withdrawals due to COVID-19 related hardship
- Closed all lobbies on March 18; virtual business encouraged; 7 drive-ups remain open with expanded services
- Proactively helping participants navigate retirement distributions or other lending options

ENGAGED EMPLOYEES

- Weekly all employee calls hosted by C*Suite; 85% of staff attends live; completed 6 since March 16
- Intranet engagement has increased 31% with consumption of content increasing 50% from Feb. to Mar.

COVID-19 RELIEF PROGRAMS

PAYMENT DEFERRALS, MATURITY EXTENSIONS, AND PAYMENT MODIFICATIONS

- Payment relief for business and consumer loans:
 - Single payment extensions of P&I
 - Payment modifications to interest-only up to 3 months
 - P&I or interest payment deferrals up to 3 months
- Relief for residential mortgages follow Fannie Mae guidelines:
 - 3 month forbearance
 - No adverse credit reporting for 100 days
 - No late fees for 100 days

COVID-19 RELIEF PROGRAMS

PAYMENT DEFERRALS, MATURITY EXTENSIONS, AND PAYMENT MODIFICATIONS

- Percentage of outstanding balances granted payment relief by loan type
- Total Balances granted payment relief – \$97MM

Loan Type	P&I or Interest Payment Deferral	Single Payment Extension	Payment Modification to Interest-only
Consumer	1.66%	0.00%	4.72%
RRE Serviced	3.67%	0.00%	0.00%
RRE Non-serviced	2.13%	0.00%	0.00%
CRE	0.97%	0.00%	8.61%
C&I	0.41%	0.26%	2.71%

Figures as of 04/21/2020.

COVID-19 RELIEF PROGRAMS

SBA PAYCHECK PROTECTION PROGRAM

- Helped over 900 existing and new clients apply for over \$300MM in funding relief during the initial program.

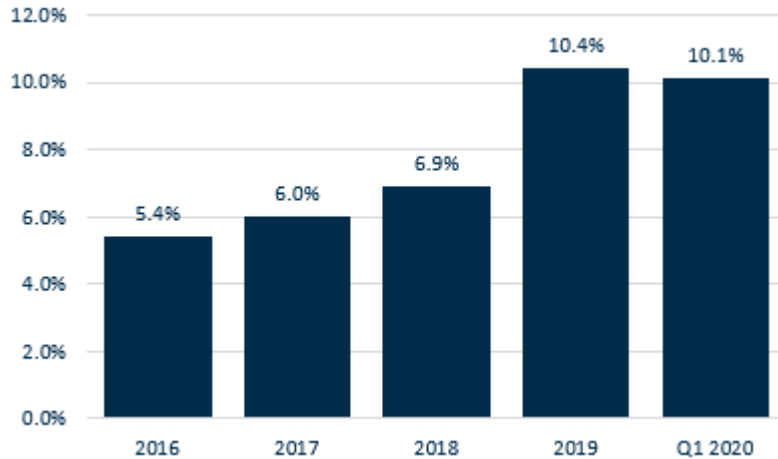
INDUSTRY BREAKDOWN OF PPP LOANS MADE TO EXISTING BORROWERS

Industry	% of Total \$ Approve
Retail Trade	17.96%
Construction	14.43%
Professional, Scientific, and Technical Services	12.69%
Manufacturing	9.17%
Wholesale Trade	6.64%
Health Care and Social Assistance	6.32%
Other Services (except Public Administration)	4.33%
Administrative and Support and Waste Management and Remediation Services	2.90%
Accommodation and Food Services	2.85%
Finance and Insurance	2.68%
Transportation and Warehousing	2.44%
Real Estate and Rental and Leasing	1.20%
Information	0.82%
Arts, Entertainment, and Recreation	0.76%
Management of Companies and Enterprises	0.57%
Educational Services	0.51%
Agriculture, Forestry, Fishing and Hunting	0.32%
Utilities	0.01%
Public Administration	0.01%

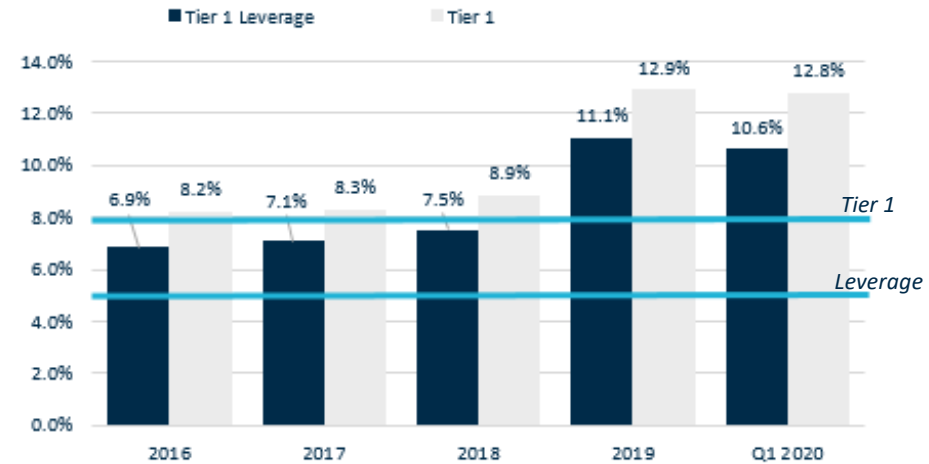
As of 4/16/2020.

STRONG CAPITAL AND SOURCES OF LIQUIDITY

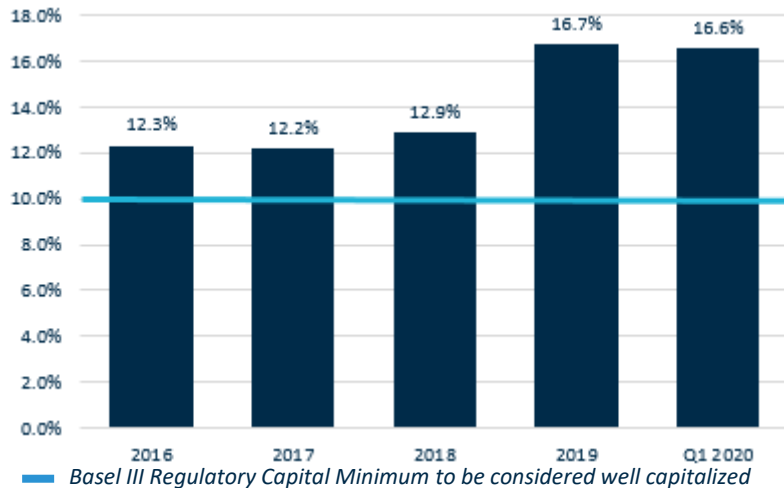
TANGIBLE COMMON EQUITY/TANGIBLE ASSETS



TIER 1/TIER 1 LEVERAGE RATIOS



TOTAL RISK BASED CAPITAL



PRIMARY AND SECONDARY SOURCES OF LIQUIDITY

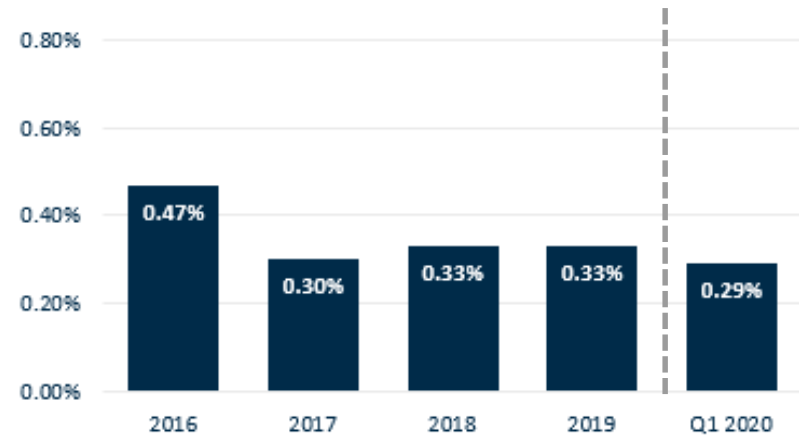
Cash and Cash equivalents	\$198,489
Unencumbered securities	228,321
FHLB Borrowing availability	573,315
Brokered CD Capacity	500,080
Fed funds lines	102,000
Total as of 03/31/2020	\$1,602,205

ASSET QUALITY AND RESERVE LEVELS

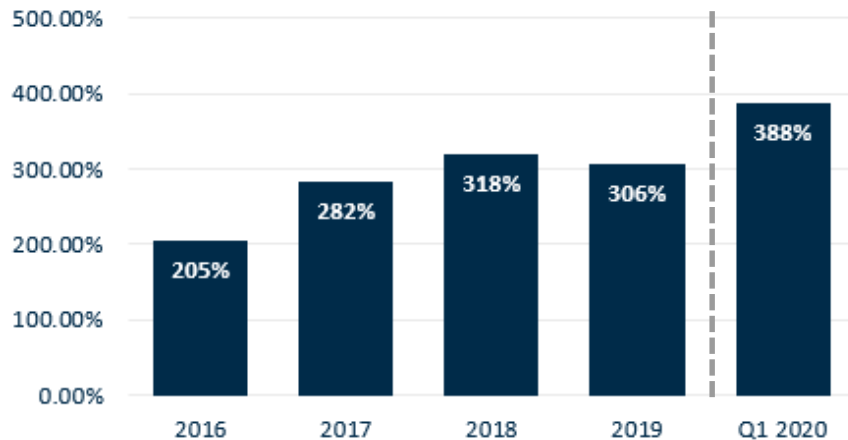
OVERVIEW

- Solid asset quality and reserve levels
- Strengthened credit department to support growth
- Proactive approach to classification of assets

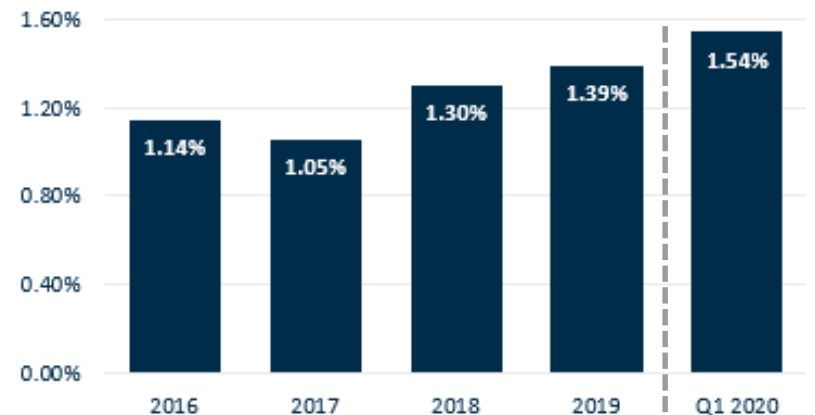
NPAS / ASSETS (%)



RESERVES / NPLS (%)

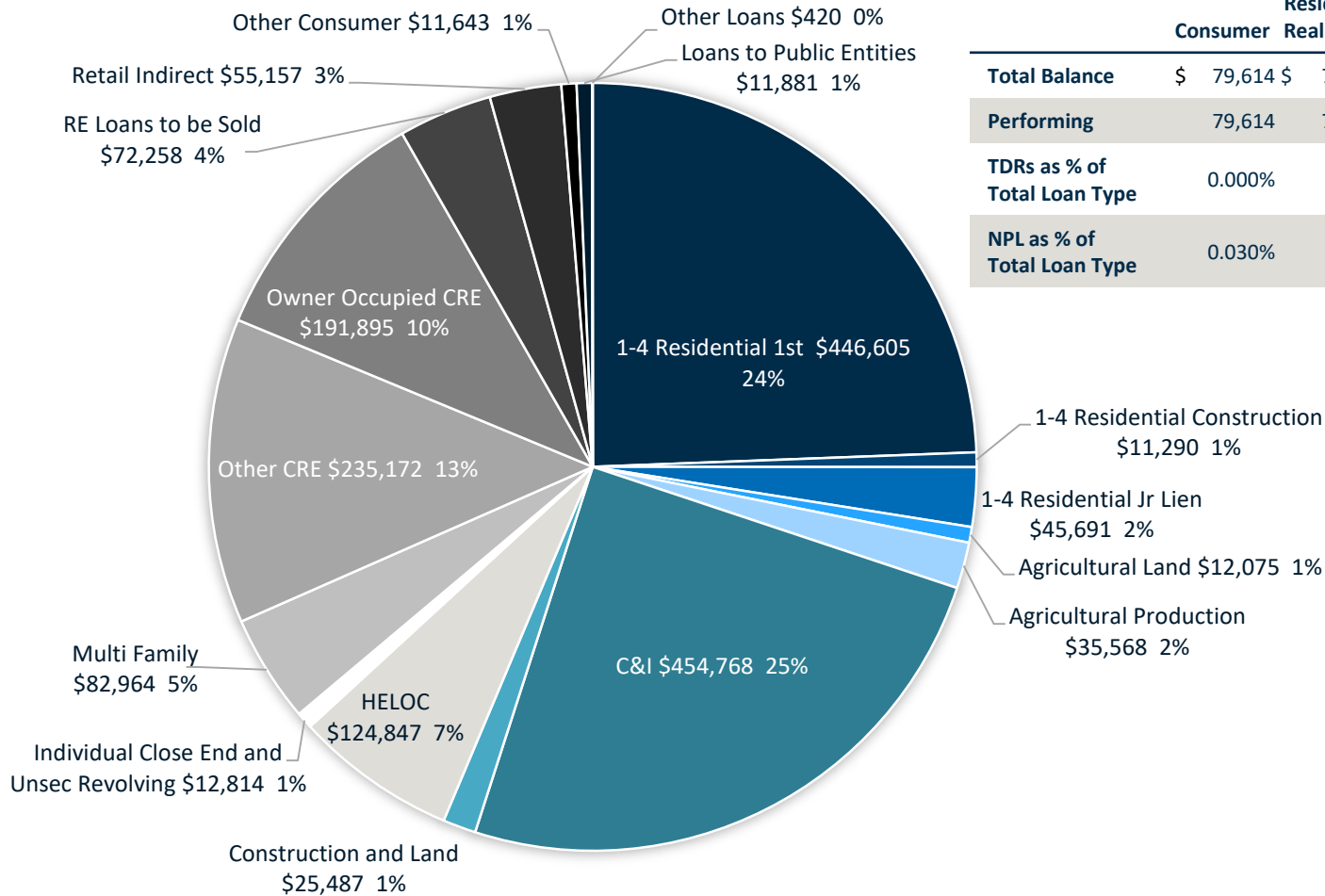


RESERVES / LOANS (%)



SUMMARY BY LOAN TYPE

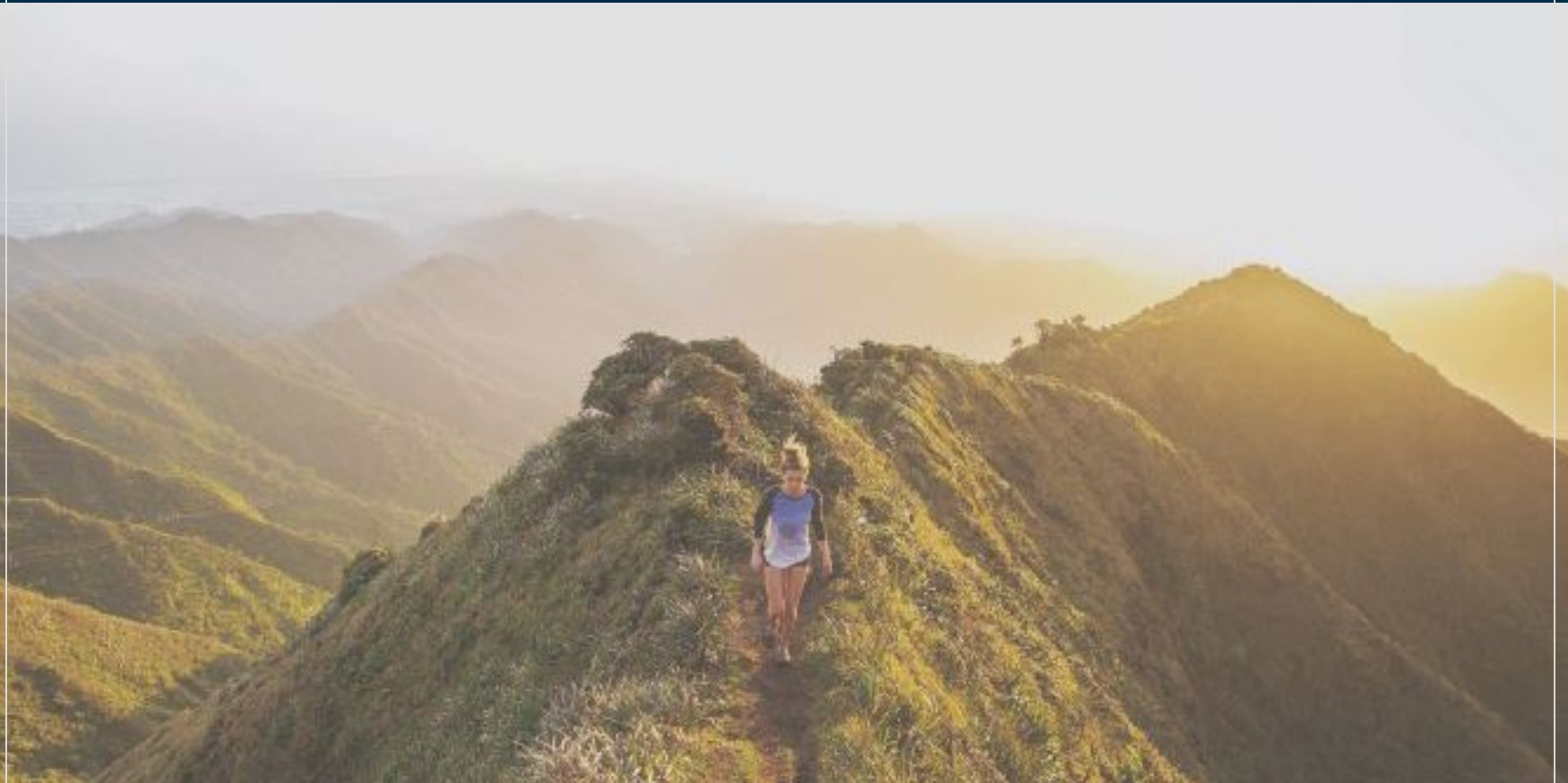
BY OUTSTANDING BALANCES (\$ IN 000'S)



	Consumer	Residential Real Estate	CRE	RE Const.	C&I
Total Balance	\$ 79,614	\$ 700,691	\$ 522,106	\$ 25,487	\$ 502,637
Performing	79,614	700,685	521,904	25,487	501,919
TDRs as % of Total Loan Type	0.000%	0.000%	0.040%	0.000%	0.140%
NPL as % of Total Loan Type	0.030%	0.130%	0.280%	0.000%	0.910%

Consumer includes a total of both term and revolving consumer loans of \$25MM, as well as indirect auto loans totaling \$55MM; RRE includes 1-4 Family 1st lien mortgages, junior liens, HELOCs, Loans Held for Sale, and 1-4 Family Construction; CRE includes CRE, Ag Land, and Construction/Land Development; C&I includes Commercial & Industrial and Ag Production.

FIRST QUARTER HIGHLIGHTS



1Q FINANCIAL HIGHLIGHTS

INCOME STATEMENT

(dollars and shares in thousands, except per share data)

	Three months ended		
	March 31, 2020	December 31, 2019	March 31, 2019
Net Interest Income	\$ 18,837	\$ 18,459	\$ 19,120
Provision for Loan Losses	2,500	1,797	2,220
Net Interest Income After Provision for Loan Losses	16,337	16,662	16,900
Noninterest Income	27,189	29,556	25,074
Noninterest Expense	36,726	36,435	33,514
Income Before Income Taxes	6,800	9,783	8,460
Income Tax Expense	1,437	2,131	2,024
Net Income	\$ 5,363	\$ 7,652	\$ 6,436
Per Common Share Data			
Earnings Per Common Share – Diluted	\$ 0.30	\$ 0.43	\$ 0.46
Diluted Average Common Shares Outstanding	17,405	17,397	14,078
Performance Ratios			
Return on Average Total Assets	0.89%	1.33%	1.20%
Return on Average Tangible Common Equity ⁽¹⁾	9.76%	13.78%	18.99%
Noninterest Income as a % of Revenue	59.07%	61.56%	56.74%
Net Interest Margin (Tax-Equivalent) ⁽¹⁾	3.35%	3.45%	3.86%
Efficiency Ratio ⁽¹⁾	77.47%	73.68%	73.3%

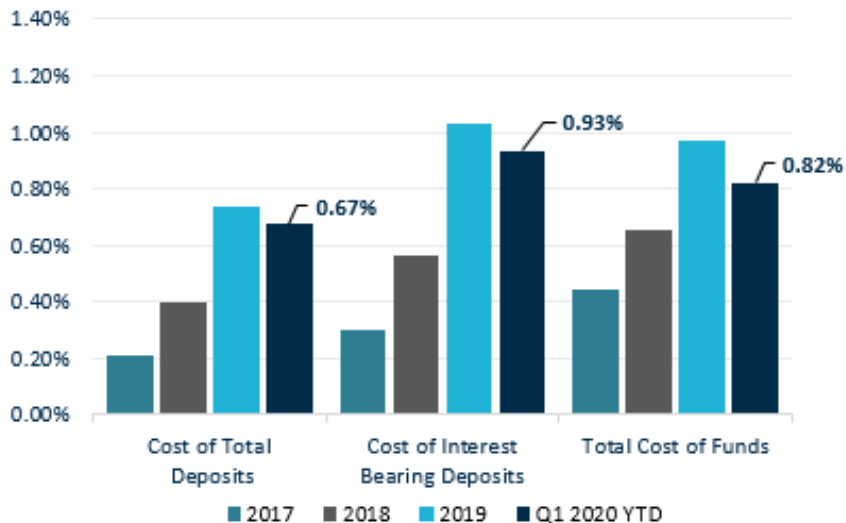
1 – Represents a non-GAAP Financial measure. See “Non-GAAP Disclosure Reconciliation.”

STRONG CORE FUNDING MIX

OVERVIEW

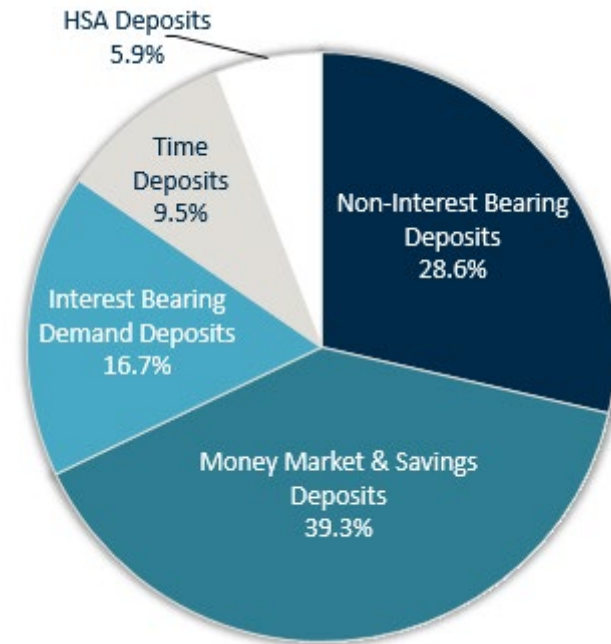
- Growing HSA deposit program through retirement plan sponsors to attract low cost deposits, which as of March 31, 2020, totaled \$124.2 million in deposits, with a cost of 0.19%
- CD portfolio is primarily 6 month flex CD of which over 50% have been clients for 10+ years.
- Stable deposit relationships with 22 year average tenure on 10 largest depositors
- We believe our National Market enables us to attract market rate deposits with minimal acquisition costs

LOW COST OF FUNDS



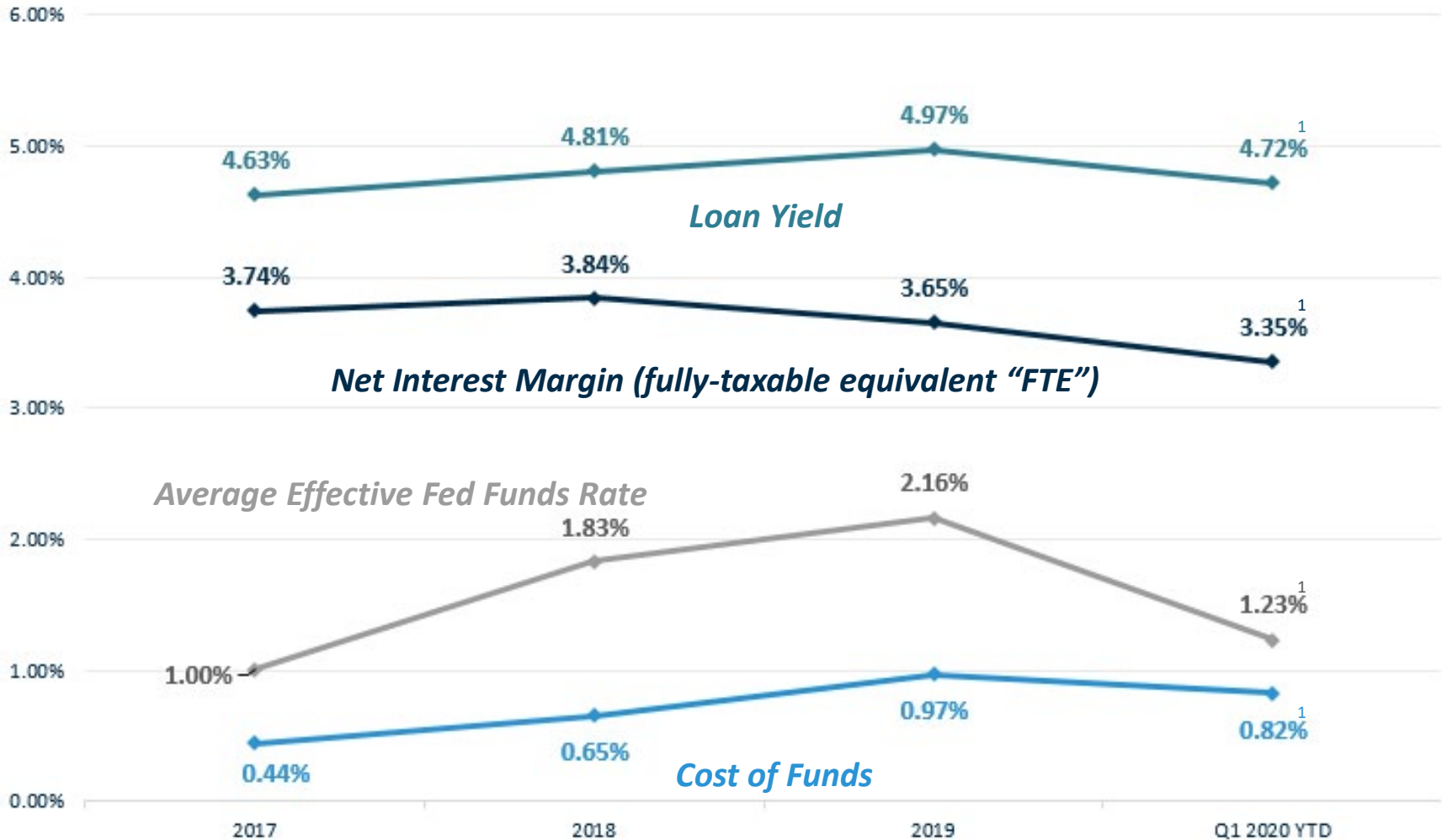
MARCH 31, 2020 DEPOSIT FUNDING (\$2,121MM)

As of March 31, 2020, core deposits totaled \$2.1 billion or 97.7% of our total



Revenue data LTM as of 3/31/2020.

STABLE NET INTEREST MARGIN



¹Rates have been annualized for interim periods.

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	\$ 368	\$ 6	\$ 26	\$ 400	47.1%
1 Month LIBOR	13	8	104	125	14.7%
12 Month LIBOR	1	99	142	242	28.5%
FHLB 5 Year	38	3	12	53	6.2%
Other	25	—	5	30	3.5%
Total	\$ 445	\$ 116	\$ 289	\$ 850	100%
Percent of Total	52.4%	13.6%	34.0%	100.0%	

NET INTEREST MARGIN ROLL FORWARD

	NIM	Average Earning Assets
4Q 2019	3.45%	2,135,682,662
Lower Asset Yields	-0.06%	
Asset Balance/Mix	-0.09%	
Deposit Balance/Mix	-0.02%	
Lower Deposit Rate	0.07%	
Other Borrowings	0.01%	
1Q 2020	3.35%	2,271,004,000

VARIABLE RATE FLOORS

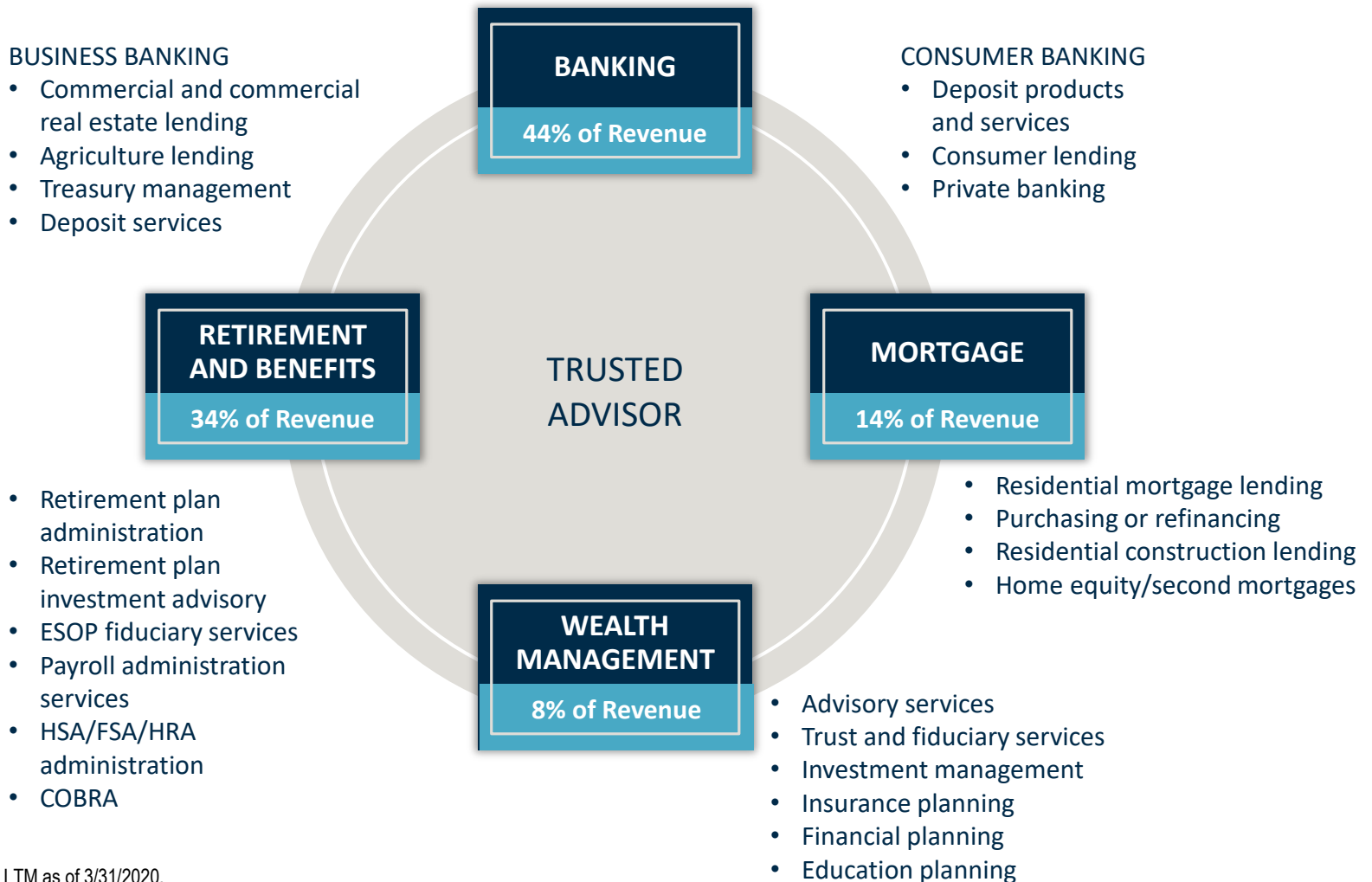
<i>\$ in Millions</i>	Balance	% of Total Balance	Cumulative % of Total Balance
No Floors	\$ 289	34.0%	34.0%
Floors Reached	445	52.4%	86.4%
0-50 bps to reach floor	12	1.4%	87.8%
51-100bps to reach floor	2	0.2%	88.0%
101-150 bps to reach floor	99	11.6%	99.6%
151-200bps to reach floor	1	0.1%	99.8%
>200bps to reach floor	2	0.2%	100.0%
Total	\$ 850	100.0%	

COMMENTS

- Quarter over quarter highlights:
 - Lower asset yields driven by lower loan yields of 7bps and lower cash yields of 43bps. Offset by increase in investment yield of 6bps and increase earning assets of \$135 million
 - Deposit costs were down 7bps and interest bearing deposit costs were down 12bps. Increase in money market balances of \$103 million offset rate reductions
- Variable rate loans with no floors:
 - Residential Real Estate: \$141 million with a spread greater than 2.25%
 - Commercial loans: \$129 million with an average spread of 1.88%

OUR DIVERSE BUSINESS LINES

A BIG COMPANY MODEL WITH SMALL COMPANY EXECUTION



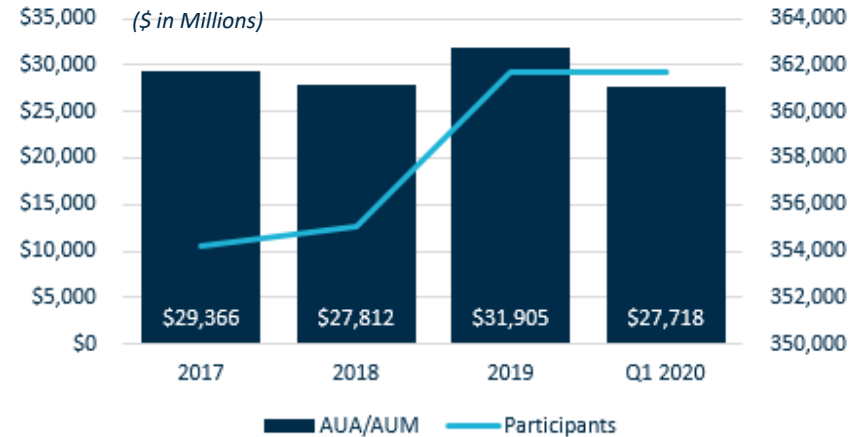
Revenue data LTM as of 3/31/2020.

RETIREMENT AND BENEFITS

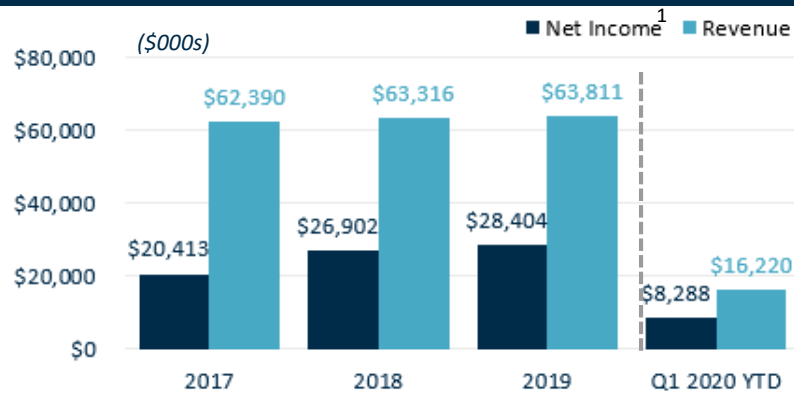
OVERVIEW OF SERVICES

- **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
- **ONE ALERUS SYNERGIES**
 - IRA rollovers
 - Deposits - HSA deposits, 401(k) Money Market Funds, Emergency Savings, Terminated Participants
 - Managed accounts

ASSETS UNDER ADMINISTRATION/MANAGEMENT



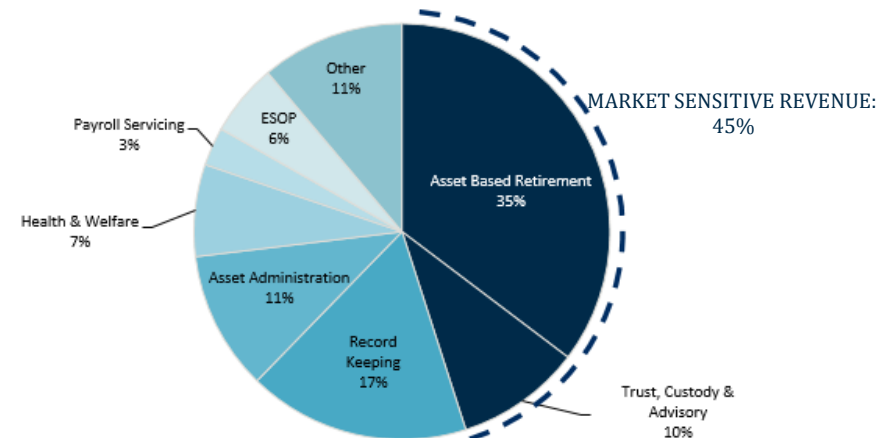
PROFIT MARGIN



Profit Margin:	2017	2018	2019	Q1 2020 YTD
	32.7%	42.5%	44.5%	51.1%

¹ Net Income before Tax and Indirect Allocations.

REVENUE MIX (Q1 2020 YTD)

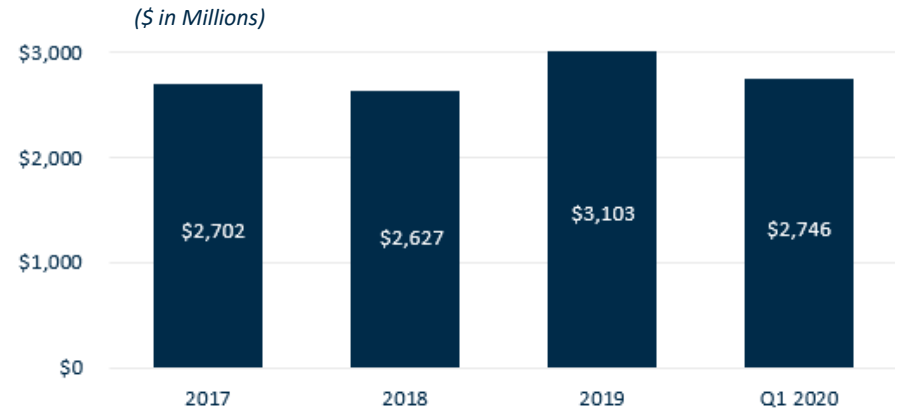


WEALTH MANAGEMENT SERVICES

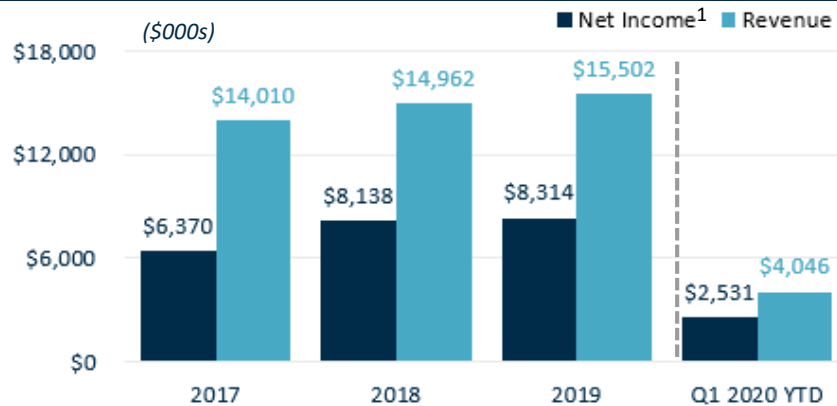
OVERVIEW OF SERVICES

- **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



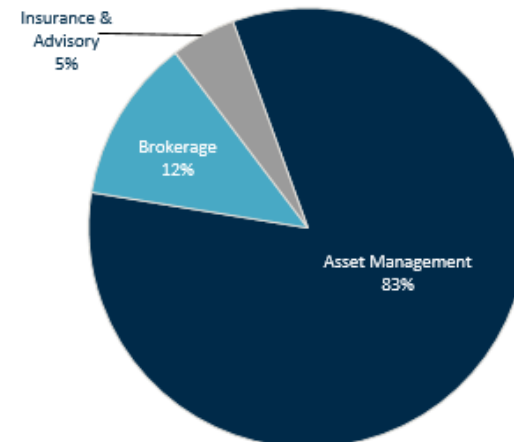
PROFIT MARGIN



Profit Margin:	45.5%	54.4%	53.6%	62.6%

¹ Net Income before Tax and Indirect Allocations.

REVENUE MIX (Q1 2020 YTD)

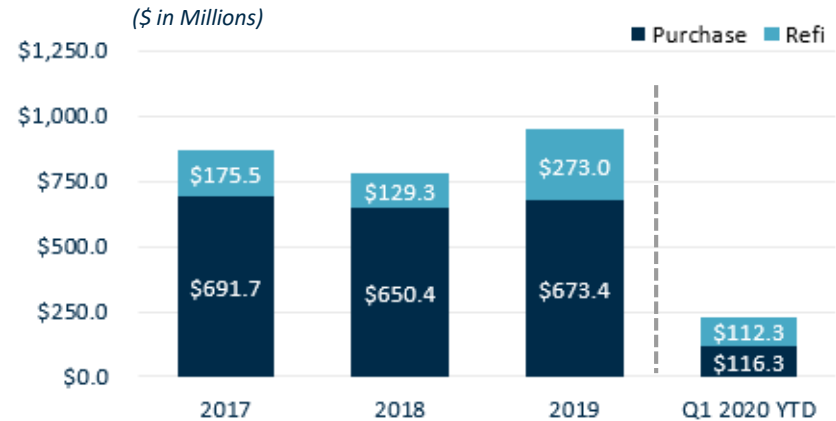


MORTGAGE BANKING

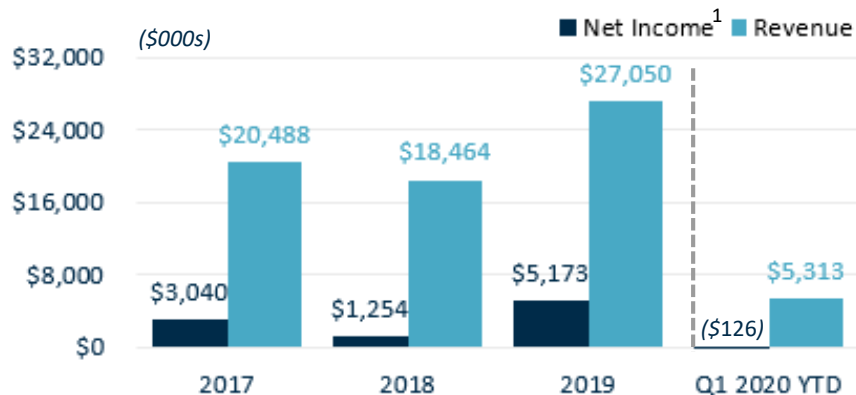
OVERVIEW OF SERVICES

- 1st and 2nd mortgage product offerings through centralized mortgage operations in Minnesota
- Our Twin Cities originators averaged \$30+ million in volume in 2019
- YTD, approximately 50% purchase originations, with approximately 90% sourced from the Twin Cities MSA
- ONE ALERUS SYNERGIES**
 - Through enhanced technology, offer digital application and transitioned to a paperless delivery in Q1 2020. Key initiatives necessary to expand mortgage products nationwide to our retirement plan participants.
 - As of March 31, 2020, originations retained on the banking division's balance sheet totaled \$448 million

MORTGAGE ORIGINATIONS



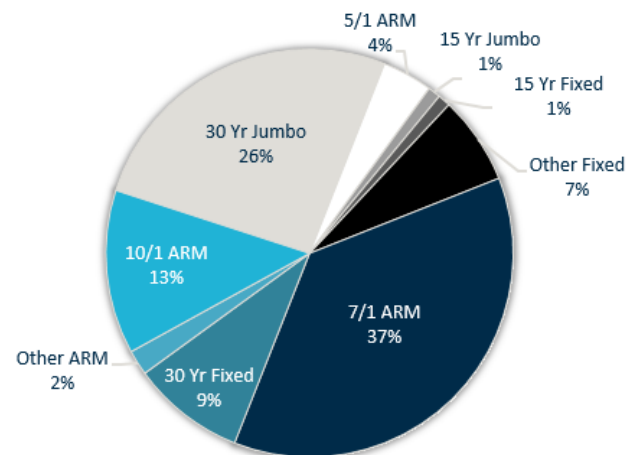
PROFIT MARGIN



Profit Margin:	2017	2018	2019	Q1 2020 YTD
	14.8%	6.8%	19.1%	(2.4%)

¹ Net Income before Tax and Indirect Allocations.

1-4 FAMILY PRODUCT MIX

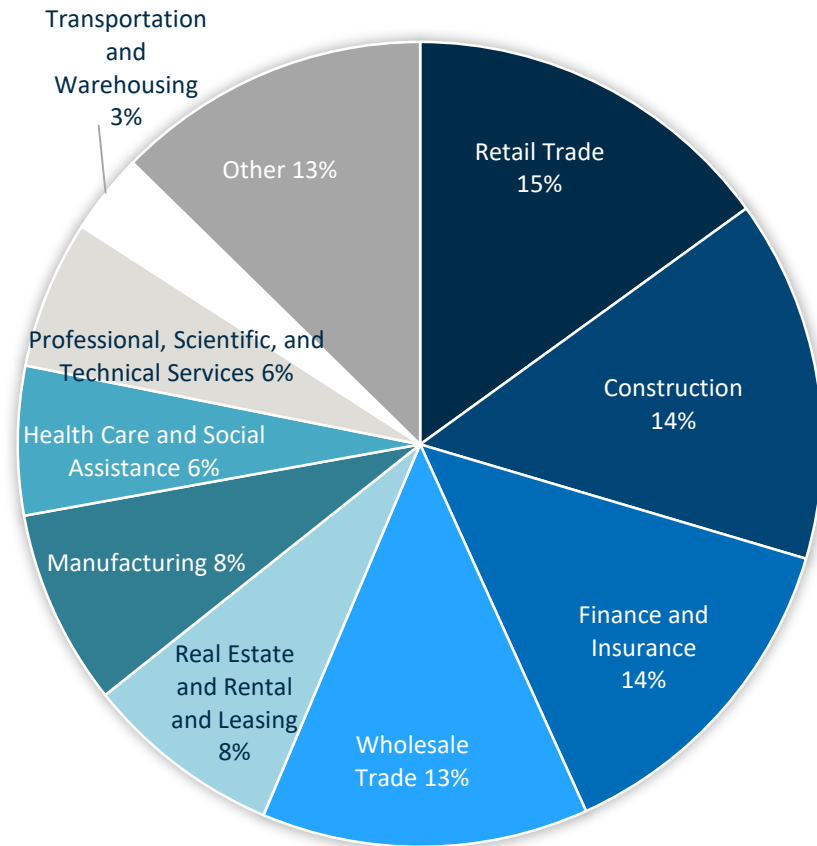


LOAN PORTFOLIO AND CREDIT QUALITY



SUMMARY BY INDUSTRY TYPE

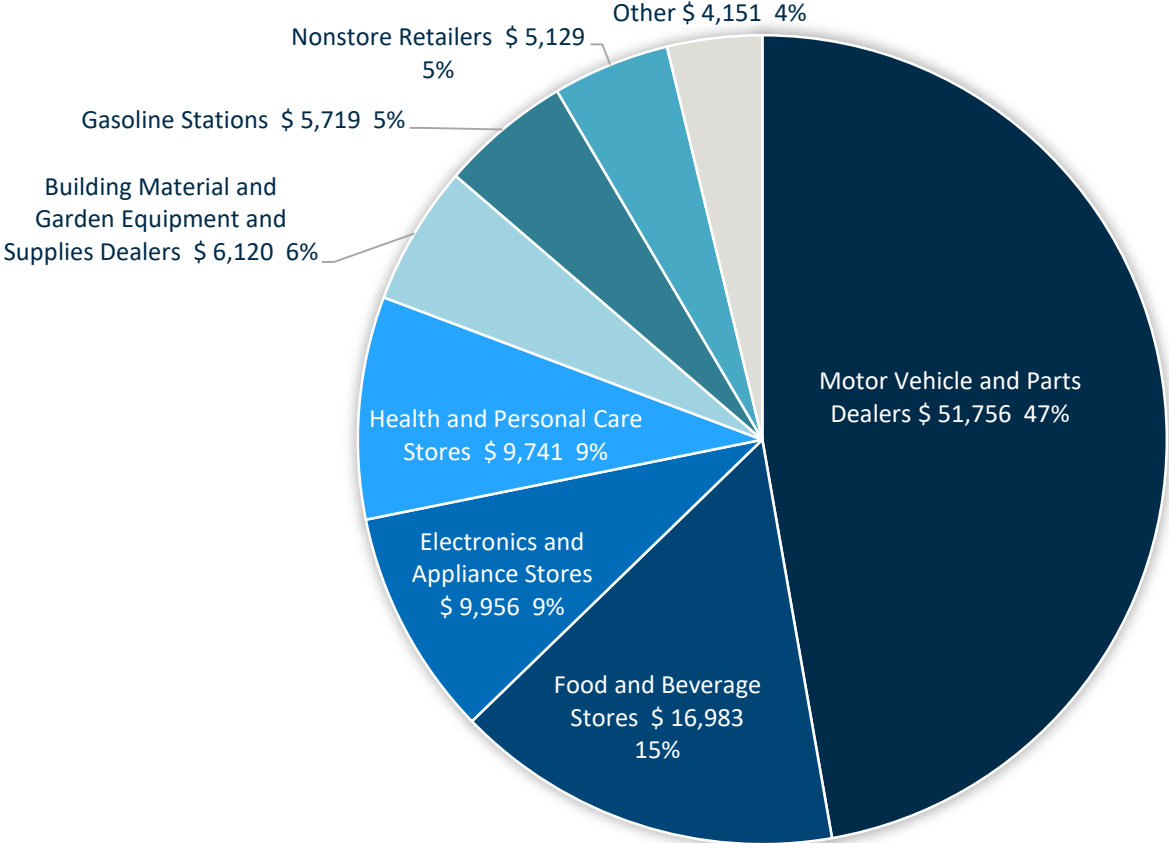
COMMERCIAL & INDUSTRIAL



Legacy - Commercial & Industrial	Commitment (\$ in 000's)
Retail Trade	\$ 109,554
Construction	106,075
Finance and Insurance	99,512
Wholesale Trade	95,683
Real Estate and Rental and Leasing	57,844
Manufacturing	57,300
Health Care and Social Assistance	43,567
Professional, Scientific, and Technical Services	43,469
Transportation and Warehousing	23,592
Other	92,263
Nonclassifiable Establishments	21,095
Management of Company and Enterprises	14,403
Administrative/Support and Waste Management/Remediation	11,620
Accommodation and Foods Services	10,379
Educational Services	9,098
Other Services (except Public Administration)	8,253
Information	4,482
Arts, Entertainment, and Recreation	4,412
Agriculture, Forestry, Fishing and Hunting	2,730
Public Administration	2,174
Blank	1,735
Mining, Quarrying, and Oil and Gas Extraction	1,152
Utilities	731

INDUSTRIES POTENTIALLY IMPACTED BY COVID-19 PANDEMIC

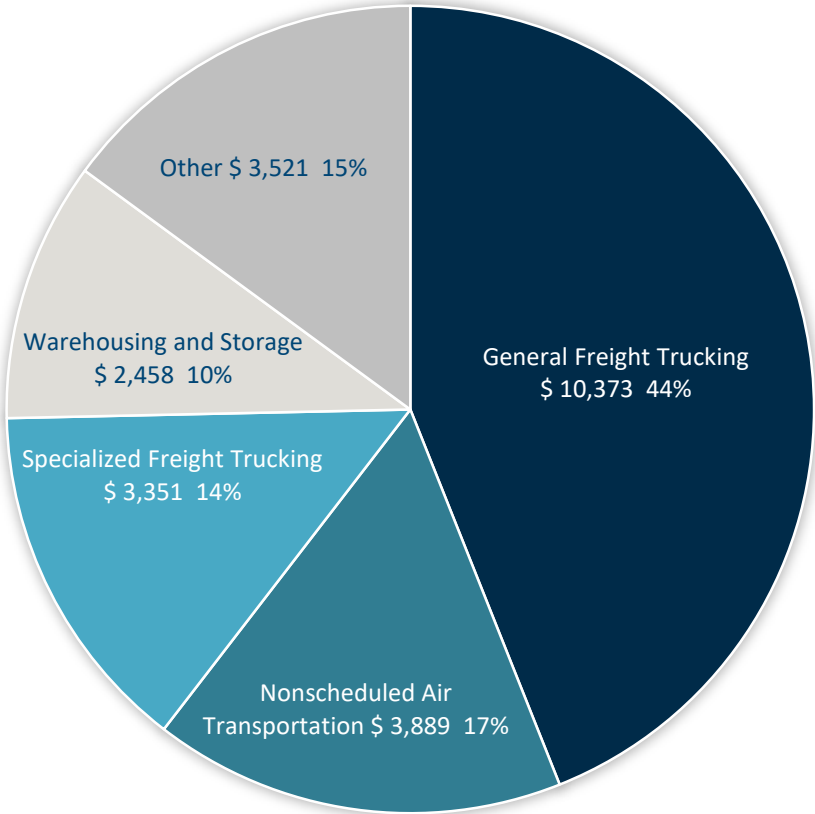
C&I SUB-INDUSTRY – RETAIL TRADE - \$110MM IN EXPOSURE



Other includes the following Sub-Industries (as defined by 3 digit NAICS code): (1) Miscellaneous Store Retailers, (2) Furniture and Home Furnishing Stores, (3) Sporting Goods, Hobby, Musical Instruments, and Book Stores, (4) Clothing and Clothing Accessories Stores, and (5) General Merchandise Stores. All sub-industries carry less than \$2MM in overall exposure.

INDUSTRIES POTENTIALLY IMPACTED BY COVID-19 PANDEMIC

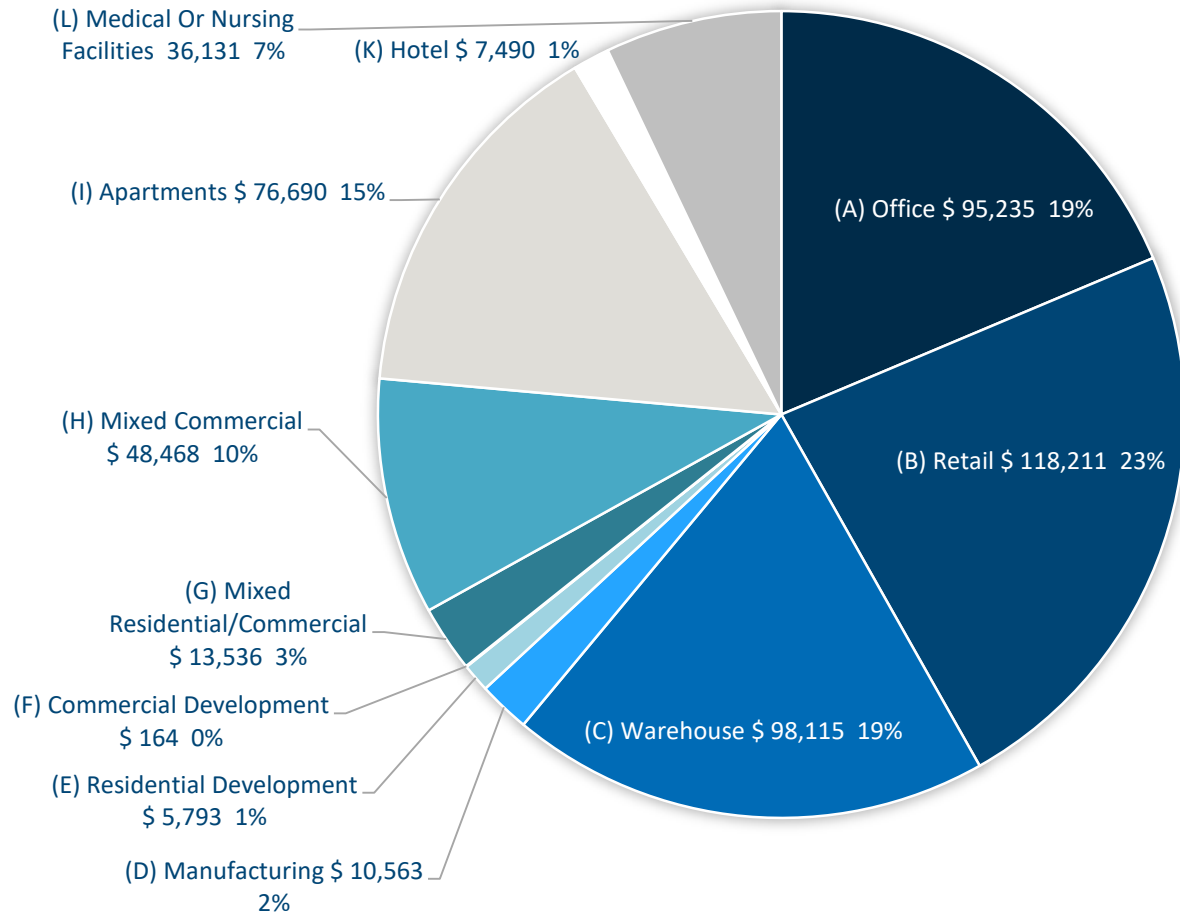
C&I SUB-INDUSTRY – TRANSPORTATION AND WAREHOUSING - \$24MM IN EXPOSURE



Other includes the following Sub-Industries (as defined by 4 digit NAICS code): (1) Support Activities for Road Transportation, (2) Rail Transportation, (3) Freight Transportation Arrangement, (4) Local Messengers and Local Delivery, and (5) Charter Bus Industry, (6) Urban Transit Systems, (7) Other Support Activities for Transportation, and (8) Inland Water Transportation. All sub-industries carry less than \$2MM in overall exposure.

COMMERCIAL REAL ESTATE

OUTSTANDING BALANCE OF \$510MM



INDUSTRIES POTENTIALLY IMPACTED BY COVID-19 PANDEMIC

HIGHER RISK SEGMENTS

C&I	<i>(\$ in 000's)</i>
Accommodation and Food Service	\$ 10,379
Arts, Entertainment and Recreation	4,412
Oil and Gas	3,250
Other Retail Trade	4,151
Total C&I Higher Risk Segments	\$ 22,192

Commercial Real Estate	<i>(\$ in 000's)</i>
Retail	\$ 118,211
Medical or Nursing Facilities	36,131
Hotel	7,490
Total Commercial Real Estate Higher Risk Segments	\$ 161,832

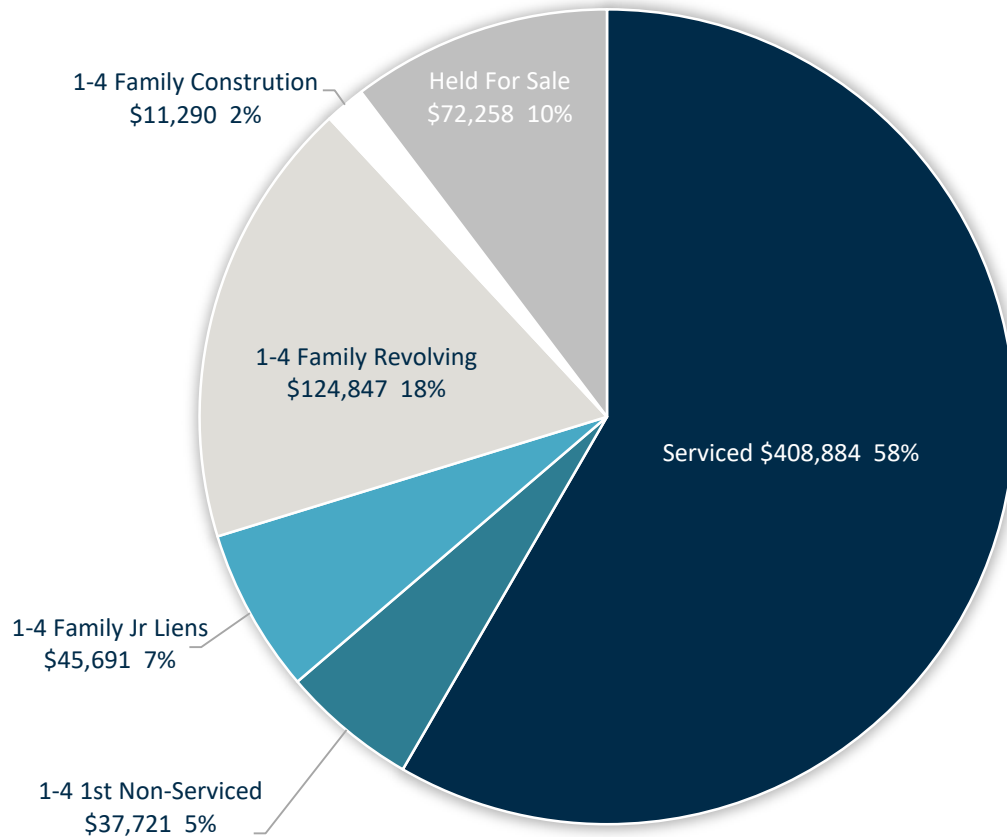
As a percentage of total loans	10.47%
---------------------------------------	---------------

- Segments selected based on the following:
 - State stay at home orders, school cancellations and temporary business closures
 - Decline in travel
 - Cancellation of events
 - Nursing home and assisted living facilities deemed at risk population

Represents industry risk. Does not represent all risk within the portfolio. Given the uncertainty related to the duration of the COVID-19 pandemic, selections are made as of 4/24/2020. Additional segments may be affected over time.

LOANS SECURED BY RESIDENTIAL REAL ESTATE

CONSUMER REAL ESTATE (\$ IN 000'S)

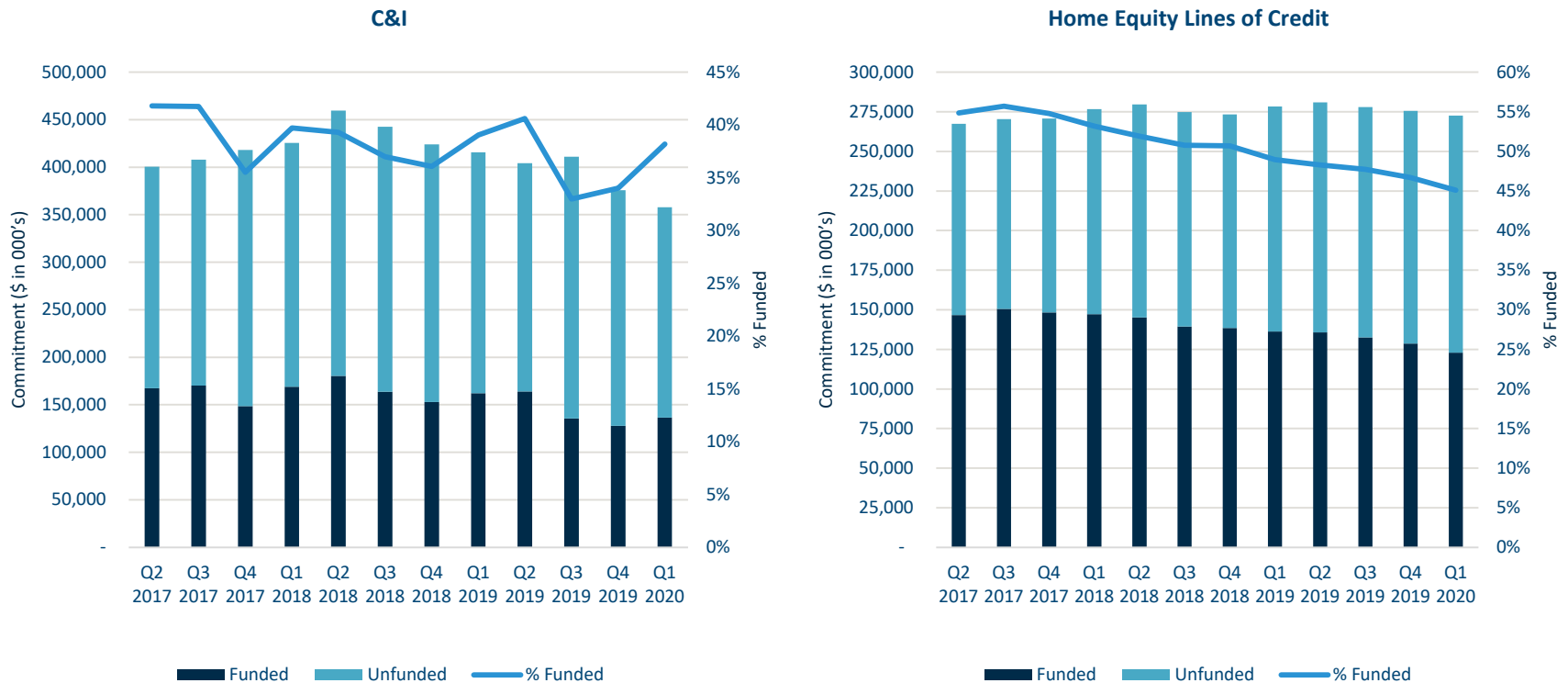


- Average LTVs
 - Serviced mortgages – 62%
 - All other 1-4 family – 70%
- Average Credit Scores
 - Serviced mortgages – 752
 - All other 1-4 family – 789

Note: LTV averages use outstanding balances as of 3/31/2020 and collateral values at time of origination. Credit bureau averages are as of time of origination.

LINE OF CREDIT UTILIZATION

C&I AND HOME EQUITY LINES OF CREDIT



- Line of credit usage for commercial borrowers consistent with typical seasonal trends through Q1 2020
- Home equity line of credit usage declined during the first quarter

ALLOWANCE FOR LOAN LOSSES

CHANGES IN THE ALL BY PORTFOLIO SEGMENT

<i>(dollars in thousands)</i>	Three months ended March 31, 2020				
	Beginning Balance	Provision for Loan Losses	Loan Charge-offs	Loan Recoveries	Ending Balance
Commercial					
Commercial and industrial	\$ 12,270	\$ 70	\$ (32)	\$ 593	\$ 12,901
Real estate construction	303	31	—	—	334
Commercial real estate	6,688	1,588	—	—	8,276
Total commercial	19,261	1,689	(32)	593	21,511
Consumer					
Residential real estate first mortgage	1,448	761	—	—	2,209
Residential real estate junior lien	671	317	—	37	1,025
Other revolving and installment	352	92	(67)	64	441
Total consumer	2,471	1,170	(67)	101	3,675
Unallocated	2,192	(359)	—	—	1,833
Total	\$ 23,924	\$ 2,500	\$ (99)	\$ 694	\$ 27,019

ALLOWANCE FOR LOAN LOSSES

ALLOCATION BY PORTFOLIO SEGMENT

<i>(dollars in thousands)</i>	March 31, 2020		December 31, 2019	
	Allocated Allowance	Percentage of loans to total loans	Allocated Allowance	Percentage of loans to total loans
Commercial and industrial	\$ 12,901	28.7%	\$ 12,270	27.8%
Real estate construction	334	1.4%	303	1.5%
Commercial real estate	8,276	29.7%	6,688	28.8%
Residential real estate first mortgage	2,209	26.0%	1,448	26.6%
Residential real estate junior lien	1,025	9.7%	671	10.3%
Other revolving and installment	441	4.5%	352	5.0%
Unallocated	1,833	—%	2,192	—%
Total loans	<u>\$ 27,019</u>	<u>100.0%</u>	<u>\$ 23,924</u>	<u>100.00%</u>

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	\$ 1,689,229	\$ 1,685,730	\$ 16,821	1.00%	1.00%
Special Mention	18,265	18,253	687	3.76%	3.76%
Substandard	42,841	41,118	4,612	11.22%	11.03%
Total Loans Evaluated Collectively	1,750,335	1,745,101	22,120	1.27%	1.26%
Total Loans Evaluated Individually	7,942	7,581	3,066	40.44%	38.60%
Unallocated	–	–	1,833		
Total	\$ 1,758,277	\$ 1,752,682	\$ 27,019	1.54%	1.54%

As of 3/31/2020.

APPENDIX



COMPANY PROFILE

COMPANY PORTFOLIO

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.

DIVERSIFIED FINANCIAL SERVICES COMPANY

- \$2.5 billion banking assets
- \$27.7 billion Retirement and benefits AUA/AUM
- \$2.7 billion Wealth Management AUA/AUM

ALERUS BUSINESS LINES

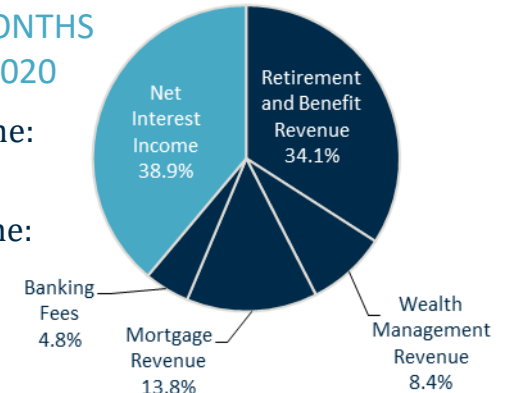
- Banking
- Retirement and Benefits
- Wealth Management
- Mortgage

Data as of 3/31/2020.

DIVERSIFIED REVENUE STREAM

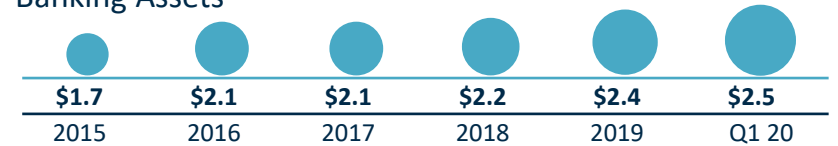
FOR THE TWELVE MONTHS ENDED MARCH 31, 2020

- Noninterest income: \$116.3 million
- Net interest income: \$74.3 million

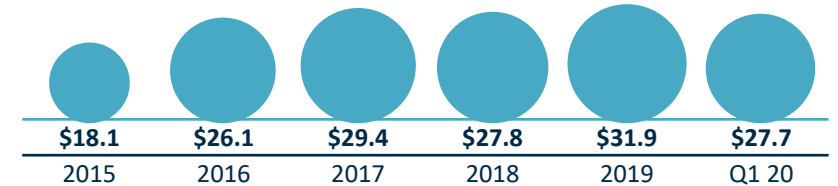


ASSET GROWTH (IN BILLIONS)

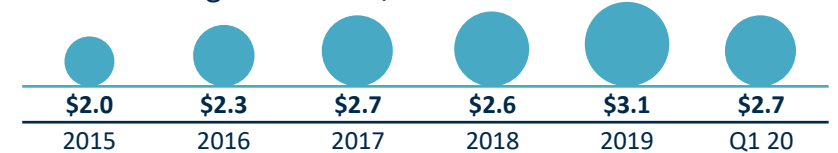
Banking Assets



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

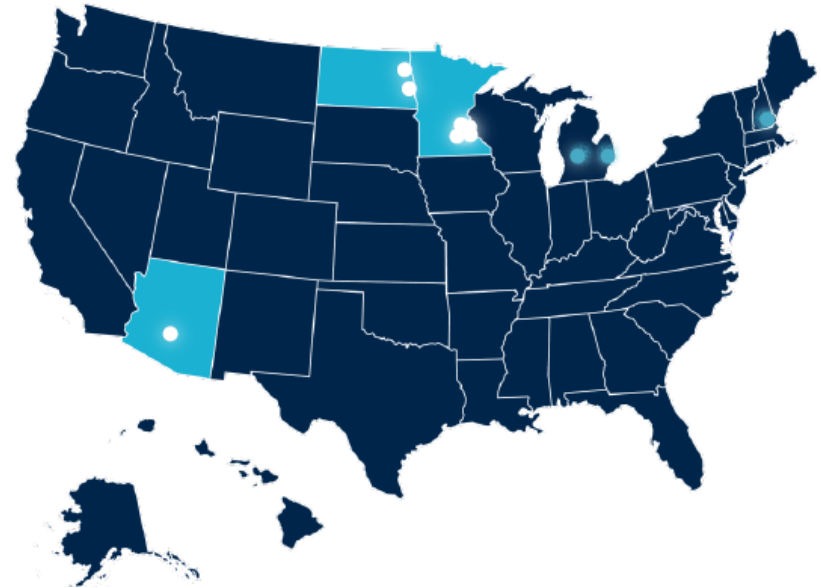
- 6 full-service banking offices
- 1 mortgage office
- 1 deposit and loan production office

Phoenix, AZ

- 2 full-service banking offices

RETIREMENT AND BENEFITS SERVICES OFFICES

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



DIVERSIFIED CLIENT BASE

- 48,600 consumers
- 10,300 businesses
- 6,900 employer-sponsored retirement plans
- 361,600 employer-sponsored retirement plan participants
- 49,700 health savings account participants
- 21,800 flexible spending account/health reimbursement arrangement participants

Data as of 3/31/2020.

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 which will allow us to effectively integrate our various departments and business lines

We believe these initiatives will reduce the amount of technology expenditures needed in the future

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

Through our four divisions, we are able to offer a comprehensive service package to our clients

REINVENTION OF PROCESSES

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

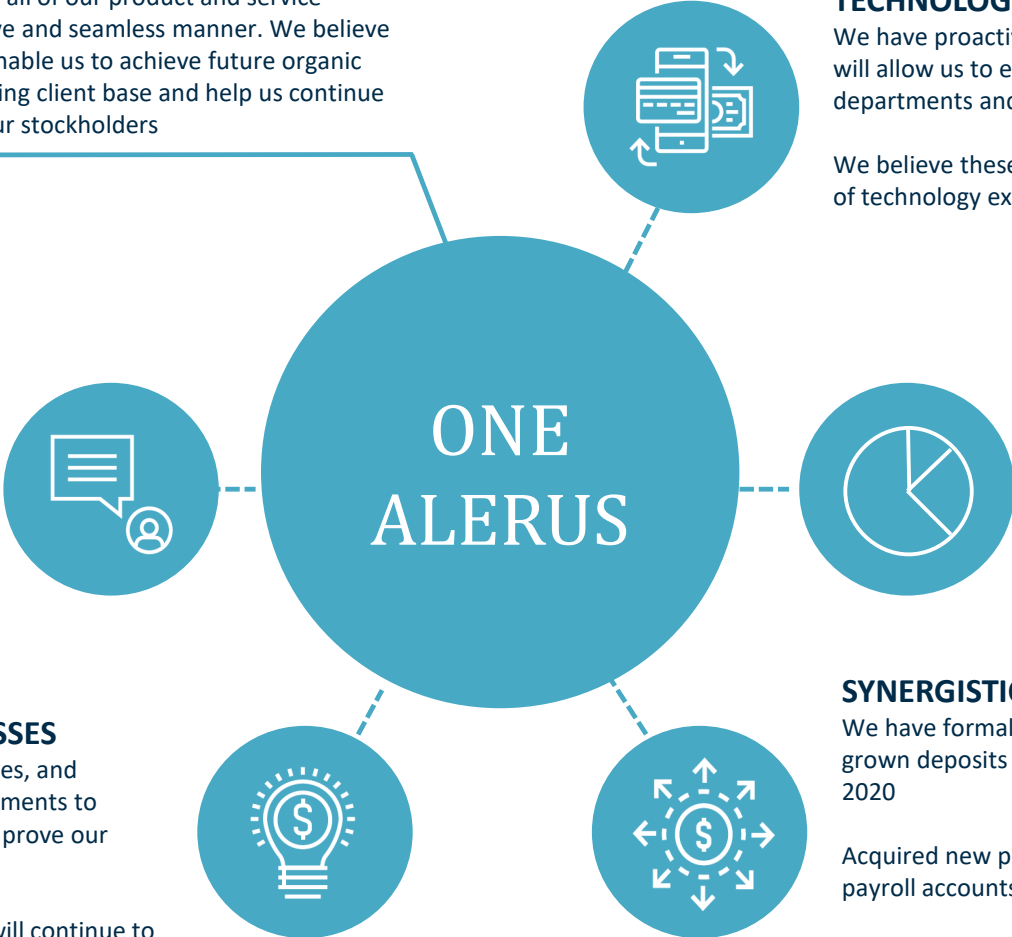
Our expectation is this initiative will continue to improve our scalability and operating costs

SYNERGISTIC GROWTH

We have formalized our National Market which has grown deposits to \$368 million as of March 31, 2020

Acquired new product lines including HSA and payroll accounts

We expect the 401(k) money market accounts to continue to grow and reduce funding costs



THE PATH TO FINANCIAL CONFIDENCE

IMPROVING CLIENTS' FINANCIAL WELLBEING THROUGH PEOPLE + TECHNOLOGY

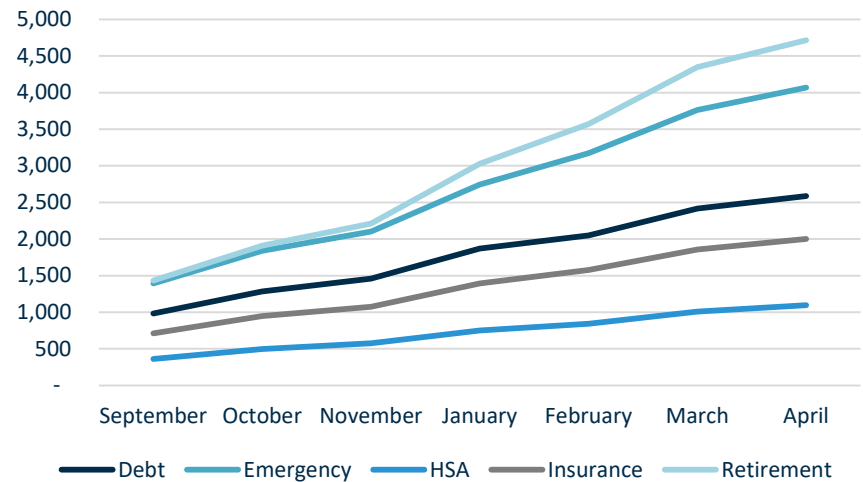
SKILLED ADVISORS AND FINANCIAL GUIDES

- 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 expectations driven by advice and guidance versus transactions

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 **48,600** consumers, **10,300** businesses and over **361,600** 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 fee income** companies with **complementary** business models, cultural similarities, 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 diversifying our composition of revenue

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
3 years with Alerus



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



RYAN GOLDBERG
Executive Vice President and
Chief Revenue Officer
Joined Alerus in 2020



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



RANDY NEWMAN
Chairman, President, and
Chief Executive Officer
39 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

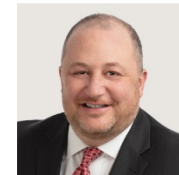
BOARD OF DIRECTORS



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



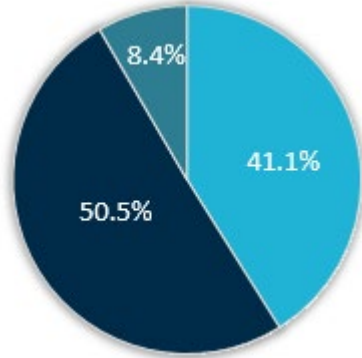
MICHAEL MATHEWS
Since 2019
CIO, Deluxe Corporation
Former SVP – Technology and Enterprise
Programs, UnitedHealth Group
Minneapolis, MN

MARKET DISTRIBUTION

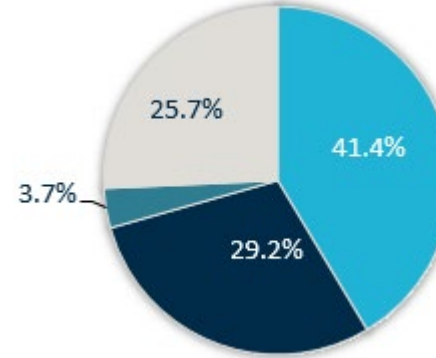
STRONG GROWTH MARKETS AND STABLE CORE FUNDING

(\$ IN MILLIONS)

LOANS (\$1,758)



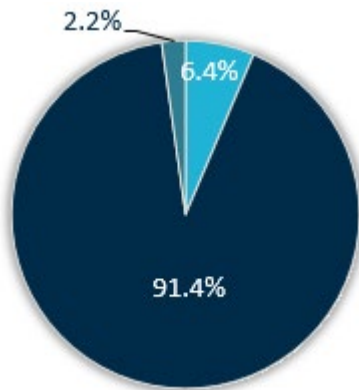
DEPOSITS (\$1,753)



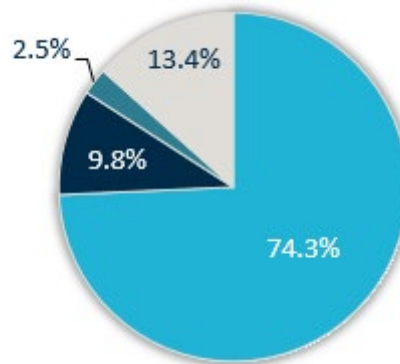
LEGEND

- North Dakota
- Minnesota
- Arizona
- National

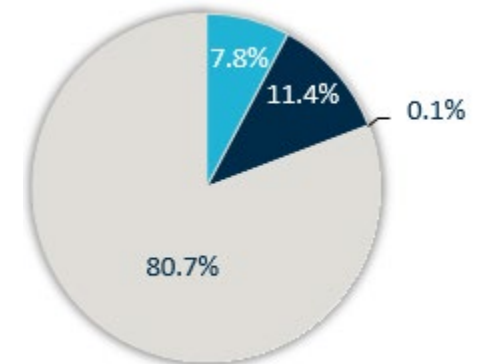
MORTGAGE ORIGINATIONS (\$228.6)



WM ASSETS UNDER ADMIN/MGMT. (\$2,746)



ARB ASSETS UNDER ADMIN/MGMT. (\$27,718)



Data as of 3/31/2020.

FINANCIAL HIGHLIGHTS

<i>((\$000s, except where otherwise noted)</i>	Annual				'16-'19	Year-to-date	
	2016	2017	2018	2019	CAGR	Q1 2019	Q1 2020
Total Assets	\$ 2,050,045	\$ 2,136,081	\$ 2,179,070	\$ 2,356,878	4.8%	\$ 2,213,758	\$ 2,512,078
Total Loans	1,366,952	1,574,474	1,701,850	1,721,279	8.0%	1,713,792	1,758,277
Total Deposits	1,785,209	1,834,962	1,775,096	1,971,316	3.4%	1,882,270	2,121,514
Tangible Common Equity ¹	108,193	125,154	147,152	240,008	30.4%	155,198	248,878
Net Income	\$ 14,036	\$ 15,001	\$ 25,866	\$ 29,540		\$ 6,436	\$ 5,363
ROAA (%)	0.72	0.75	1.21	1.34		1.20	0.89
ROATCE (%)	15.81	18.04	21.02	17.46		18.99	9.76
Net Interest Margin (FTE) (%) ¹	3.63	3.74	3.84	3.65		3.86	3.35
Efficiency Ratio (FTE) (%) ¹	81.12	75.36	73.80	73.22		73.30	77.47
Non-Int. Income / Op. Rev. (%)	62.54	60.36	57.73	60.50		18.99	9.76
Total Equity / Total Assets (%)	8.21	8.41	9.04	12.12		9.21	11.69
Tang. Cmn. Equity / Tang. Assets (%) ¹	5.44	6.01	6.91	10.38		7.17	10.09
Loans / Deposits (%)	76.57	85.80	95.87	87.32		91.05	82.88
NPLs / Loans (%)	0.56	0.37	0.41	0.45		0.48	0.40
NPAs / Assets (%)	0.47	0.30	0.33	0.33		0.38	0.29
Allowance / NPLs (%)	205.03	282.04	318.45	305.66		273.84	387.65
Allowance / Loans (%)	1.14	1.05	1.30	1.39		1.32	1.54
NCOs / Average Loans (%)	0.16	0.16	0.18	0.33		0.41	(0.14)

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

NON-GAAP DISCLOSURE RECONCILIATION

	Annual				Year-to-date	
	2016	2017	2018	2019	Q1 2019	Q1 2020
<i>(All amounts, except where otherwise noted, are in thousands)</i>						
Tangible common equity to tangible assets						
Total common stockholders' equity	\$ 168,251	\$ 179,594	\$ 196,954	\$ 285,728	\$ 203,949	\$ 293,608
Less: Goodwill	27,329	27,329	27,329	27,329	27,329	27,329
Less: Other intangible assets	32,729	27,111	22,473	18,391	21,422	17,401
Tangible common equity (a)	108,193	125,154	147,152	240,008	155,198	248,878
Total assets	2,050,045	2,136,081	2,179,070	2,356,878	2,213,758	2,512,078
Less: Goodwill	27,329	27,329	27,329	27,329	27,329	27,329
Less: Other intangible assets	32,729	27,111	22,473	18,391	21,422	17,401
Tangible assets (b)	1,989,987	2,081,641	2,129,268	2,311,158	2,165,007	2,467,348
Tangible common equity to tangible assets (a)/(b)	5.44%	6.01%	6.91%	10.38%	7.17%	10.09%
Tangible common equity per common share						
Total stockholders' equity	\$ 168,251	\$ 179,594	\$ 196,954	\$ 285,728	\$ 203,949	\$ 293,608
Less: Goodwill	27,329	27,329	27,329	27,329	27,329	27,329
Less: Other intangible assets	32,729	27,111	22,473	18,391	21,422	17,401
Tangible common equity (c)	108,193	125,154	147,152	240,008	155,198	248,878
Common shares outstanding (d)	13,534	13,699	13,775	17,050	13,801	17,106
Tangible common equity per common share (c)/(d)	\$ 7.99	\$ 9.14	\$ 10.68	\$ 14.08	\$ 11.25	\$ 14.55
Return on average tangible common equity						
Net income	\$ 14,036	\$ 15,001	\$ 25,866	\$ 29,540	\$ 6,436	\$ 5,363
Less: Preferred stock dividends	25	-	-	-	-	-
Add: Intangible amortization expense (net of tax)	4,553	3,655	3,664	3,224	830	782
Remeasurement due to tax reform	-	4,818	-	-	-	-
Net income, excluding intangible amortization (e)	18,564	23,474	29,530	32,764	7,266	6,145
Average total equity	168,039	176,779	187,341	231,084	199,854	294,727
Less: Average preferred stock	2,514	-	-	-	-	-
Less: Average goodwill	25,698	27,329	27,329	27,329	27,329	27,329
Less: Average other intangible assets (net of tax)	22,372	19,358	19,522	16,101	17,329	14,128
Average tangible common equity (f)	117,455	130,092	140,490	187,654	155,196	253,270
Return on average tangible common equity (e)/(f)	15.81%	18.04%	21.02%	17.46%	18.99%	9.76%
Net interest margin (tax equivalent)						
Net interest income	\$ 62,940	\$ 67,670	\$ 75,224	\$ 74,551	\$ 19,120	\$ 18,837
Tax equivalent adjustment	599	865	462	347	92	100
Tax equivalent net interest income (g)	63,539	68,535	75,686	74,898	19,212	18,937
Average earning assets (h)	1,750,104	1,833,002	1,970,004	2,052,758	2,019,666	2,271,004
Net interest margin (tax equivalent) (g)/(h)	3.63%	3.74%	3.84%	3.65%	3.86%	3.35%
Efficiency Ratio						
Noninterest expense	\$ 143,792	\$ 134,920	\$ 136,325	\$ 142,537	\$ 33,514	\$ 36,726
Less: Intangible amortization expense	7,005	5,623	4,638	4,081	1,051	990
Adjusted noninterest expense (i)	136,787	129,297	131,687	138,456	32,463	35,736
Net interest income	62,940	67,670	75,224	74,551	19,120	18,837
Noninterest income	105,089	103,045	102,749	114,194	25,074	27,189
Tax equivalent adjustment	599	865	462	347	92	100
Total tax equivalent revenue (j)	168,628	171,580	178,435	189,092	44,286	46,126
Efficiency ratio (i)/(j)	81.12%	75.36%	73.80%	73.22%	73.30%	77.47%