

Alerus



AS OF SEPTEMBER 30, 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
- \$27.3 billion assets under administration
- \$671 million year-to-date mortgage originations

ALERUS BUSINESS LINES

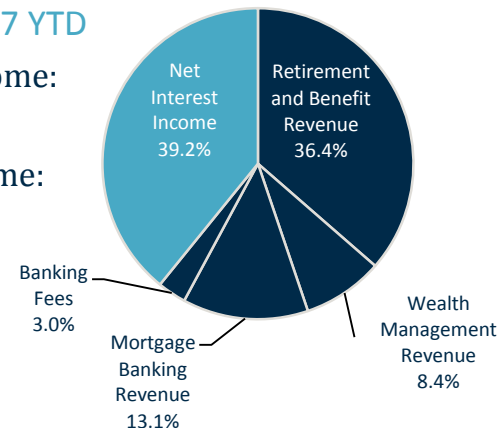
- Banking
- Mortgage
- Retirement and Benefits
- Wealth Management

Data as of 9/30/2017.

DIVERSIFIED REVENUE STREAM

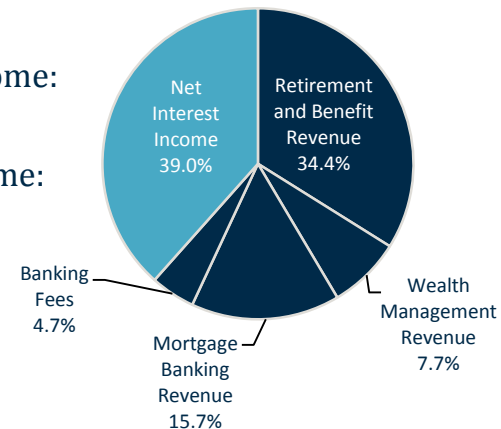
SEPTEMBER 30, 2017 YTD

- Non-interest income: \$77.5 million
- Net interest income: \$49.9 million



FULL YEAR 2016

- Non-interest income: \$105.2 million
- Net interest income: \$62.8 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

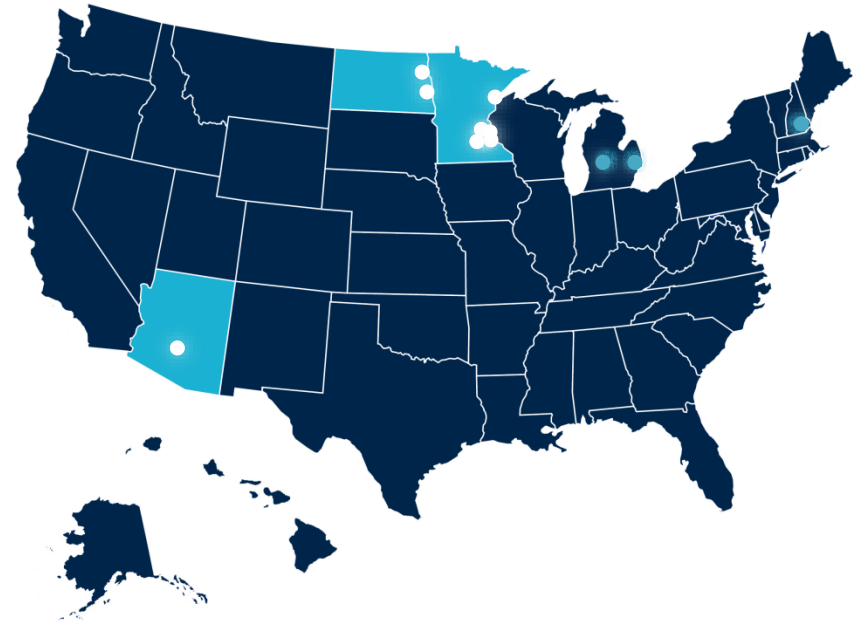
- 6 full-service banking and wealth management offices
- 2 residential mortgage offices

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

- 49,958 individual customers
- 11,385 businesses
- 6,502 employer-sponsored retirement plans
- 355,984 employer-sponsored retirement plan participants

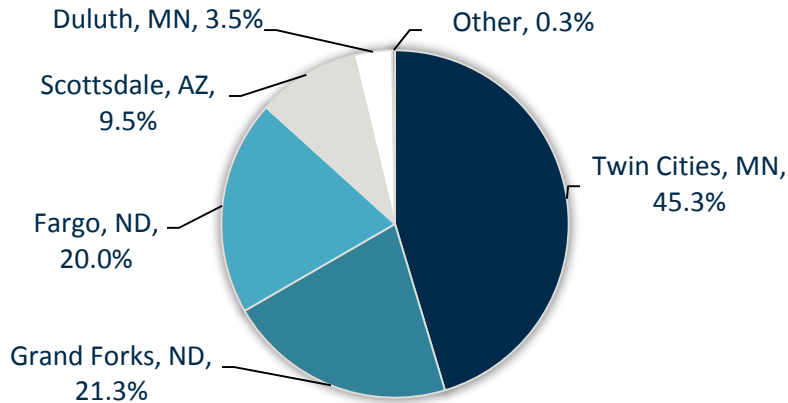
Data as of 9/30/2017.

MARKET DISTRIBUTION

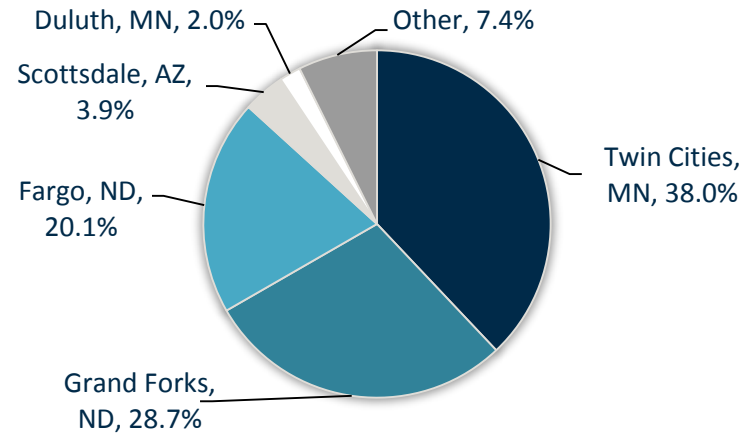
BANKING :: MORTGAGE :: RETIREMENT :: WEALTH MANAGEMENT

(IN MILLIONS)

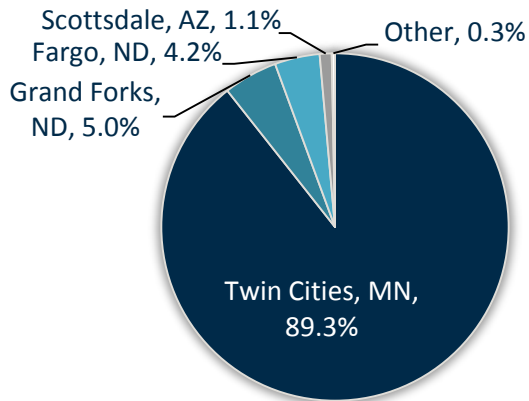
LOANS* (\$1,554)



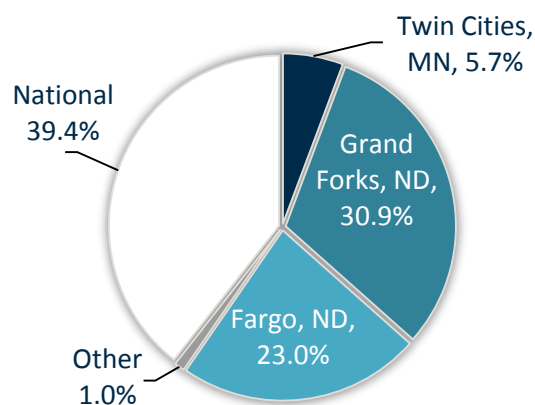
DEPOSITS (\$1,600)



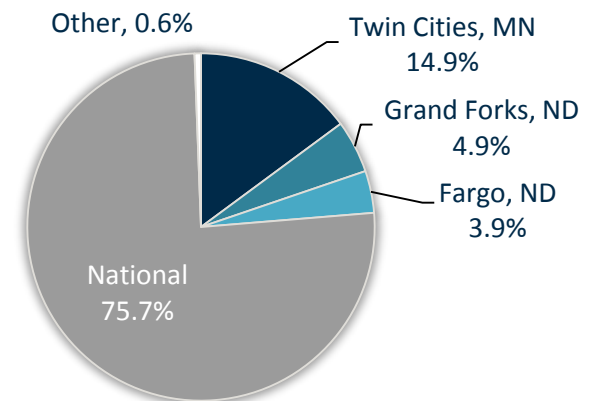
MORTGAGE (\$671)



WEALTH MANAGEMENT (\$3.8)



RETIREMENT (\$27,306)



* Excludes loans held for sale. Data as of 9/30/2017.

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.

STOCKHOLDER RETURNS

WE'RE HERE FOR THE LONG TERM

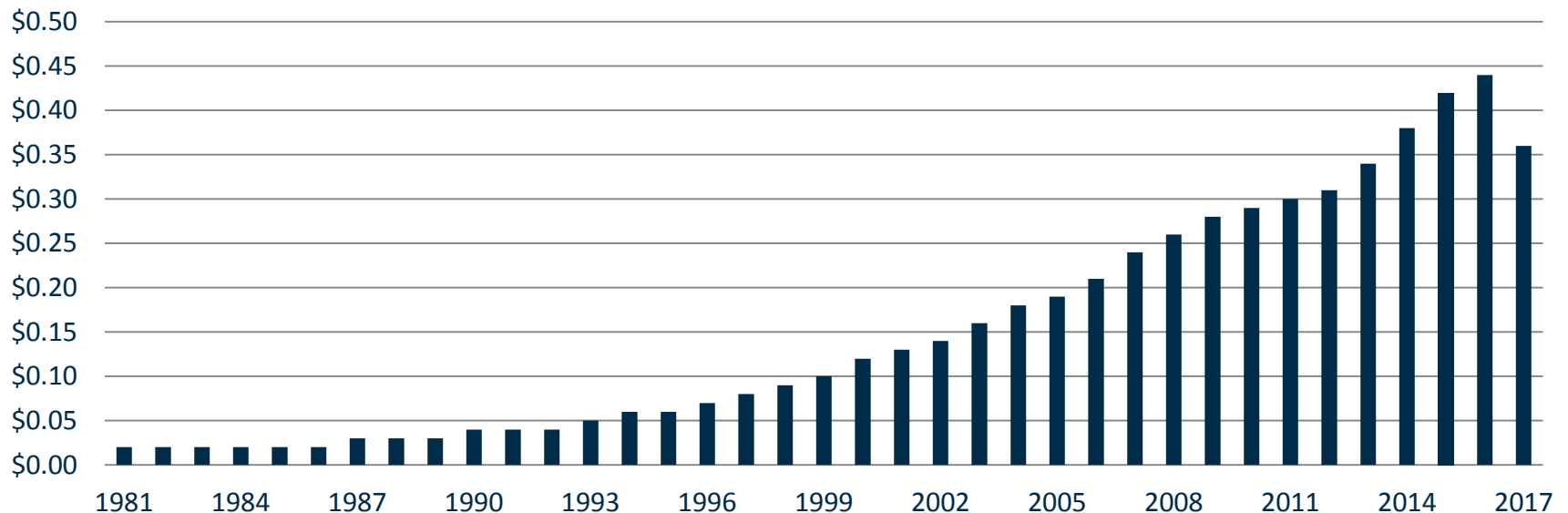
DIVIDENDS (SINCE 1980)

Dividend Payout Ratio	29.9%
Dividend Increase per Year	8.97%

TOTAL RETURN

YTD Return through 9/30/17	22.24%
5-Year Return through 9/30/17	131.87%
10-Year Return through 9/30/17	149.94%

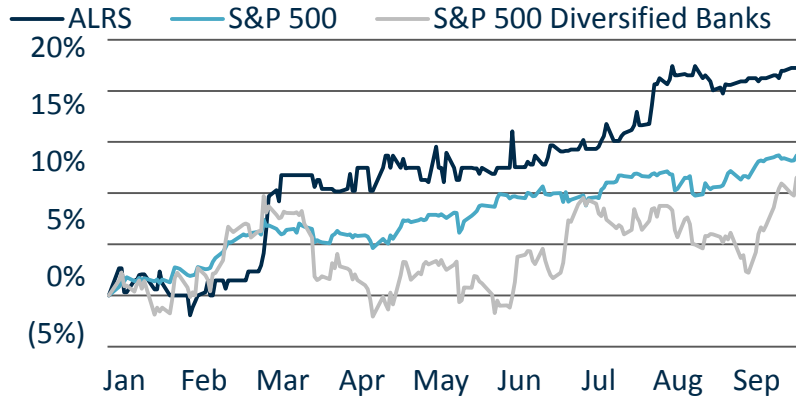
HISTORY OF CONTINUOUS DIVIDENDS



Data as of 9/30/2017. Source: Alerus Financial Corporation and SNL Financial.

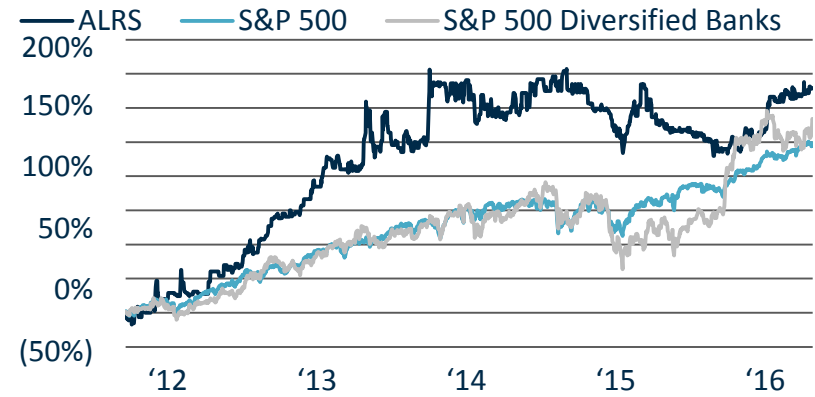
HISTORICAL STOCK PERFORMANCE

YTD TOTAL RETURN THROUGH 9.30.17



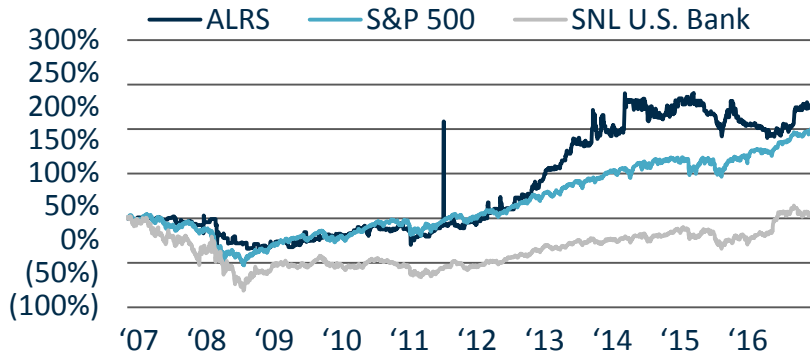
Total Return: ALRS = 22% | S&P 500 = 14% | S&P 500 Div. Banks = 12%

5-YEAR TOTAL RETURN



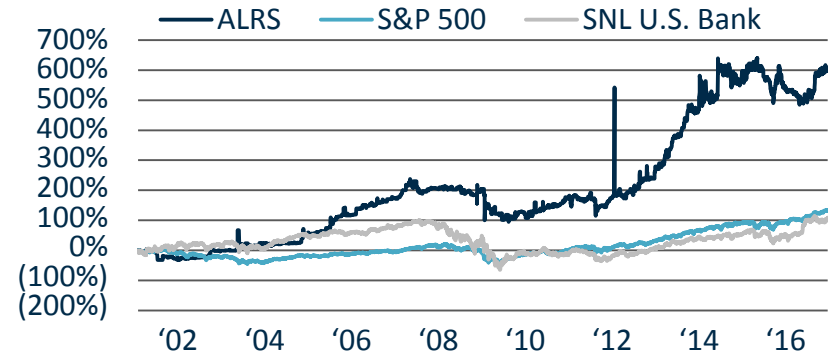
Total Return: ALRS = 132% | S&P 500 = 98% | S&P 500 Div. Banks = 113%

10-YEAR TOTAL RETURN



Total Return: ALRS = 130% | S&P 500 = 100% | SNL US Bank = 10%

TOTAL RETURN SINCE 2000



Total Return: ALRS = 606% | S&P 500 = 131% | SNL US Bank = 108%

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)

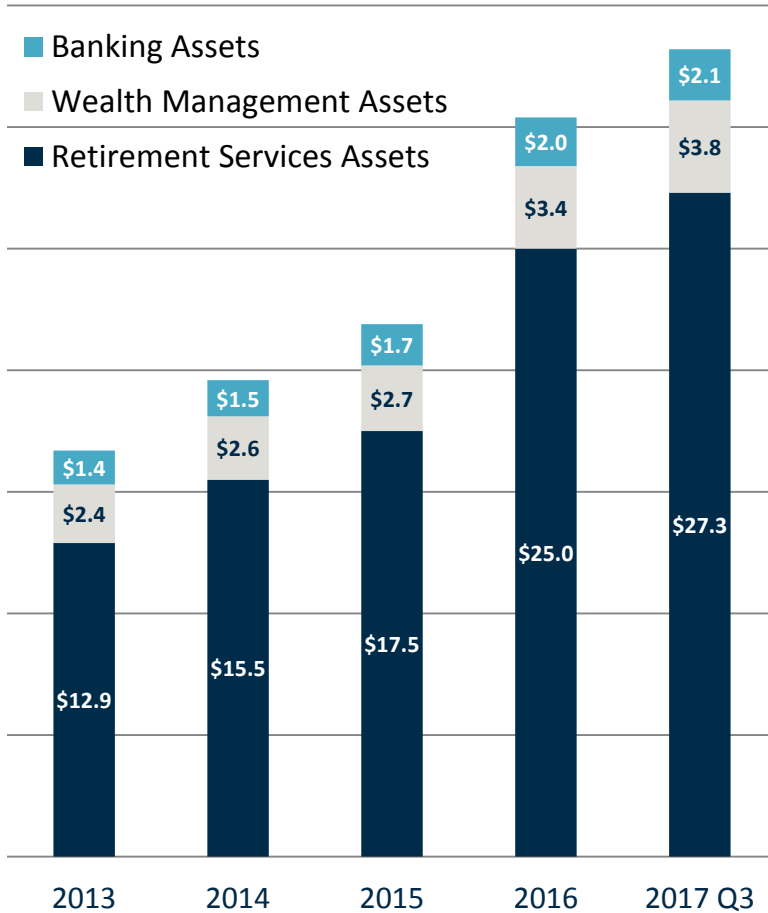
	2017 YTD	2016	2015	2014	2013
Total Assets	\$ 2,065,210	\$ 2,050,579	\$ 1,744,863	\$ 1,487,732	\$ 1,381,727
Total Gross Loans	\$ 1,588,160	\$ 1,402,015	\$ 1,175,563	\$ 1,130,500	\$ 944,818
Total Deposits	\$ 1,599,939	\$ 1,785,209	\$ 1,458,021	\$ 1,262,168	\$ 1,182,603
Stockholder's Equity	\$ 182,140	\$ 168,785	\$ 182,821	\$ 171,086	\$ 153,311
Total Revenue*	\$ 127,322	\$ 168,021	\$ 146,125	\$ 129,484	\$ 126,067
Net Income	\$ 14,466	\$ 14,031	\$ 17,108	\$ 20,770	\$ 20,537
Net Interest Margin	3.73%	3.63%	3.81%	3.97%	3.94%
Assets under Management	\$ 3,845,266	\$ 3,380,000	\$ 2,735,000	\$ 2,583,000	\$ 2,424,000
Assets under Administration	\$ 27,306,874	\$ 25,028,000	\$ 17,500,000	\$ 15,500,000	\$ 12,900,000
Mortgage Originations	\$ 670,811	\$ 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.

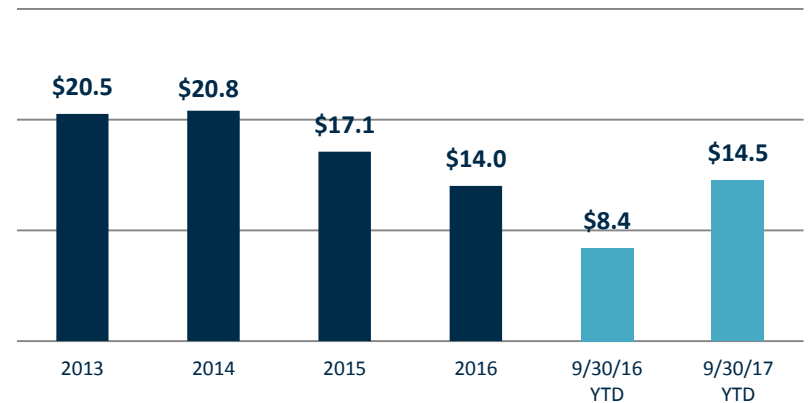
ALERUS PERFORMANCE SUMMARY

SENSIBLE AND STRATEGIC GROWTH

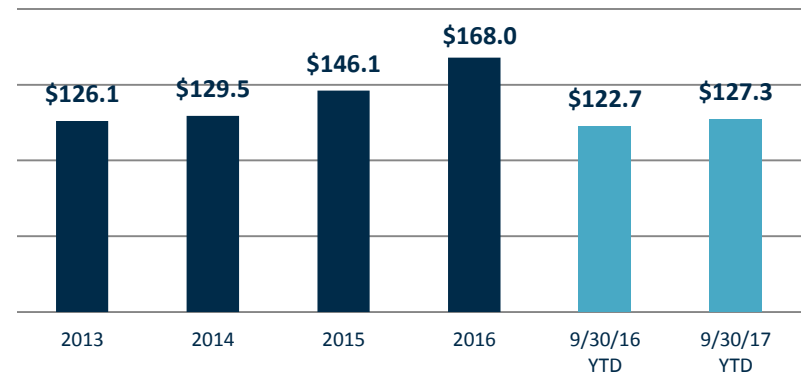
ASSET GROWTH (\$B)



NET INCOME (\$MM)



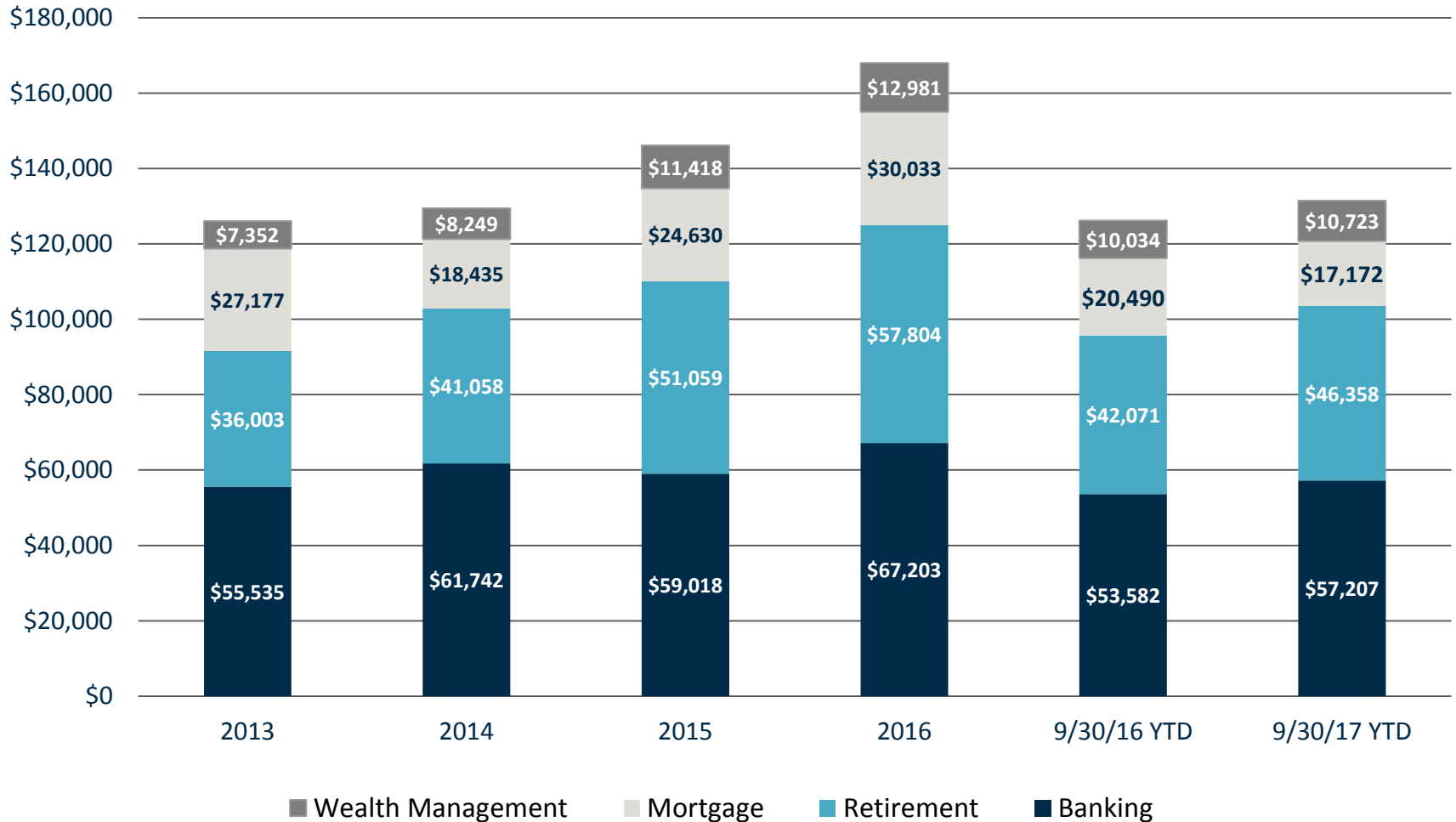
TOTAL COMPANY REVENUE (\$MM)



REVENUE BY BUSINESS

CORE BUSINESS LINES

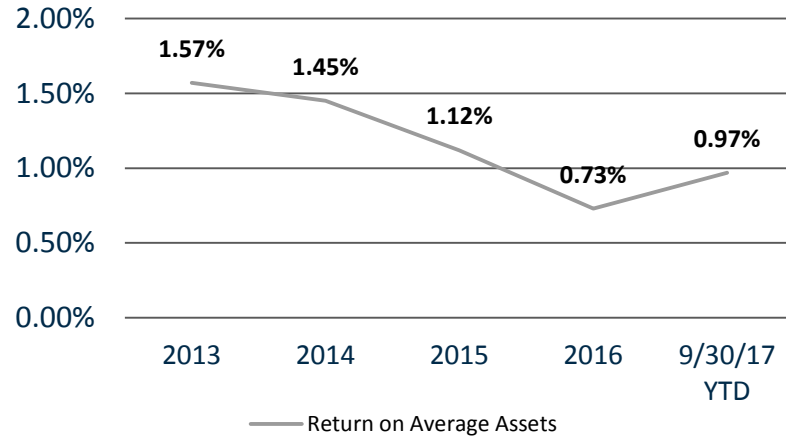
(\$ IN THOUSANDS)



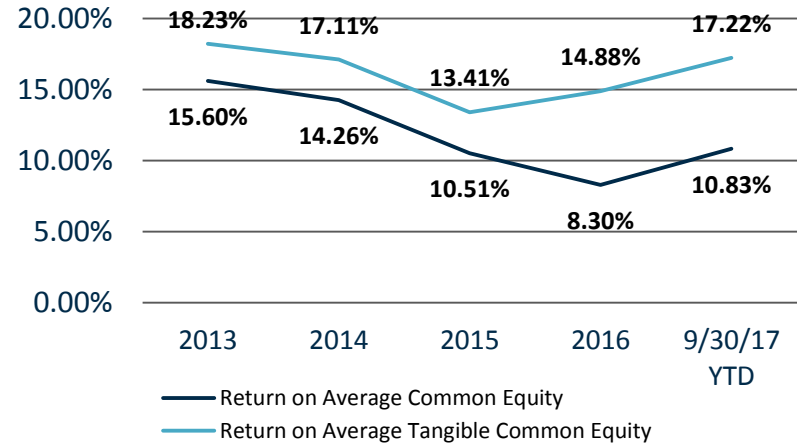
Revenue excludes holding company interest expense associated with subordinated and trust preferred debt.

PROFITABILITY

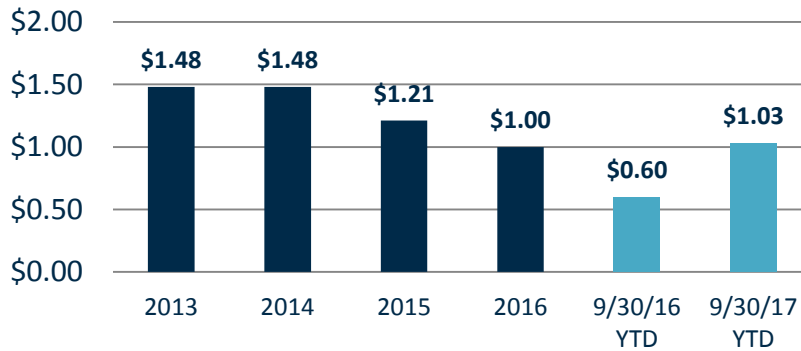
ROAA



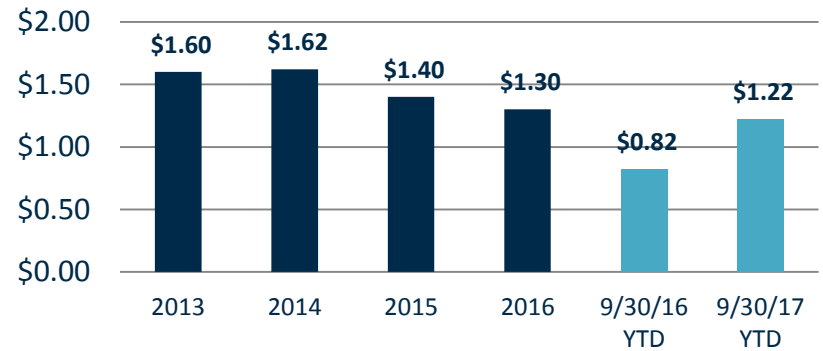
ROACE AND ROATCE



EARNINGS PER SHARE



CASH EARNINGS PER SHARE*

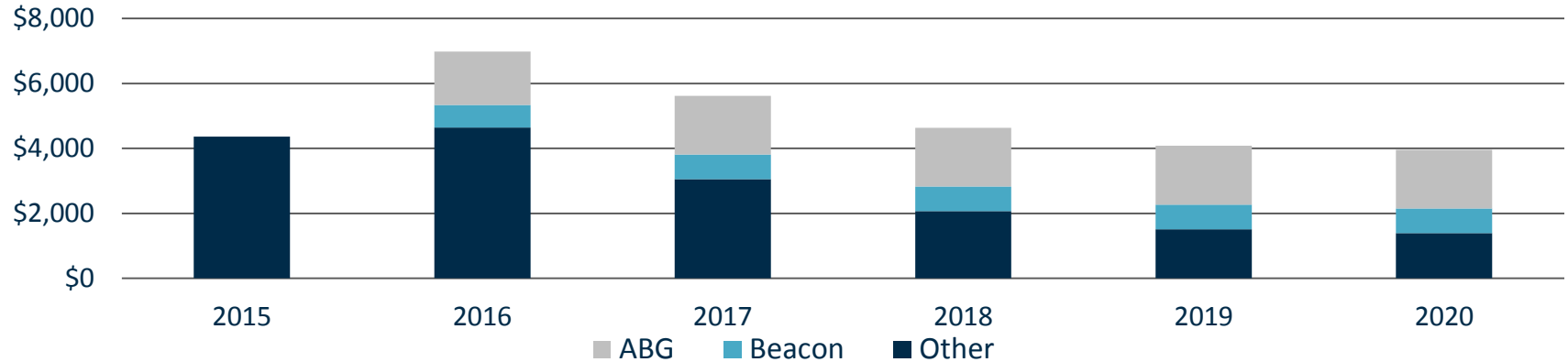


*Cash Earnings Per Share are non-GAAP measures. See appendix for non-GAAP reconciliation schedules.

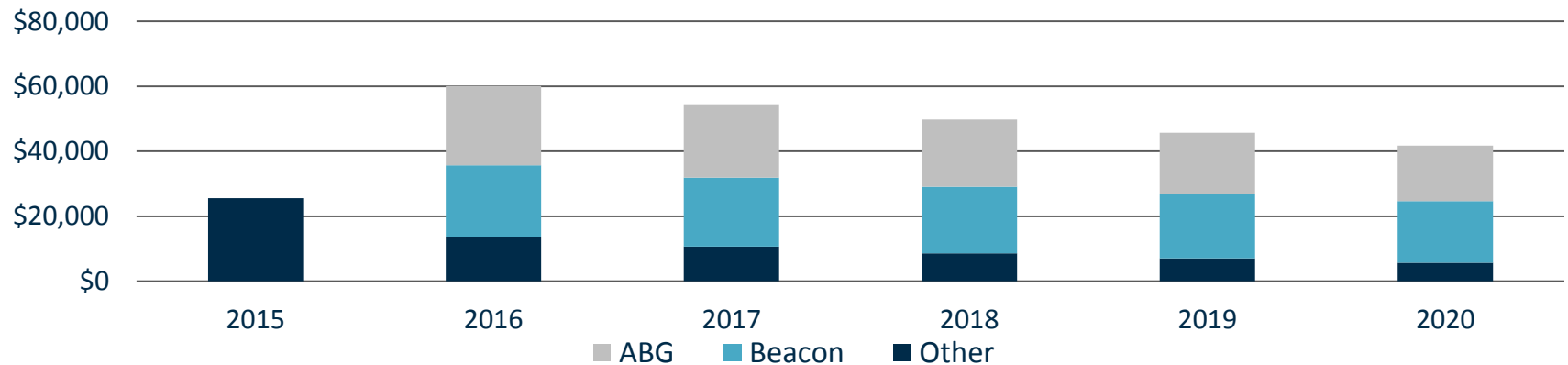
GOODWILL AND INTANGIBLES

(\$ IN THOUSANDS)

INTANGIBLE AMORTIZATION EXPENSE



GOODWILL AND INTANGIBLE BALANCE

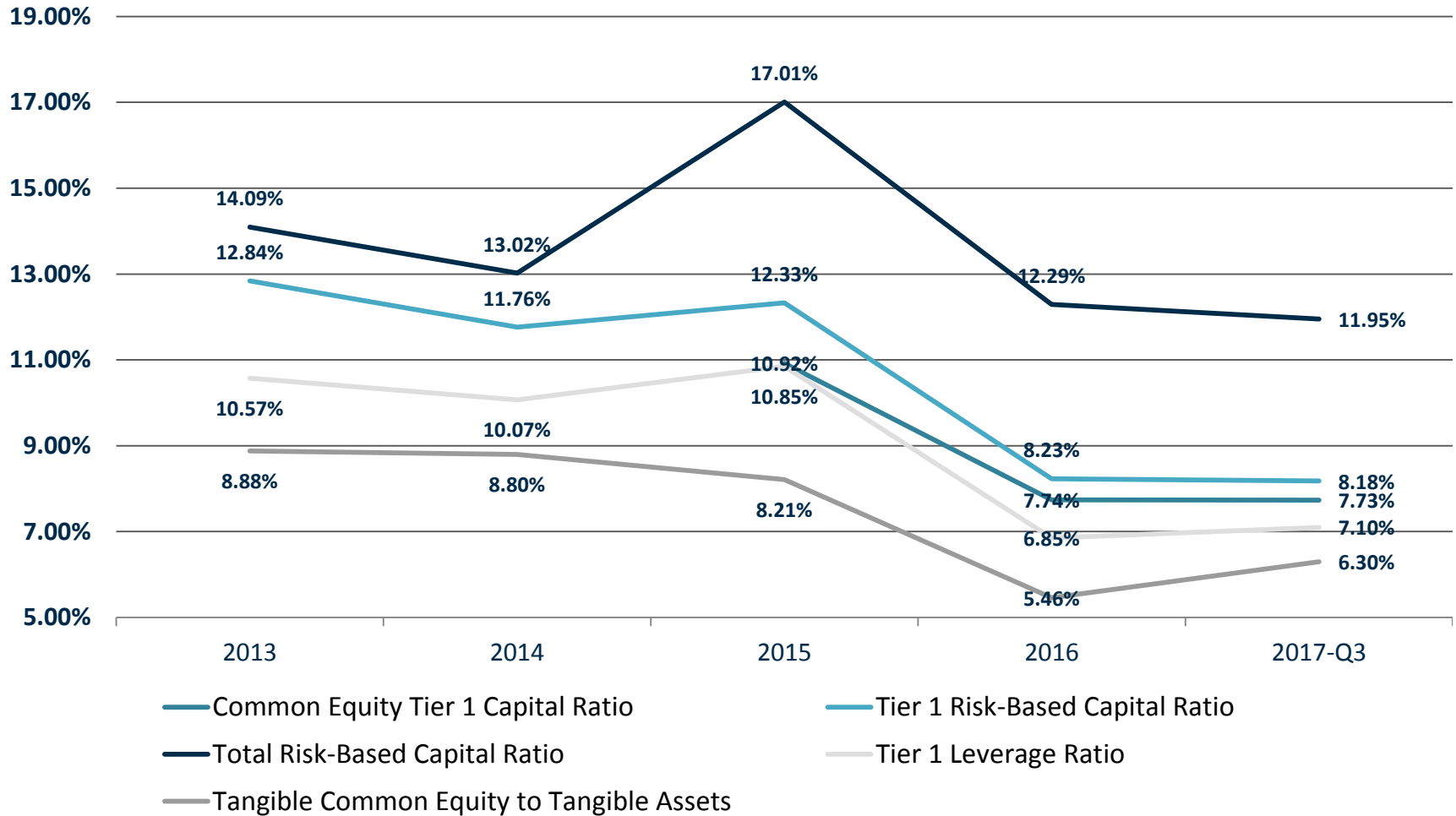


CAPITAL



CAPITAL RATIOS

ALERUS FINANCIAL CORPORATION



CAPITAL STRUCTURE

(\$ IN THOUSANDS)	Well Capitalized	Regulatory Minimum	2017-Q3	2017-Q2	2016-Q4	2016-Q3
Balance Sheet						
Total Ending Assets			\$ 2,065,210	\$ 2,037,438	\$ 2,050,269	\$ 1,938,514
ALLL			15,367	16,134	15,615	16,347
Capital Ratios						
Common Equity Tier One Capital Ratio*	6.50%	5.75%	7.73%	7.55%	7.74%	7.43%
Tier One Risk-Based Capital Ratio*	8.00%	7.25%	8.18%	8.01%	8.23%	7.90%
Total Risk-Based Capital Ratio*	10.00%	9.25%	11.95%	11.87%	12.29%	11.97%
Tier One Leverage Ratio	5.00%	4.00%	7.10%	7.06%	6.85%	6.87%
Tangible Common Equity/Tangible Common Assets	N/A	N/A	6.30%	6.14%	5.46%	5.83%
Risk Weighted Assets			1,719,856	1,699,073	1,602,460	1,618,666
Average Assets for leverage Ratio			1,981,453	1,929,459	1,924,787	1,863,813
Total Equity Capital						
LESS: Unrealized Gains/(Losses)			(143)	(26)	1,870	(2,511)
LESS: Disallowed deferred Tax Assets			(359)	(175)	(191)	(297)
LESS: Disallowed Intangible Assets			(48,581)	(49,905)	(46,106)	(46,371)
LESS: Perpetual Preferred Stock						
LESS: Other Items			(196)	(196)	(264)	(285)
Common Tier 1 Equity			\$ 132,860	128,262	\$ 124,094	\$ 120,324
ADD: Perpetual Preferred Stock						
ADD: Subordinated Debt – Trust Preferred Securities			7,940	7,912	7,856	7,827
LESS: Other Items			(90)	(44)	(127)	(198)
Total Tier 1 Capital			\$ 140,710	136,310	\$ 131,823	\$ 127,953
Tier 2 Capital						
ADD: Allowance for Loan and Lease Losses			15,367	16,134	15,615	16,348
ADD: Subordinated Debt – other			49,4884	49,469	49,438	49,422
Total Risk Based Capital			\$ 205,561	201,733	\$ 196,876	\$ 193,723

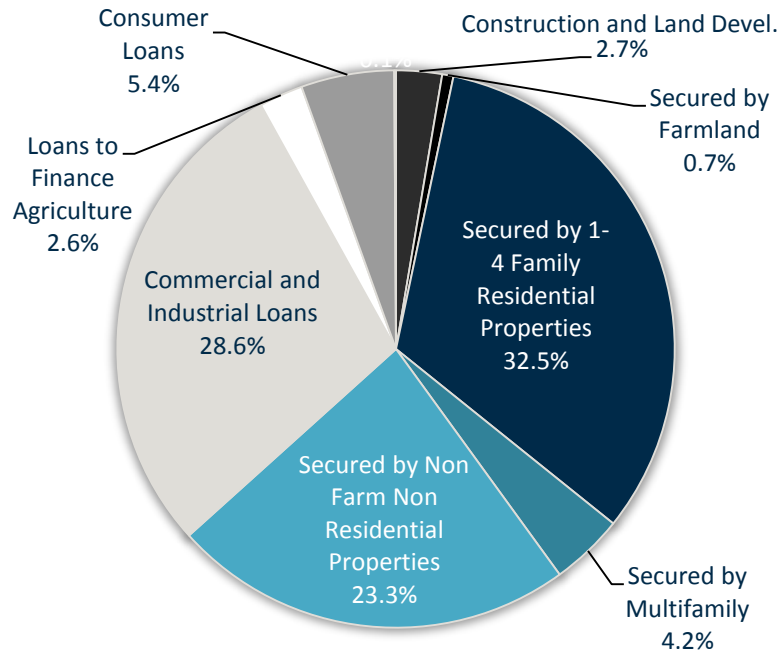
* Regulatory minimum includes buffer of 1.25%.

LOAN PORTFOLIO, ASSET QUALITY, AND DEPOSITS

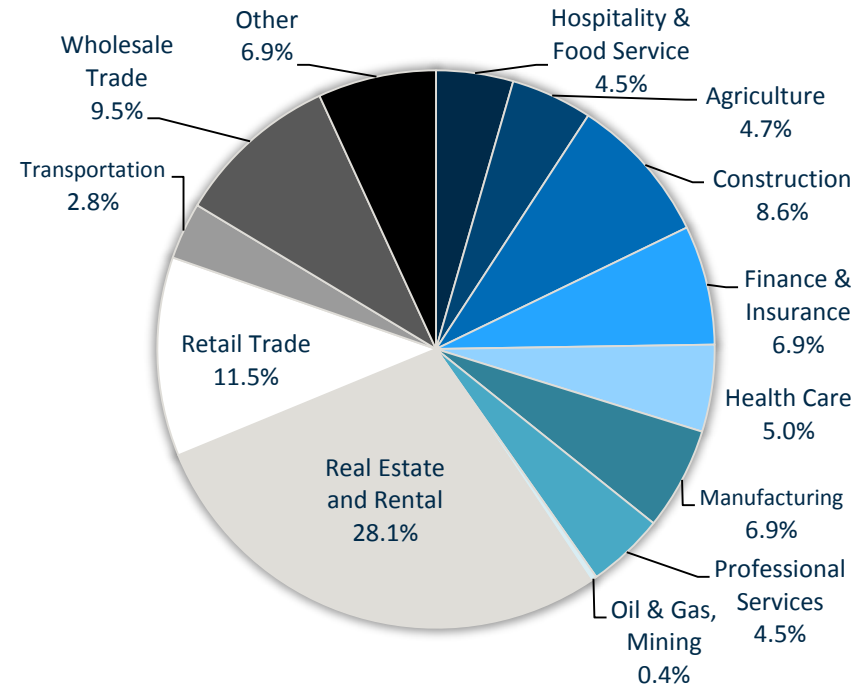


ASSET DIVERSIFICATION

LOAN PORTFOLIO (\$1,588.2MM)



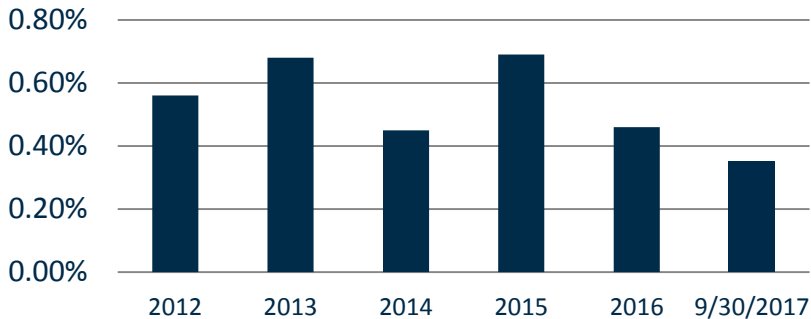
CONCENTRATION BY INDUSTRY



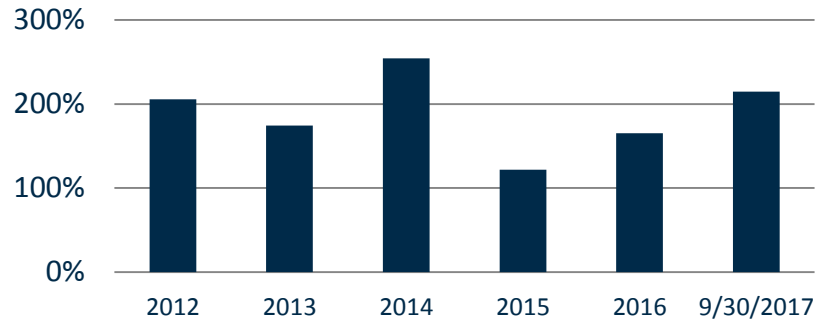
Data as of 9/30/2017.

ASSET QUALITY

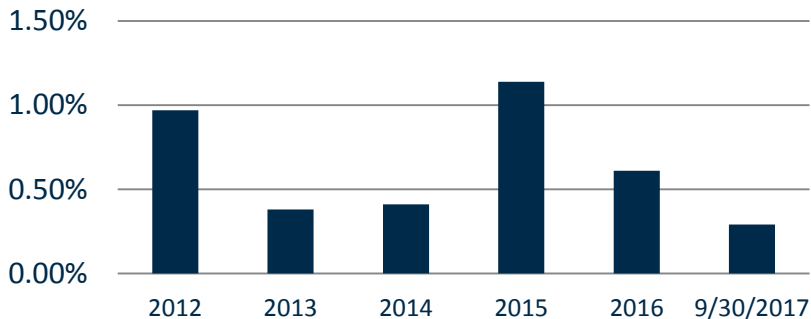
ADJUSTED NPA* / TOTAL ASSETS



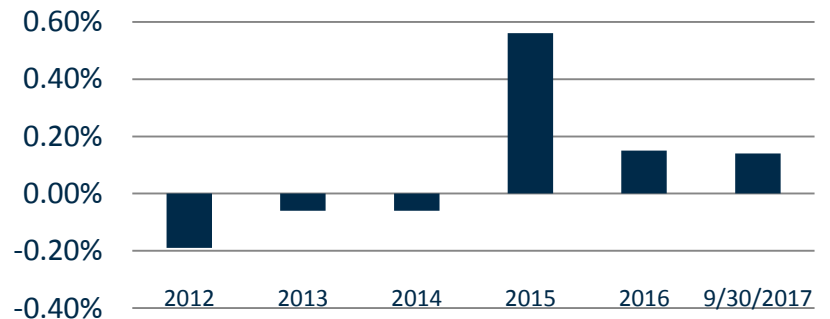
RESERVES / ADJUSTED NPA*



(30-89 + 90&ACCR + NACCR) / TOTAL LOANS



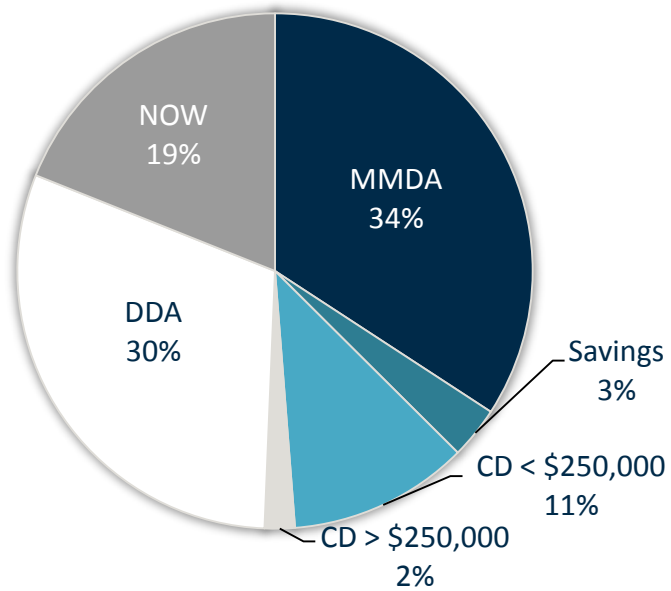
NET CHARGE OFFS / AVG LOANS



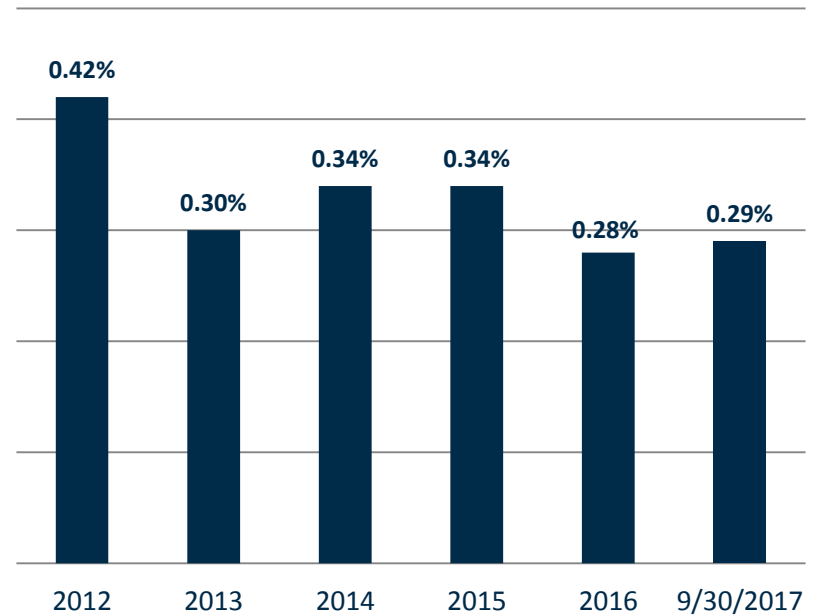
*Adjusted for loss share agreement with the FDIC.

DEPOSIT MIX

DEPOSITS (\$1.600B)



LOW COST OF FUNDS



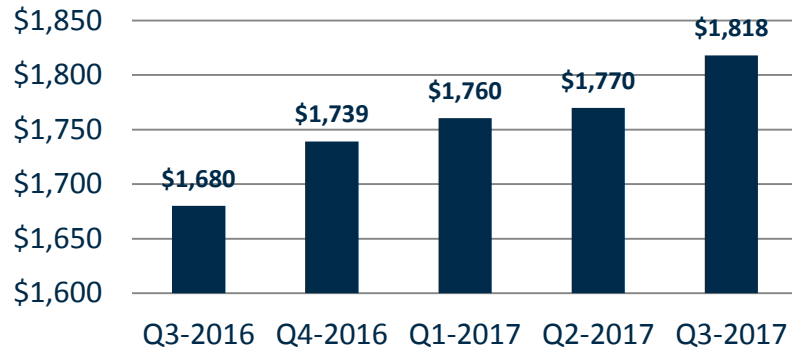
Data as of 9/30/2017.

BUSINESS LINES

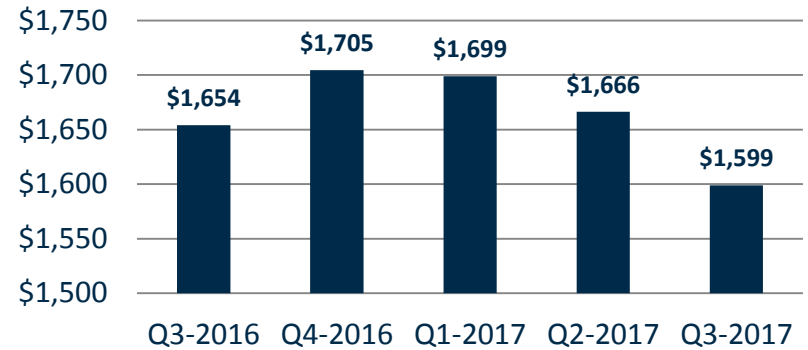


BANKING

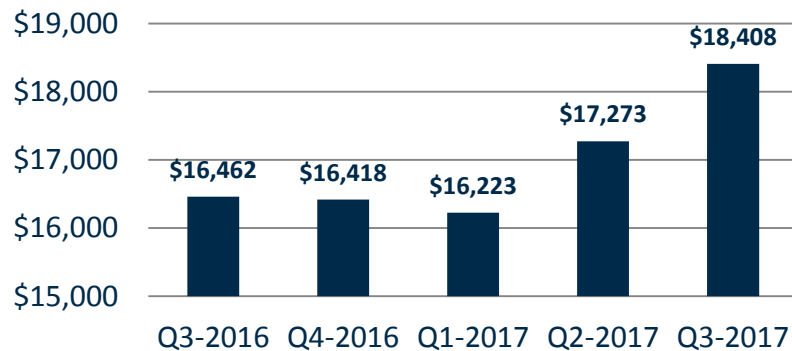
AVERAGE EARNING ASSETS (\$MM)



AVERAGE DEPOSITS (\$MM)

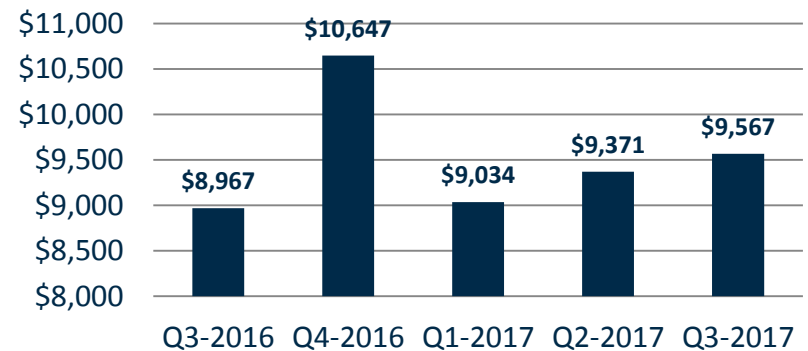


NET INTEREST INCOME (\$000's)*



NET INCOME (\$000's)*

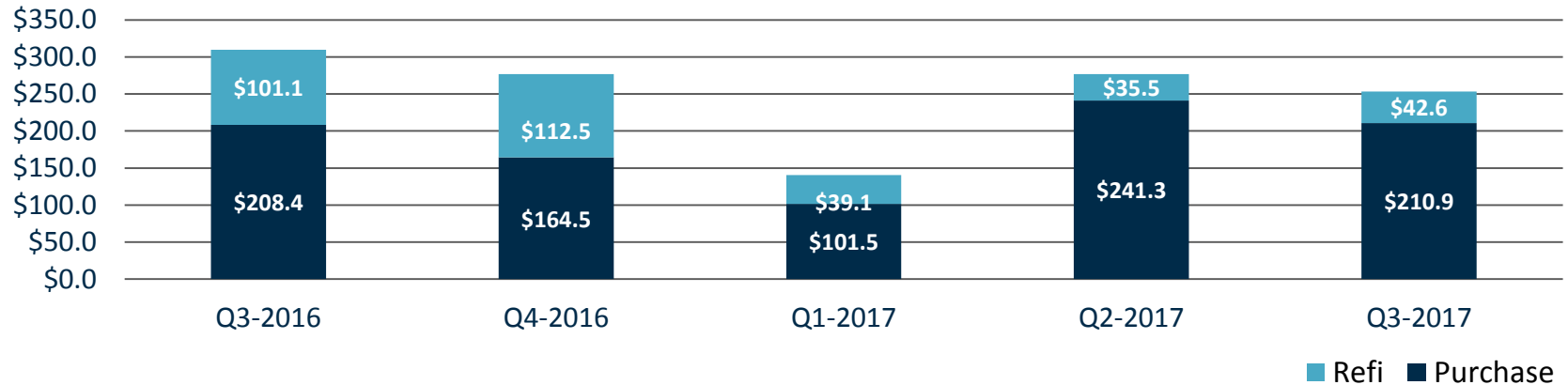
BEFORE TAX AND INDIRECT ALLOCATIONS



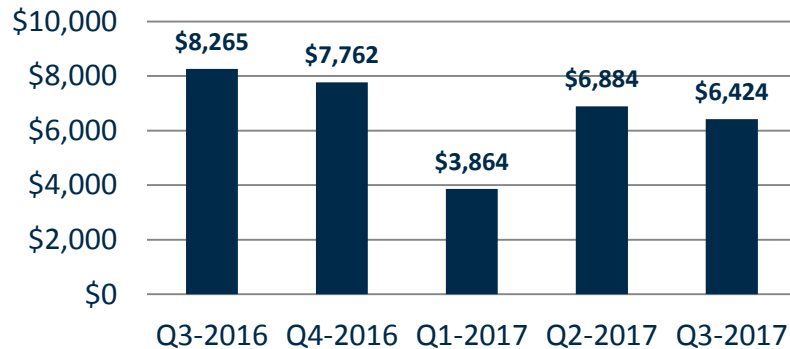
* For comparative purposes, historical expense and net income figures have been adjusted to reflect intercompany expense from banking to mortgage for loan purchases.

MORTGAGE

MORTGAGE ORIGINATIONS (\$MM)

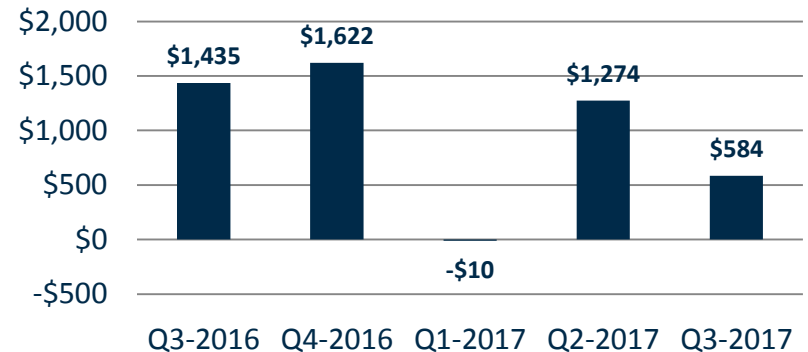


MORTGAGE BANKING REVENUE (\$000's)*



NET INCOME (\$000's)*

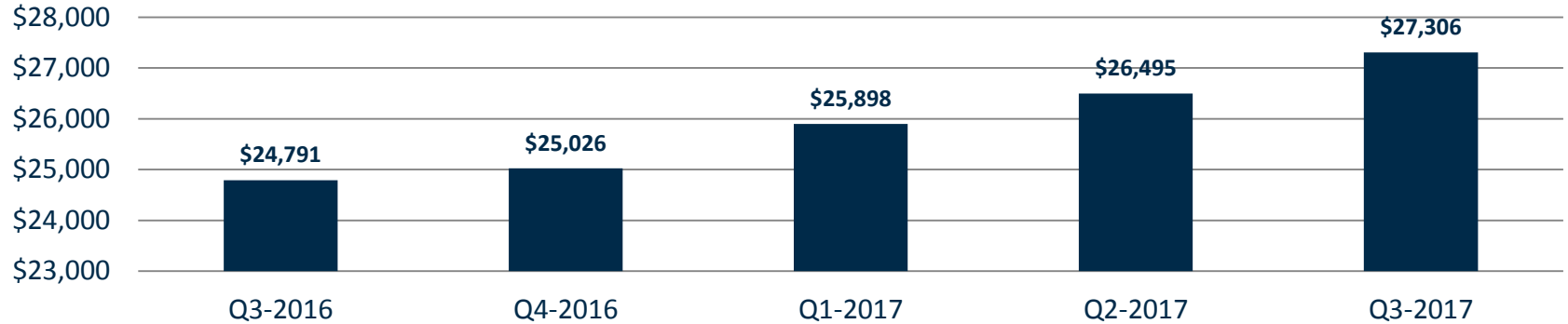
BEFORE TAX AND INDIRECT ALLOCATIONS



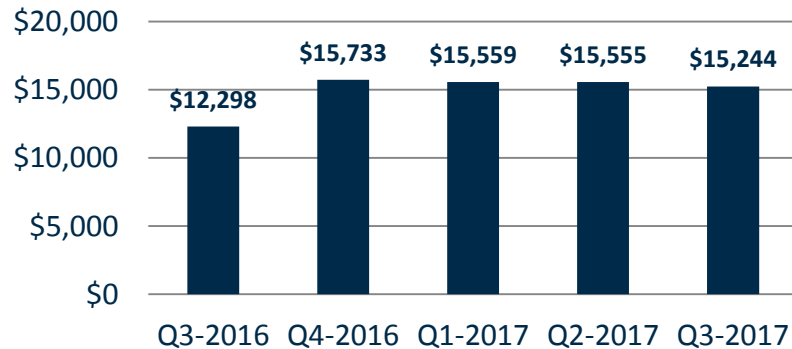
* For comparative purposes, historical revenue and net income figures have been adjusted to reflect intercompany revenue from banking for loan purchases.

RETIREMENT AND BENEFITS

ASSETS UNDER ADMINISTRATION (\$MM)*

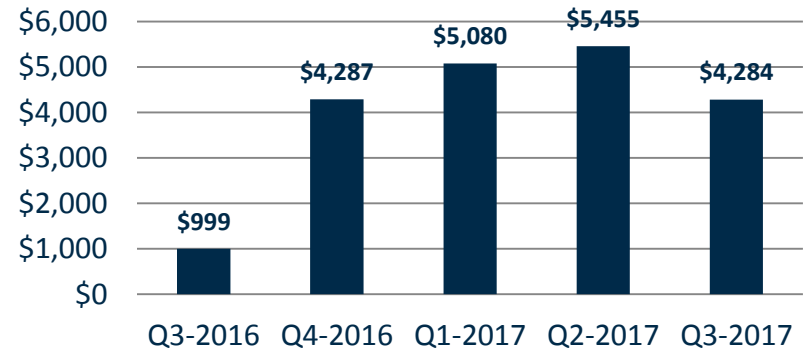


RETIREMENT AND BENEFITS REVENUE (\$000's)



NET INCOME (\$000's)

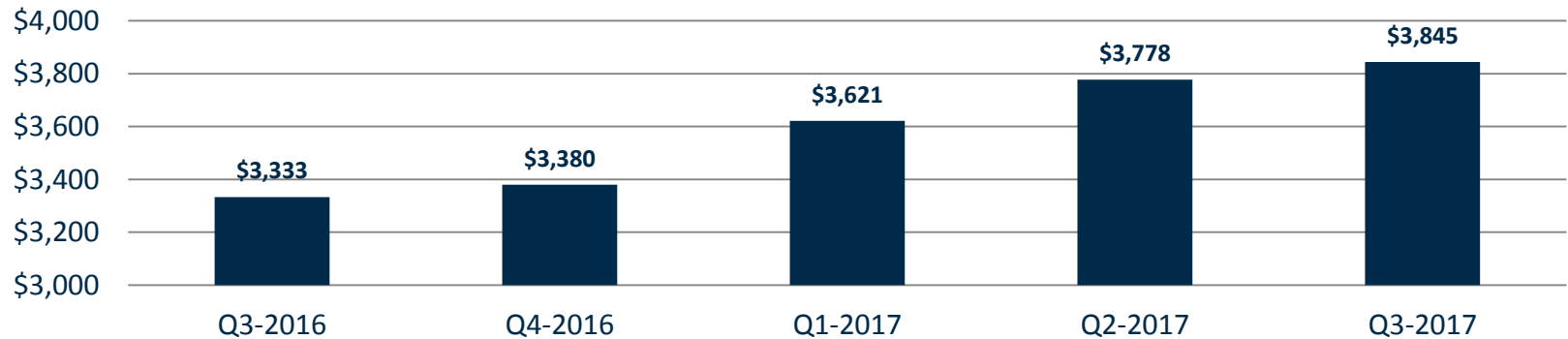
BEFORE TAX AND INDIRECT ALLOCATIONS



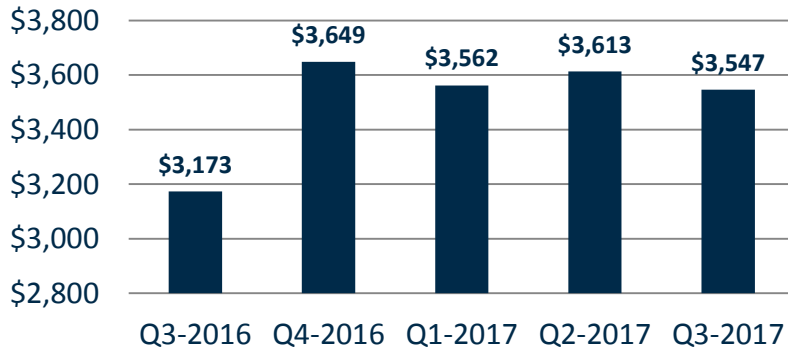
* AUA includes \$72MM of assets from Wealth Management

WEALTH MANAGEMENT

ASSETS UNDER MANAGEMENT (\$MM)*

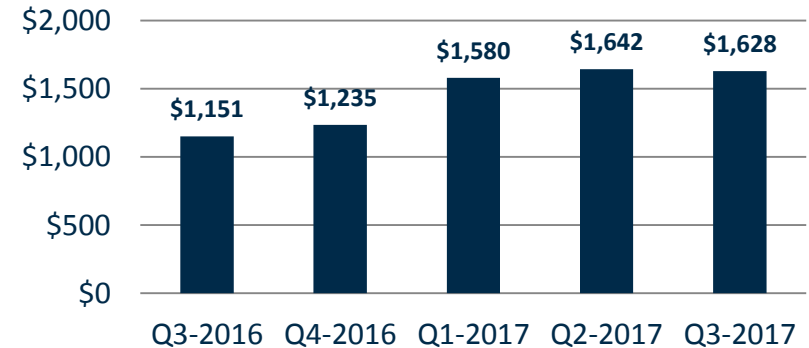


WEALTH MANAGEMENT REVENUE (\$000's)



NET INCOME (\$000's)

BEFORE TAX AND INDIRECT ALLOCATIONS



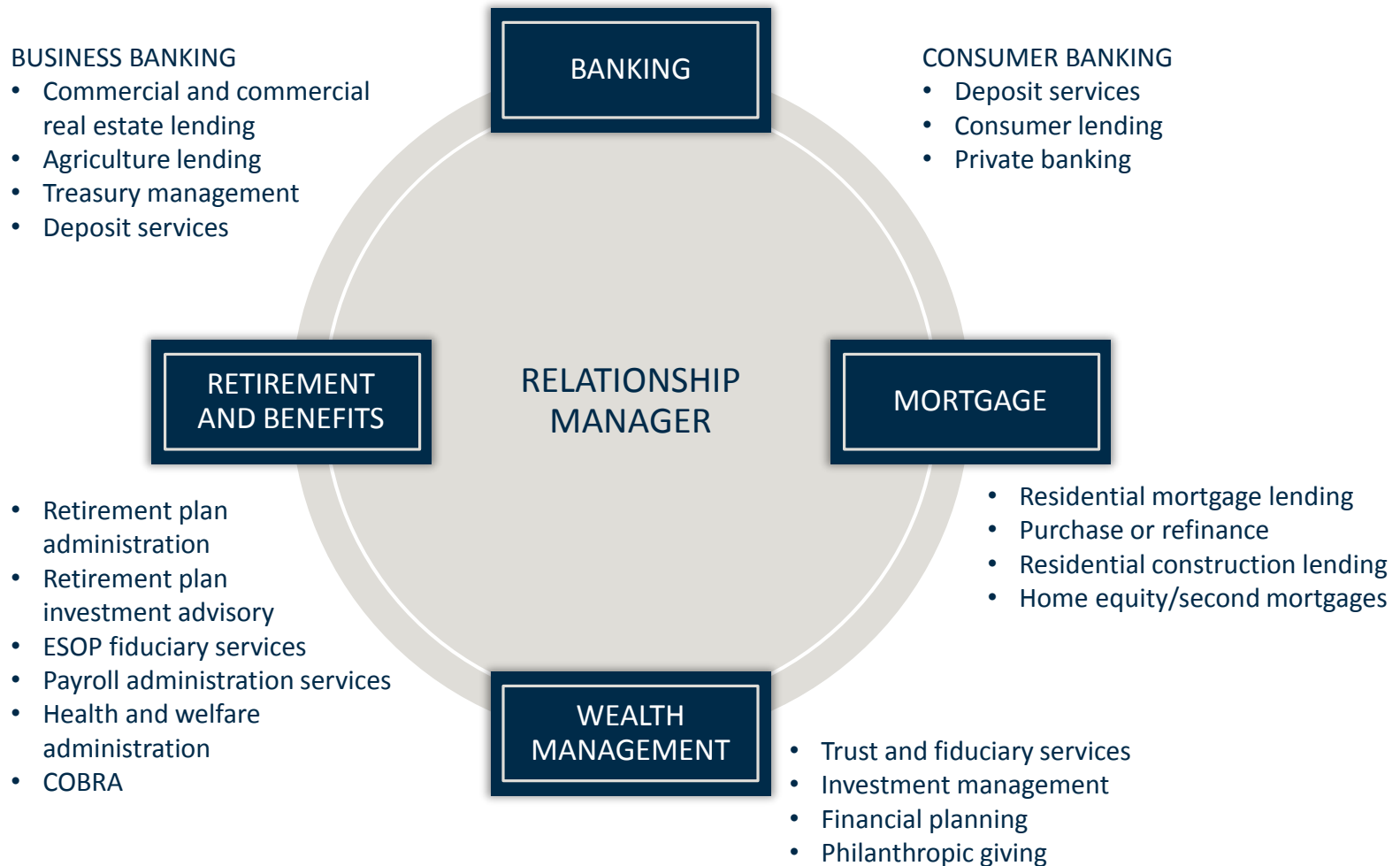
* AUM includes \$1.3 billion of assets managed for Alerus Retirement and Benefit Clients.

FUTURE OF ALERUS



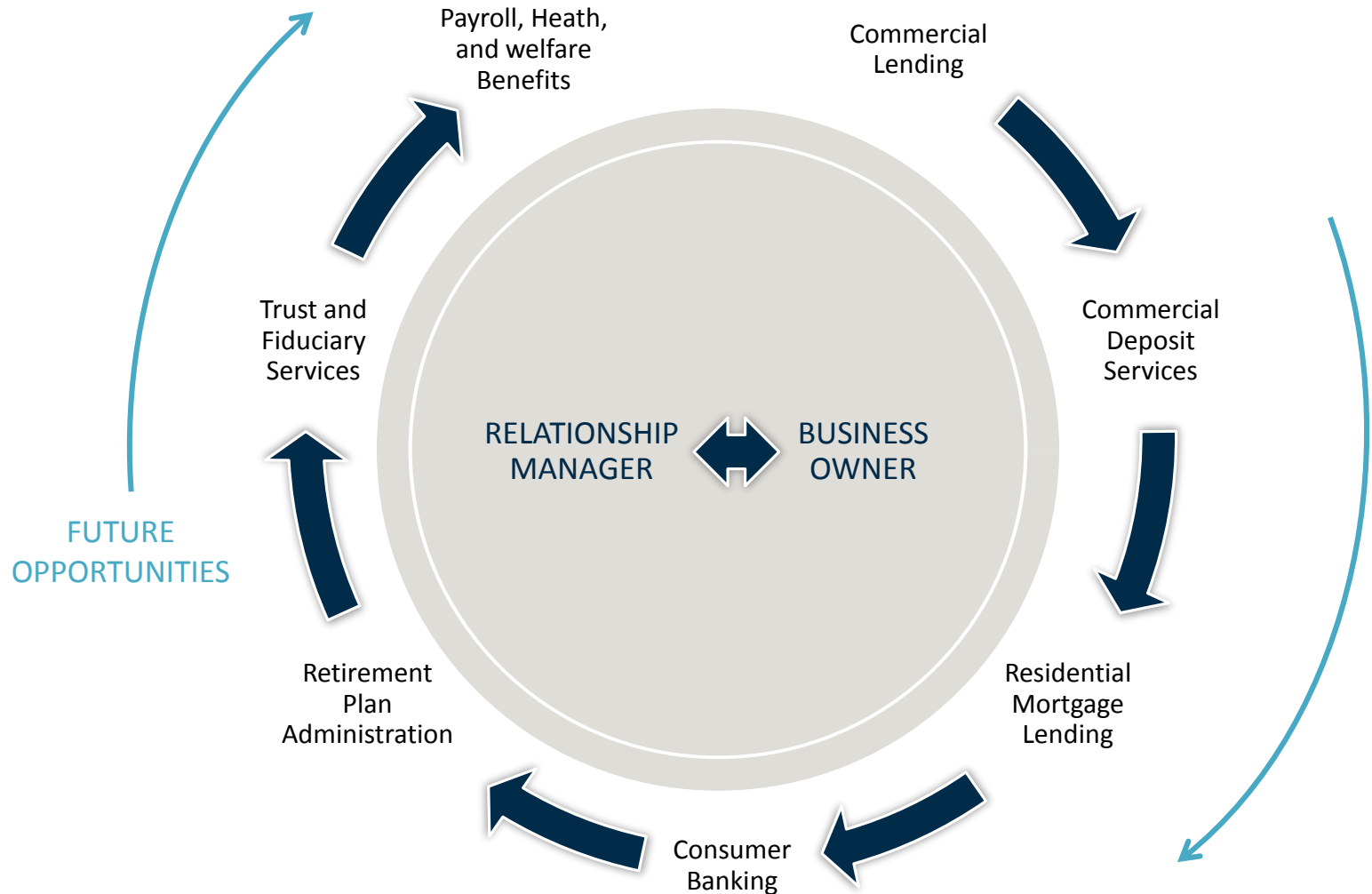
OUR CORE BUSINESS LINES

A BIG COMPANY MODEL WITH SMALL COMPANY EXECUTION



ONE POINT OF CONTACT

STRONG INTEGRATION OF TEAMS SUPPORTED BY STRUCTURE AND COLLABORATION



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.

EXPANDING FRANCHISE MODEL

MOVING BOLDLY AHEAD

GROWTH MARKETS

- Business model more suited to MSAs (metropolitan statistical growth areas)

HIGH VALUE, PROFESSIONAL SERVICES BUSINESS MODEL

- Focus on long term relationships

STRONG FINANCIAL FOUNDATION AND DISCIPLINE

- Strong core operating earnings
- Solid risk management (diversification, strong credit culture, and financial controls)
- Strong capital ratios
- Strong commitment to invest in disruptive technology.

PROFESSIONAL, HIGH-PERFORMING AND ENGAGED EMPLOYEES

- Disciplined, accountable, and focused on executing our business strategies
- ESOP ownership

STRONG LEADERSHIP

- Board, formation of Alerus Leadership Council
- Management succession
- High personal responsibility and accountability for results

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 disciplined acquisition and 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

Alerus Financial Corporation
401 Demers Avenue
Grand Forks, ND 58201

800.279.3200
ALERUS.COM

CORPORATE CONTACTS

Randy Newman
Chairman, President, & CEO
701.795.3317 :: randy.newman@alerus.com

Dan Cheever
Chief Financial Officer
612.436.3503 :: dan.cheever@alerus.com

Missy Keney
Investor Relations
701.280.5120 :: missy.keney@alerus.com

APPENDIX



NON-GAAP DISCLOSURE RECONCILIATION

	(\$000s)	2017 YTD	2016	2015	2014	2013
Average Common Equity		\$ 178,584	\$ 168,742	\$ 160,903	\$ 144,203	\$ 130,300
Less: Goodwill		(27,329)	(25,669)	(2,365)	(1,090)	(664)
Less: average other Intangibles, net of tax benefit		(18,291)	(20,651)	(12,903)	(7,869)	(6,797)
Average Tangible Common Equity		\$ 132,964	\$ 122,422	\$ 145,635	\$ 135,244	\$ 122,839

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

	(\$000s)	2017 YTD	2016	2015	2014	2013
Net Income available to common shareholders		\$ 14,466	\$ 14,006	\$ 16,908	\$ 20,570	\$ 20,337
Add: Other intangible, net of tax benefit		2,656	4,203	2,618	2,518	1,993
Net Cash Available to common shareholders		\$ 17,122	\$ 18,209	\$ 19,526	\$ 23,088	\$ 22,330

Cash ROTCE		17.22%	14.87%	13.41%	17.07%	18.18%
Average Common Shares (000s)		14,001	14,002	13,947	13,887	13,762
Cash Earnings Per Share		\$ 1.22	\$ 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
36 years with Alerus



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



DAN CHEEVER
Executive Vice President and
Chief Financial Officer
2 years with Alerus



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

ALERUS LEADERSHIP COUNCIL

Karl Bollingberg
Director of Lending

Jon Hendry
Chief Information Officer

Missy Keney
Director of Customer
Experience and Corporate
Communications

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