

Alerus



INVESTOR PRESENTATION

JUNE 2021

ALERUS

DISCLAIMERS

Forward-Looking Statements

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

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following: the effects of the COVID-19 pandemic, including its effects on the economic environment, our clients and our operations, as well as any changes to federal, state or local government laws, regulations or orders in connection with the pandemic; our ability to successfully manage credit risk and maintain an adequate level of allowance for loan losses; new or revised accounting standards, including as a result of the future implementation of the new Current Expected Credit Loss Standard; business and economic conditions generally and in the financial services industry, nationally and within our market areas; the overall health of the local and national real estate market; concentrations within our loan portfolio; the level of nonperforming assets on our balance sheet; our ability to implement our organic and acquisition growth strategies; the impact of economic or market conditions on our fee-based services; our ability to continue to grow our retirement and benefit services business; our ability to continue to originate a sufficient volume of residential mortgages; the occurrence of fraudulent activity, breaches or failures of our information security controls or cybersecurity related incidents; interruptions involving our information technology and telecommunications systems or third-party servicers; potential losses incurred in connection with mortgage loan repurchases; the composition of our executive management team and our ability to attract and retain key personnel; rapid technological change in the financial services industry; increased competition in the financial services industry; our ability to successfully manage liquidity risk; the effectiveness of our risk management framework; the commencement and outcome of litigation and other legal proceedings and regulatory actions against us or to which we may become subject; potential impairment to the goodwill we recorded in connection with our past acquisitions; the extensive regulatory framework that applies to us; the impact of recent and future legislative and regulatory changes; interest rate risks associated with our business; fluctuations in the values of the securities held in our securities portfolio; governmental monetary, trade and fiscal policies; severe weather, natural disasters, widespread disease or pandemics, such as the COVID-19 global pandemic, acts of war or terrorism or other adverse external events; any material weaknesses in our internal control over financial reporting; developments and uncertainty related to the future use and availability of some reference rates, such as the London Interbank Offered Rate, as well as other alternative rates; changes to U.S. tax laws, regulations and guidance; our success at managing the risks involved in the foregoing items; and any other risks described in the “Risk Factors” sections of the reports filed by Alerus Financial Corporation with the Securities and Exchange Commission.

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

Non-GAAP Financial Measures

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

Miscellaneous

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

COMPANY PROFILE

OUR MISSION

- To positively impact our clients' financial potential — through holistic guidance, unparalleled service, and engaging technology.

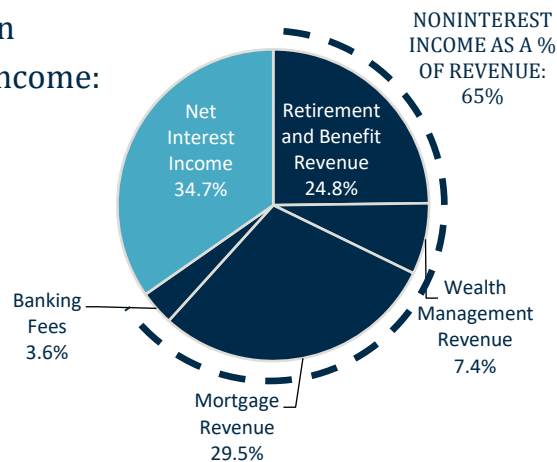
ALERUS BUSINESS LINES

- Banking
- Retirement and Benefits
- Wealth Management
- Mortgage

DIVERSIFIED REVENUE STREAM

FOR THE TWELVE MONTHS ENDED MARCH 31, 2021

- Noninterest income: \$163.1 million
- Net interest income: \$87.0 million



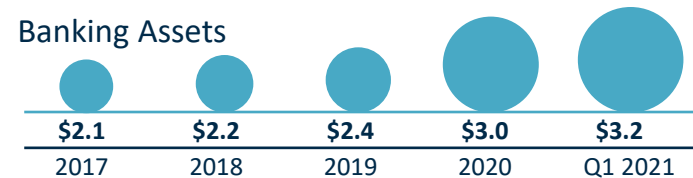
Data as of 03/31/2021.

DIVERSIFIED FINANCIAL SERVICES COMPANY

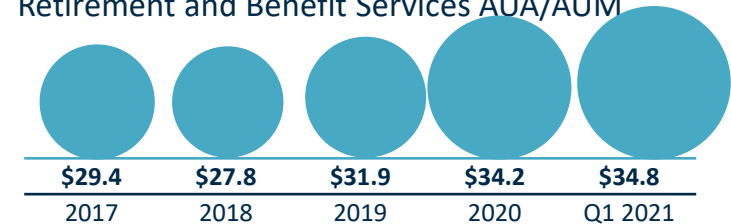
- \$3.2 billion Banking assets
- \$34.8 billion Retirement and Benefits AUA/AUM
- \$3.4 billion Wealth Management AUA/AUM
- \$518 thousand in Mortgage Originations

ASSET GROWTH (IN BILLIONS)

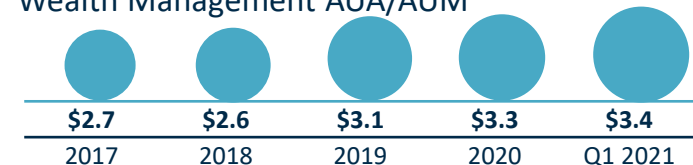
Banking Assets



Retirement and Benefit Services AUA/AUM



Wealth Management AUA/AUM



FRANCHISE FOOTPRINT

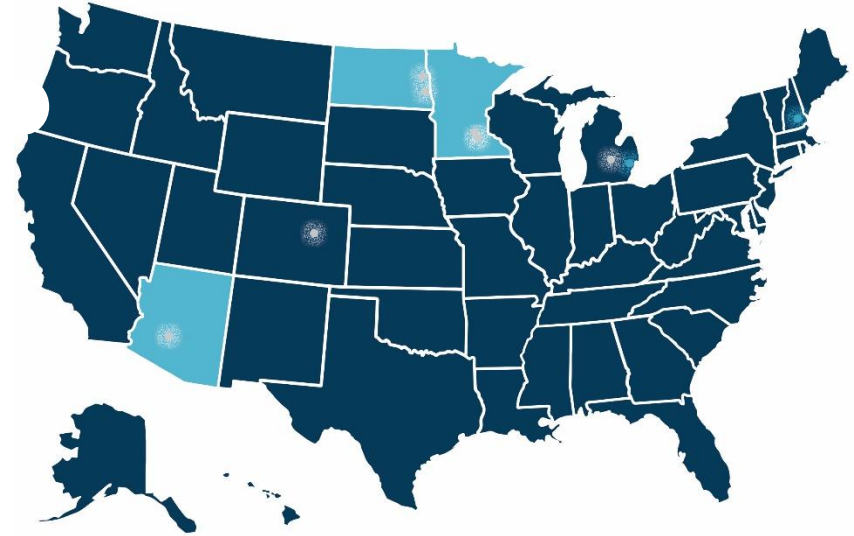
FULL-SERVICE BANKING OFFICES

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

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

RETIREMENT AND BENEFITS SERVICES OFFICES

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



DIVERSIFIED CLIENT BASE

- 50,400 consumers
- 10,400 businesses
- 7,600 employer-sponsored retirement plans
- 350,000 employer-sponsored retirement plan participants
- 59,200 health savings account participants
- 57,400 flexible spending account/health reimbursement arrangement participants

Data as of 03/31/2021.

ONE ALERUS

ONE ALERUS STRATEGY

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

TECHNOLOGY INVESTMENT

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

These investments allow for digital and proactive engagement with clients

DIVERSIFIED SERVICES

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

SYNERGISTIC GROWTH

Deposits sourced from our retirement and benefits divisions totals \$569.0 million as of March 31, 2021.

As of March 31, 2021, engaging participants has added over \$850.0 million of assets under management.

Added \$135.7 million of mortgage originations to the Alerus balance sheet in the first quarter.

ONE ALERUS



TAILORED ADVICE

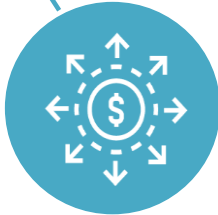
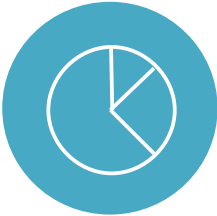
We strive to provide each client with a primary point of contact — a trusted advisor — who deals with individual needs and integrates product expertise when necessary



REINVENTION OF PROCESSES

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

Formalized a Process Center of Excellence, implementing automation and robotics with 35 active “bots”



STRATEGIC GROWTH

To supplement our strong organic growth, we have executed 24 acquisitions throughout the history of our company across all business lines:

2000

REBRANDED TO ALERUS

2002

Acquired a branch from BNC National Bank (Fargo, ND)

2003

Acquired Pension Solutions, Inc. (St. Paul, MN)
The catalyst to the Retirement Division

2006

OPENED A TRUST AND INVESTMENT OFFICE (TWIN CITIES)

Acquired Stanton Trust Company (Minneapolis, MN)

2007

**EXPANDED TO MINNESOTA MARKET
OPENED A BUSINESS BANKING OFFICE (MINNETONKA, MN)**

Acquired Acclaim Benefits, Inc. (Minneapolis, MN)
Acquired Stanton Investment Advisors (Minneapolis, MN)

2009

**EXPANDED TO ARIZONA MARKET
OPENED A BUSINESS BANKING OFFICE (SCOTTSDALE, AZ)**

Acquired retirement plan practice of Eide Bailly, LLP (Minneapolis, MN)
Acquired Prosperan Bank (Twin Cities, MN)
Acquired deposits from BankFirst (Minneapolis, MN)
Acquired Residential Mortgage Group (Minnetonka, MN)

2011

Acquired selected loans and deposits from BNC National Bank (MN & AZ)

Acquired branch of BNC National Bank (Scottsdale, AZ)

2012

EXPANDED TO MICHIGAN

Acquired PensionTrend, Inc. and PensionTrend Investment Advisers, LLC (Okemos, MI)

2013

Acquired Tegrit Administrators, LLC

2014

EXPANDED TO NEW HAMPSHIRE

Acquired Private Bank Minnesota (Minneapolis, MN)
Acquired Retirement Alliance, Inc. (Manchester, NH)

2015

Acquired Interactive Retirement Systems, Ltd. (Bloomington, MN)

2016

Acquired Beacon Bank (Shorewood, Excelsior, Eden Prairie and Duluth, MN)

Acquired Alliance Benefit Group North Central States, Inc. (Albert Lea and Eden Prairie, MN)

2017

LAUNCHED ONE ALERUS STRATEGIC GROWTH PLAN

2019

LAUNCHED FINANCIAL WELLNESS TECHNOLOGY

2020

EXPANDED TO COLORADO

Acquired Retirement Planning Services, Inc. (Littleton, CO)

THE PATH TO FINANCIAL CONFIDENCE

IMPROVING CLIENTS' FINANCIAL WELLBEING THROUGH PEOPLE + TECHNOLOGY

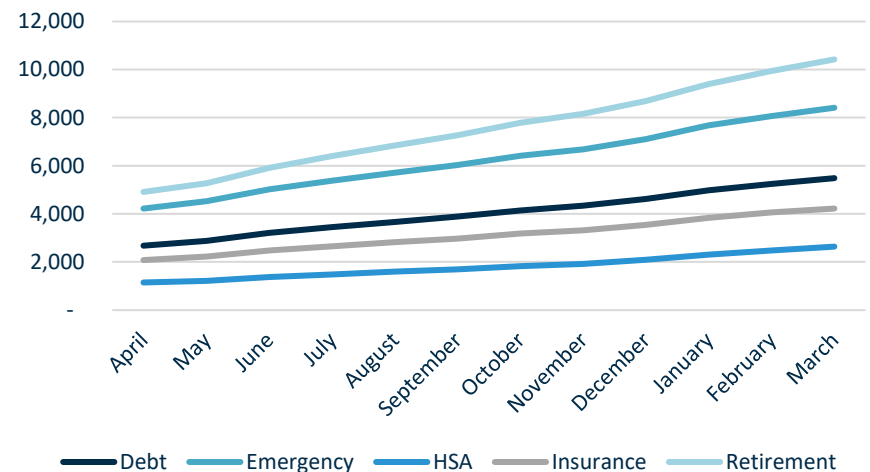
SKILLED ADVISORS AND FINANCIAL GUIDES

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

EMPOWERING CLIENTS WITH RESPONSIVE TECHNOLOGY

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

WORKOUTS COMPLETED BY CLIENTS SINCE LAUNCH



KEY STRATEGIC INITIATIVES

GROWING THE ALERUS FRANCHISE

LEVERAGE OUR EXISTING CLIENT BASE

- Diversified client base consists of **50,400** consumers, **10,400** businesses and over **350,000** employer-sponsored retirement plan participants
- Harness **product synergies** unavailable to traditional banking organizations

EXECUTE STRATEGIC ACQUISITIONS

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

PURSUE TALENT ACQUISITION

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

ENHANCE BRAND AWARENESS

- Proactively position ourselves as an **acquirer, employer of choice, and the place to go for financial guidance and advice**
- Invested in one of the **leading marketing automation technologies**

STRENGTHEN AND BUILD INFRASTRUCTURE

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

ORGANIC GROWTH "ONE ALERUS"

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

OFFICERS AND DIRECTORS

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

SENIOR EXECUTIVE TEAM



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



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



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



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



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



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



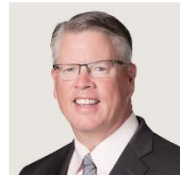
KAREN BOHN
Since 1999
President, Galeo Group, LLC
Former Chief Administrative Officer
Piper Jaffray Co.
Edina, MN



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



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

BOARD OF DIRECTORS

2021 HIGHLIGHTS



Q1 2021 FINANCIAL HIGHLIGHTS

INCOME STATEMENT

	Three months ended		
	March 2021	December 2020	March 2020
(dollars and shares in thousands, except per share data)			
Net Interest Income	\$ 22,038	\$ 23,153	\$ 18,837
Provision for Loan Losses	-	1,400	2,500
Net Interest Income After Provision for Loan Losses	22,038	21,753	16,337
Noninterest Income	40,881	38,696	27,189
Noninterest Expense	43,042	47,125	36,726
Income Before Income Taxes	19,877	13,324	6,800
Income Tax Expense	4,662	3,144	1,437
Net Income	\$ 15,215	\$ 10,180	\$ 5,363
Per Common Share Data			
Earnings Per Common Share – Diluted	\$ 0.86	\$ 0.57	\$ 0.30
Diluted Average Common Shares Outstanding	17,465	17,450	17,405
Performance Ratios			
Return on Average Total Assets	2.02%	1.34%	0.89%
Return on Average Tangible Common Equity ⁽¹⁾	23.03%	15.13%	9.76%
Noninterest Income as a % of Revenue	64.97%	62.57%	59.07%
Net Interest Margin (Tax-Equivalent) ⁽¹⁾⁽²⁾	3.12%	3.23%	3.35%
Efficiency Ratio ⁽¹⁾	66.43%	74.44%	77.47%

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

2 – Net interest margin (tax-equivalent) excluding PPP loans for the three months ended March 31, 2021 was 2.95%.

STRATEGIC HIGHLIGHTS

A STRONG FOUNDATION TO FUEL ORGANIC GROWTH AND CONTINUE INNOVATION

STOCKHOLDERS

- Historic outperformance with a 10-year Total return: 337%
- Dividends increased for 34 years straight years at an average of 10% per year
- Long term strategic focus on diversification of revenue and serving clients holistically to create and sustain long-term value

HIGH PERFORMING FINANCIAL ORGANIZATION

- 2020 Piper Sandler Companies Sm-All Stars
- 2020 Raymond James Community Bankers Cup
- 2021 Hovde's High Performers (Small Cap Banks)

TECHNOLOGY AND EFFICIENCY

- Surpassed 260,000 users/logins on My Alerus (consumer client online access)
- One of 66 banks to join FINTop fund; one of 12 members of executive committee
- Formalized Process Center of Excellence, expanding robotics and process reinvention through process champions

TALENT ACQUISITIONS

- SBA 5-person team lift out
- Two regional top mortgage producers

EMPLOYEES

- All time high of 80.9% favorable responses in 2020 employee engagement survey
- Named to American Banker's Best Banks to Work for in 2020

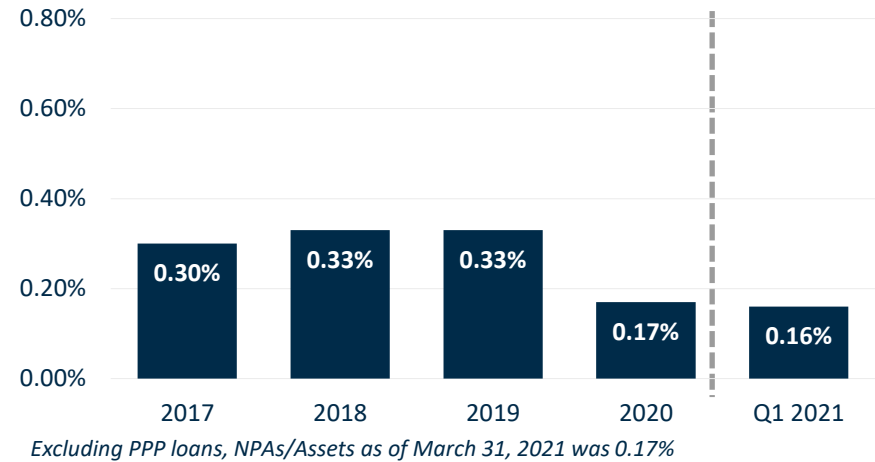


ASSET QUALITY AND RESERVE LEVELS

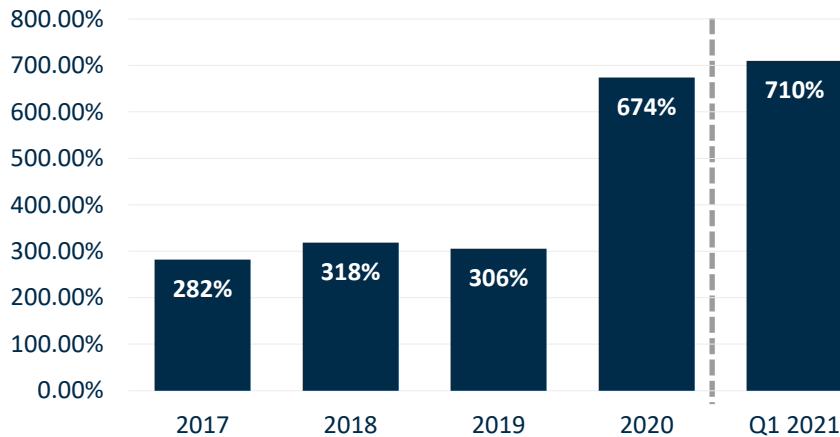
OVERVIEW

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

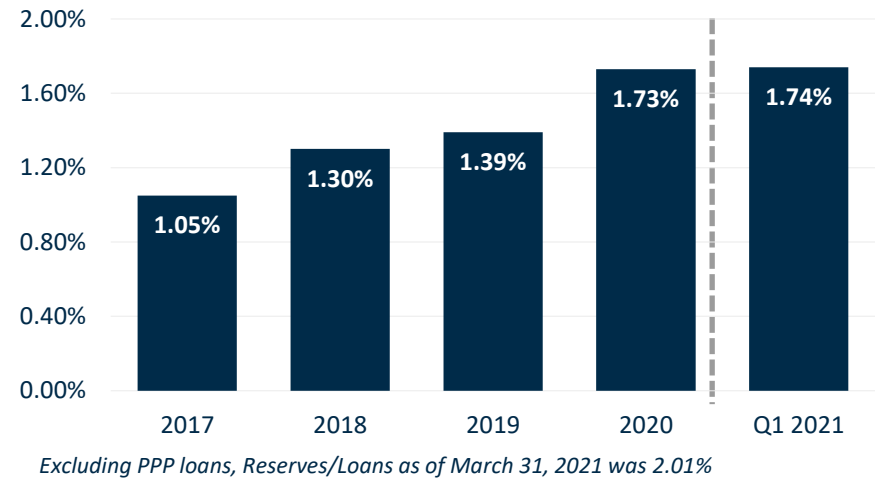
NPAS / ASSETS (%)



RESERVES / NPLS (%)

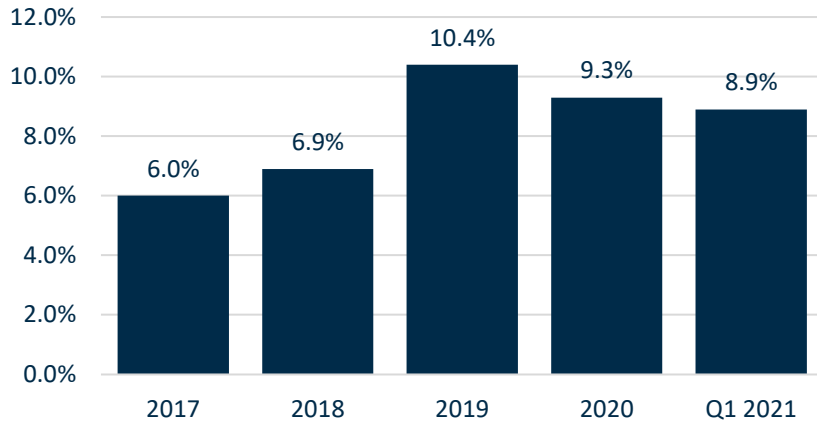


RESERVES / LOANS (%)



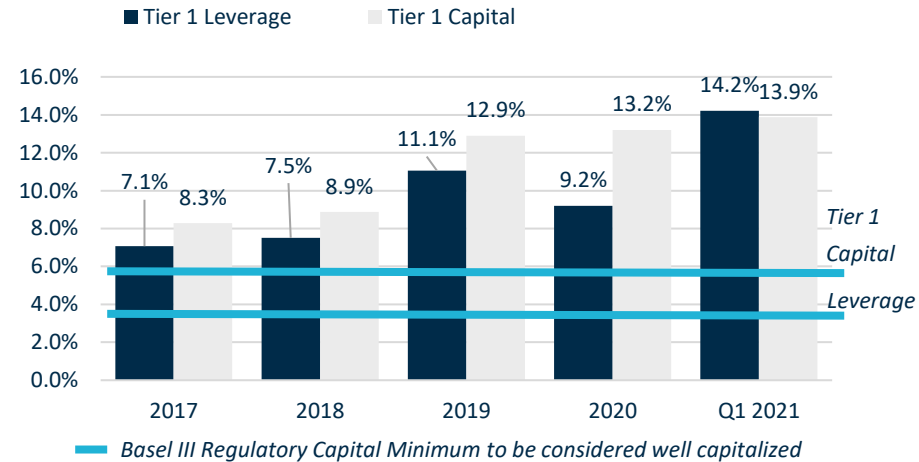
STRONG CAPITAL AND SOURCES OF LIQUIDITY

TANGIBLE COMMON EQUITY/TANGIBLE ASSETS

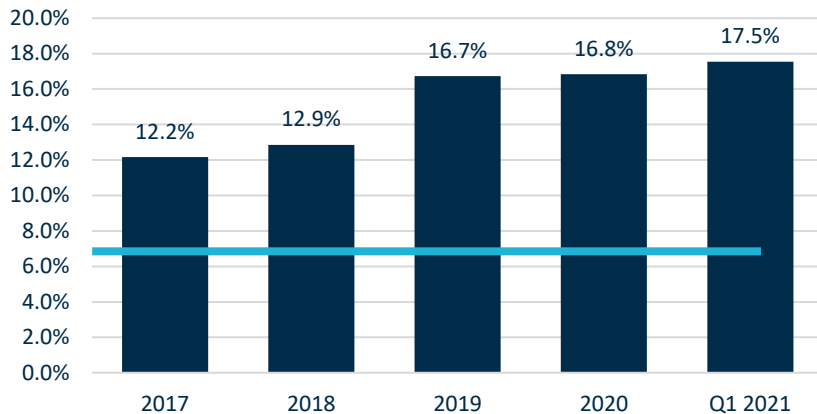


Excluding PPP, Tangible Common Equity/Tangible Assets at March 31, 2021 was 9.66%

TIER 1 CAPITAL/TIER 1 LEVERAGE RATIOS



TOTAL RISK BASED CAPITAL



PRIMARY AND SECONDARY SOURCES OF LIQUIDITY

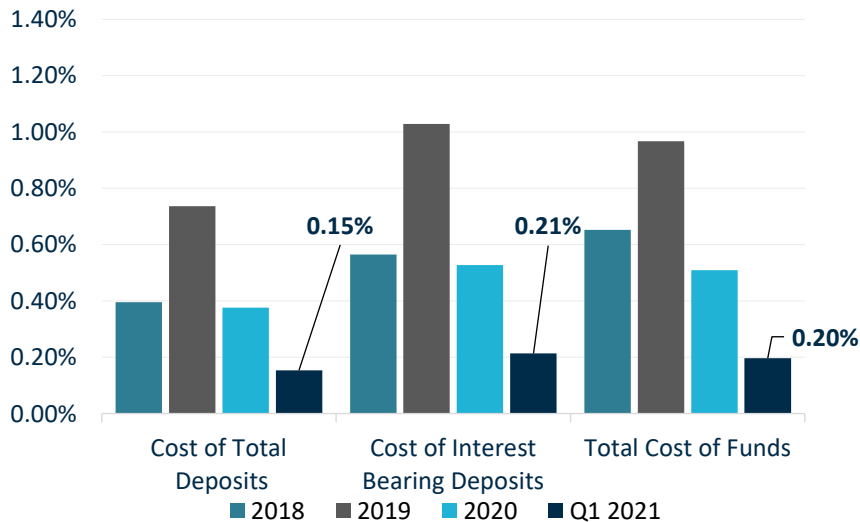
Cash and cash equivalents	\$190,217
Unencumbered securities	617,606
FHLB borrowing availability	647,984
Brokered CD capacity	630,351
Fed funds lines	102,000
Total as of 3/31/2021	\$2,188,158

STRONG CORE FUNDING MIX

OVERVIEW AS OF MARCH 31, 2021

- Commercial transaction accounts totaled \$1.2 billion and increased 12.2% in Q1. Consumer transaction accounts totaled \$668.5 million and increased 3.8%
- Synergistic deposits, including HSA deposits and those sourced through retirement plans and participants, totaled \$569.0 million, with a cost of 0.03%
- CD portfolio is primarily 6 month flex CD with over 50% held by clients for 10+ years
- Stable deposit relationships with 22 year average tenure on 10 largest depositors

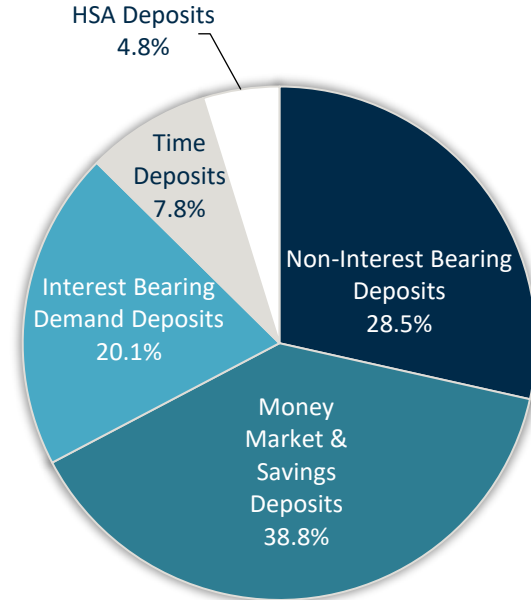
LOW COST OF FUNDS



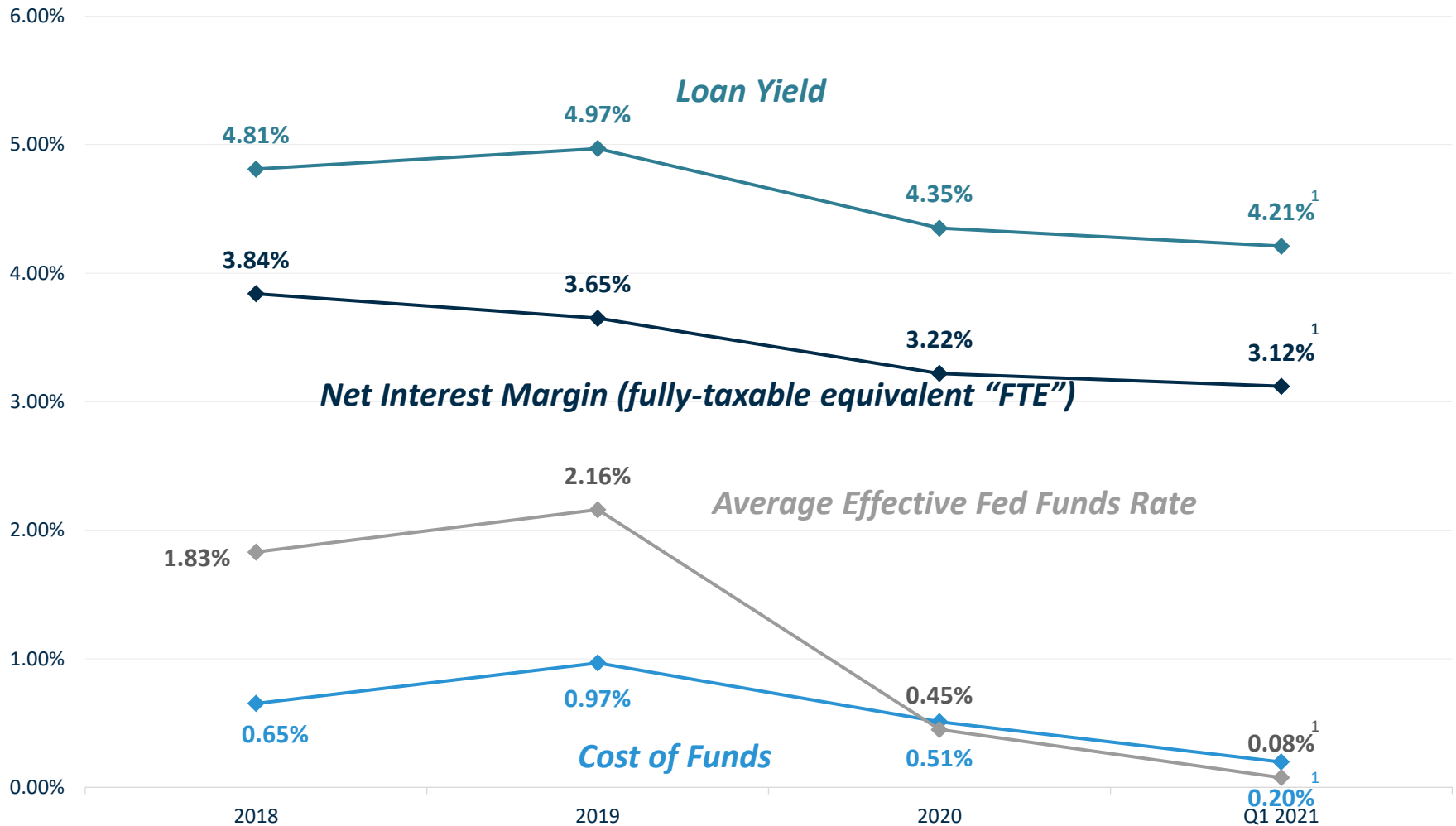
Data YTD as of 3/31/2021.

MARCH 31, 2021 DEPOSIT FUNDING (\$2,718MM)

As of March 31, 2021, core deposits totaled \$2.7 billion or 97.6% of our total deposits



NET INTEREST MARGIN (NIM)



1 – Rates 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

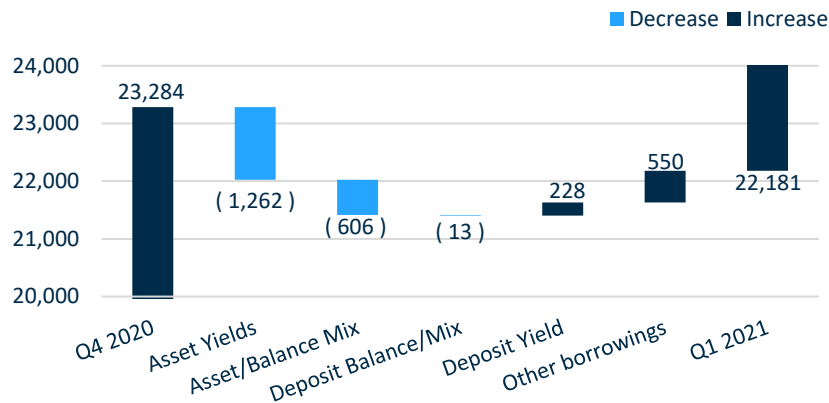
<i>\$ in Millions</i> Index	In the Money	Out of the Money	No Floor	Total	Total %
Prime	\$ 233	\$ 36	\$ 15	\$ 284	40.7%
1 Month LIBOR	5	2	161	168	24.1%
12 Month LIBOR	–	72	100	172	24.6%
FHLB 5 Year	24	11	10	45	6.4%
Other	24	–	5	29	4.2%
Total	\$ 286	\$ 121	\$ 291	\$ 698	100.0%

Percent of Total 41.0% 17.3% 41.7% 100.0%

VARIABLE RATE FLOORS

<i>\$ in Millions</i>	Balance	% of Total Balance	Cumulative % of Total Balance
No Floors	\$ 291	41.7%	41.7%
Floors Reached	285	40.8%	82.5%
0-50 bps to reach floor	115	16.5%	99.0%
>50bps to reach floor	7	1.0%	100.0%
Total	\$ 698	100.0%	

NET INTEREST INCOME



1 – NIM excluding PPP for the three months ended March 31, 2021 was 2.95%

COMMENTS

Quarter over quarter highlights:

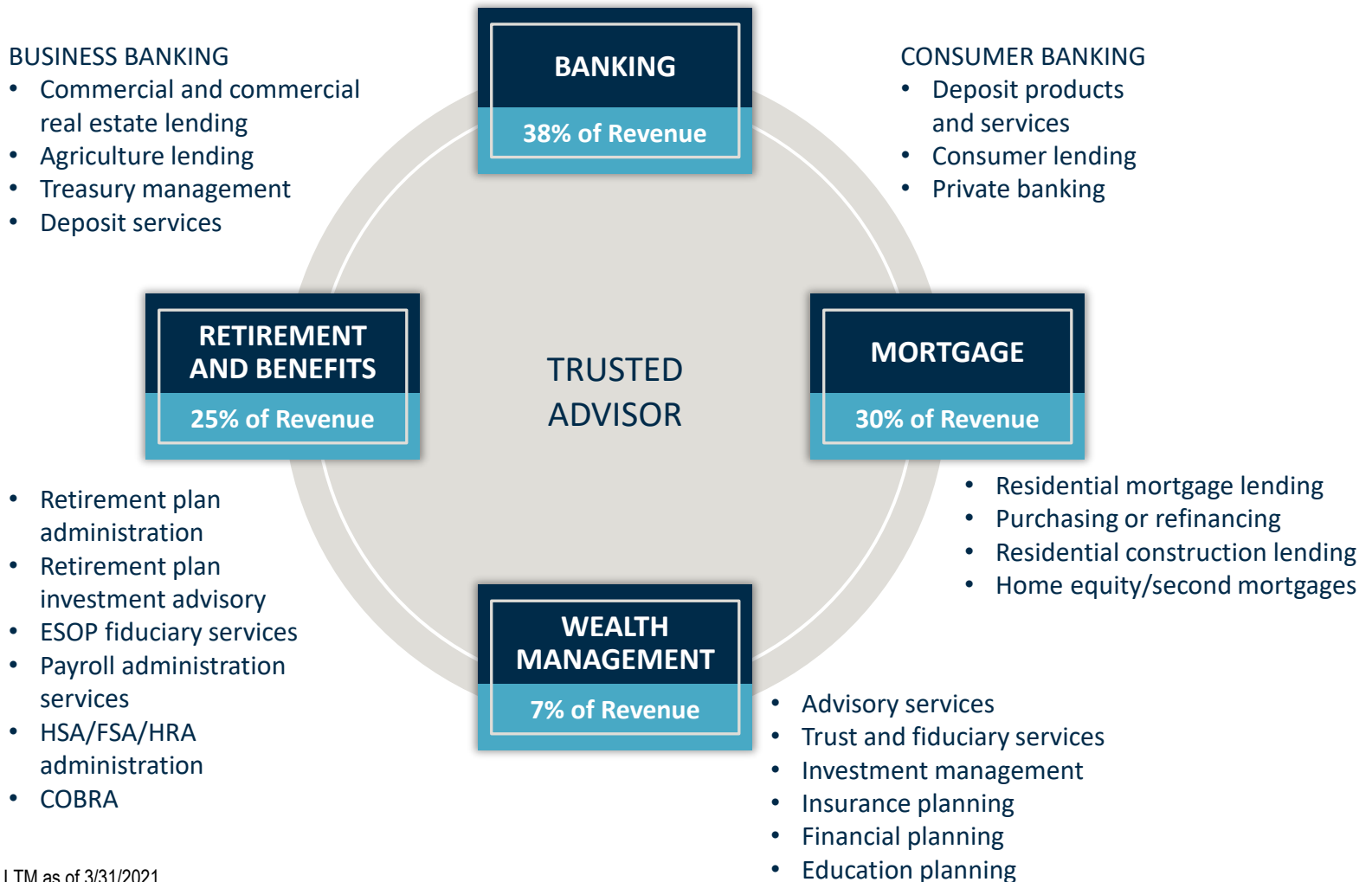
- Decreased asset yields driven by lower investment yields of 23bps as portfolio increased on average \$113 million
- Lower loan yields of 9bps due to lower C&I yields as loan renewals were repriced at lower rates
- Other borrowings yield decreased 113bps as sub debt was refinanced during the quarter at a new yield of 3.5% down from 5.75%

DIVERSIFIED



OUR DIVERSE BUSINESS LINES

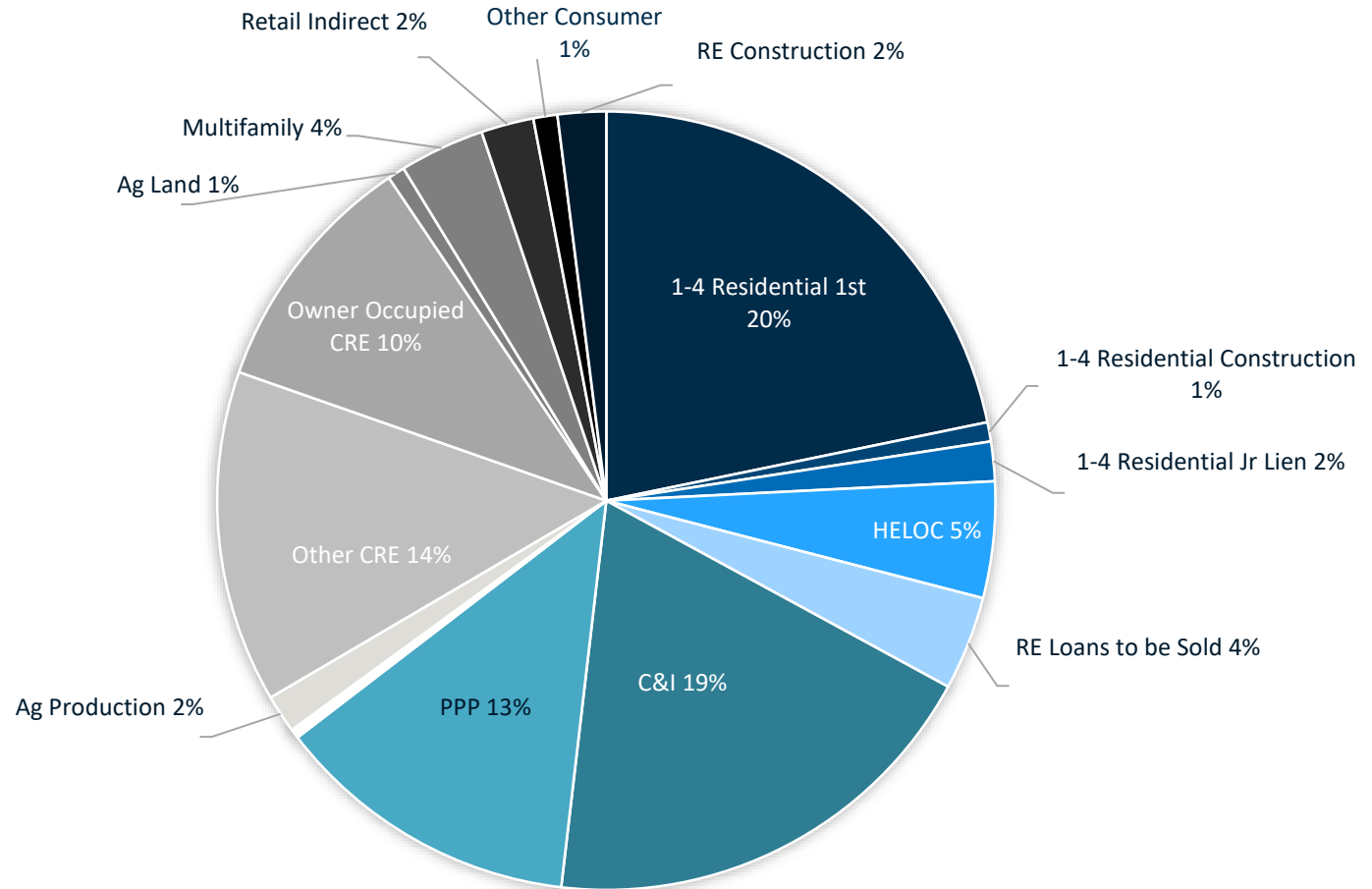
A BIG COMPANY MODEL WITH SMALL COMPANY EXECUTION



Revenue data LTM as of 3/31/2021.

WELL DIVERSIFIED LOAN PORTFOLIO

BY OUTSTANDING BALANCES



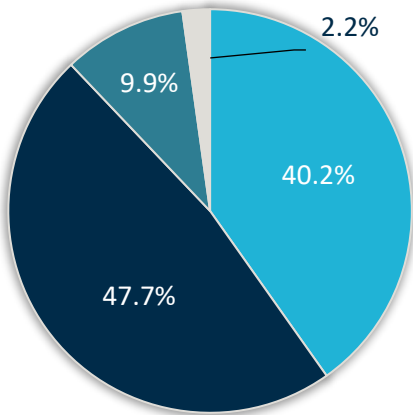
As of 3/31/2021.

MARKET DISTRIBUTION

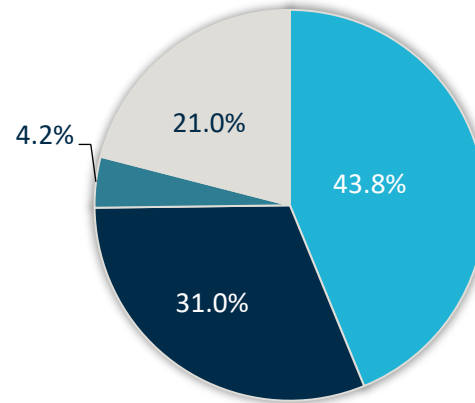
STRONG GROWTH MARKETS AND STABLE CORE FUNDING

(\$ IN MILLIONS)

LOANS (\$1,937)⁽¹⁾



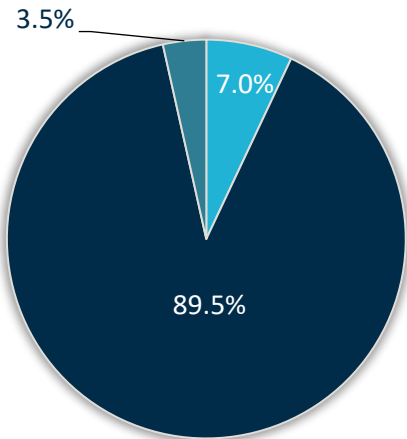
DEPOSITS (\$2,718)



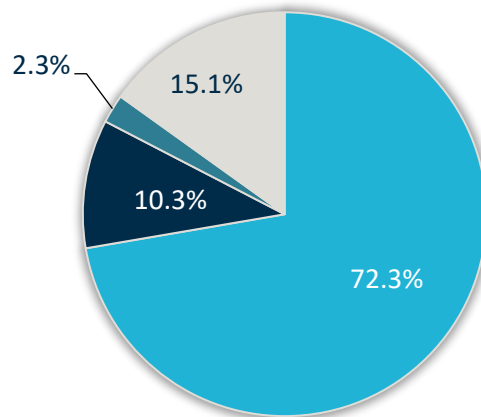
LEGEND

- North Dakota
- Minnesota
- Arizona
- National

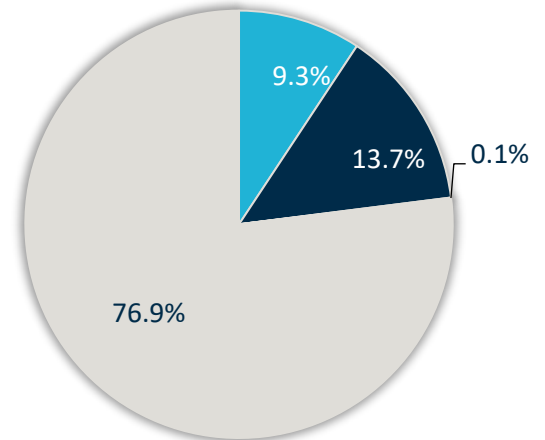
MORTGAGE ORIGINATIONS (\$0.5)



WM ASSETS UNDER ADMIN/MGMT. (\$3,358)



ARB ASSETS UNDER ADMIN/MGMT. (\$34,775)



Data as of 03/31/2021.

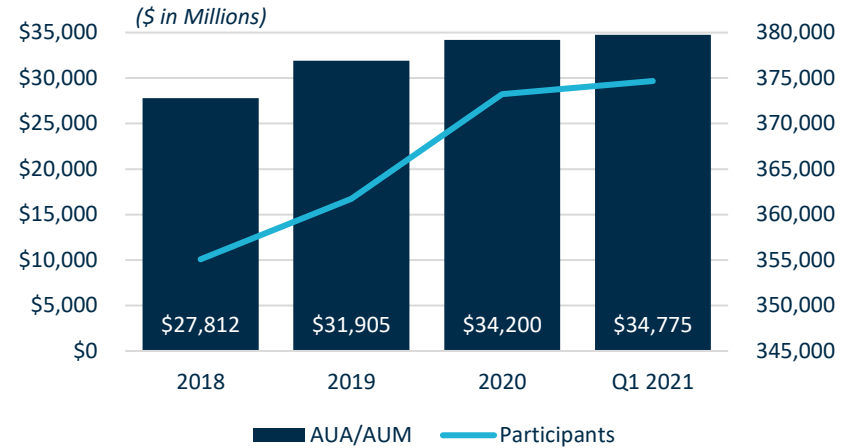
¹-Loans in our national market are participant loans not sourced directly through advisors located in one of our geographical markets.

RETIREMENT AND BENEFITS

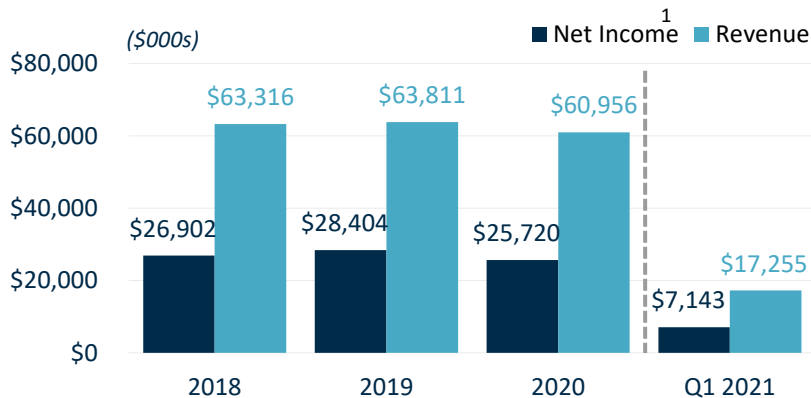
OVERVIEW-7,600 PLANS- NATIONAL FOOTPRINT

- **RETIREMENT** - Provide recordkeeping and administration services to qualified retirement plans
- **ADVISORY SERVICES** - Provide investment fiduciary services to retirement plans
- **HEALTH AND WELFARE** - Provide HSA, FSA, COBRA recordkeeping and administration services to employers
- **ESOP** - Provide trustee, recordkeeping and administration to employee stock ownership plans
- **PAYROLL** - Provide payroll and HRIS services for employers
- **ONE ALERUS SYNERGIES**
 - IRA rollovers \$75.9 million YTD 3/31/2021
 - Deposits - HSA deposits, 401(k) Money Market Funds, Emergency Savings, Terminated Participants
 - Managed accounts

ASSETS UNDER ADMINISTRATION/MANAGEMENT



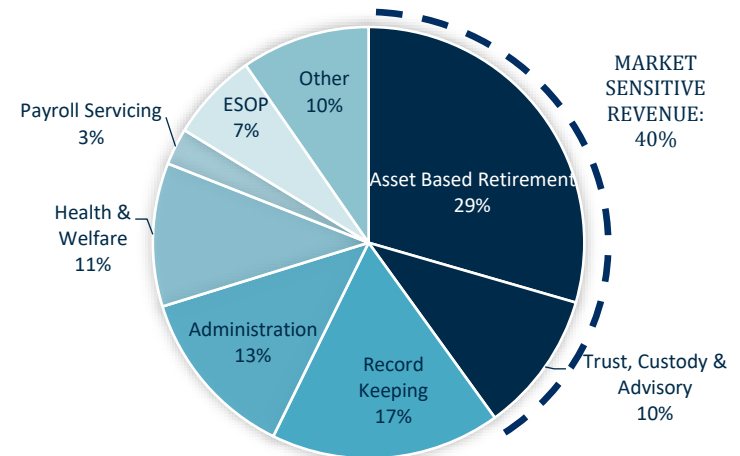
PROFIT MARGIN



Profit Margin:	2018	2019	2020	Q1 2021
	42.5%	44.5%	42.2%	41.4%

¹ Net Income before Tax and Indirect Allocations.

REVENUE MIX

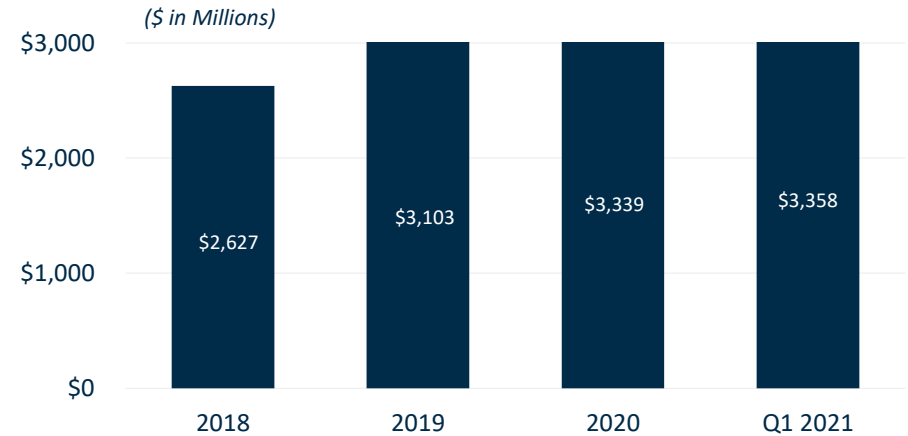


WEALTH MANAGEMENT SERVICES

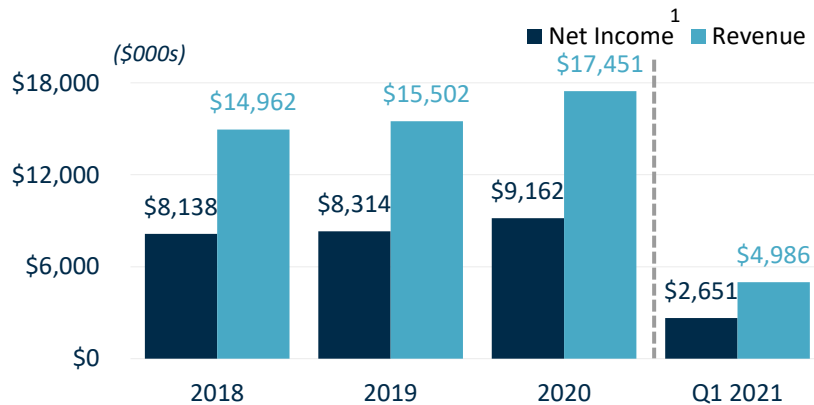
OVERVIEW OF SERVICES

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

ASSETS UNDER ADMINISTRATION/MANAGEMENT



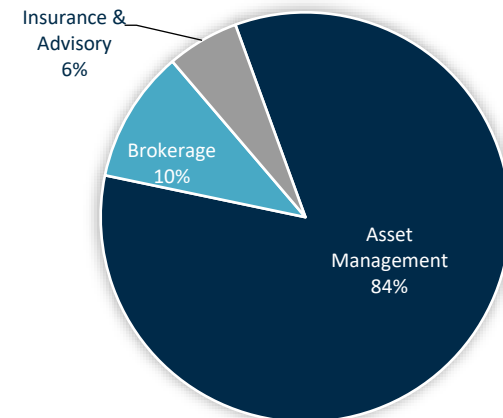
PROFIT MARGIN



Profit Margin:	54.4%	53.6%	52.5%	53.2%
	2018	2019	2020	Q1 2021

¹ Net Income before Tax and Indirect Allocations.

REVENUE MIX



MORTGAGE BANKING

OVERVIEW OF SERVICES

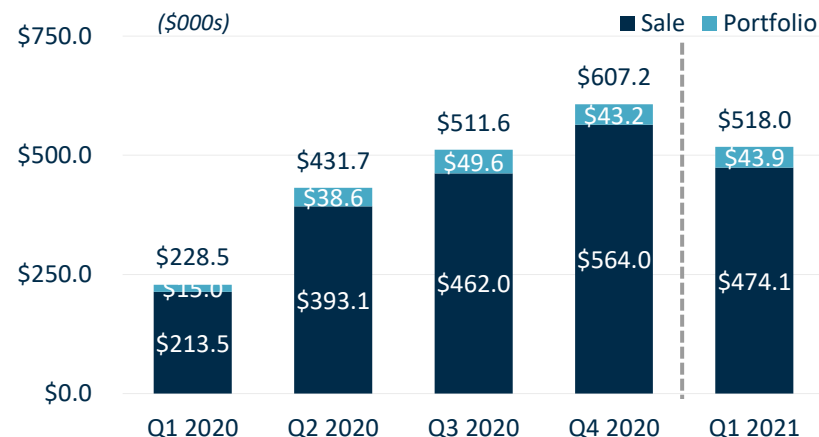
- 1st and 2nd mortgage product offerings through centralized mortgage operations in Minnesota
- Our Twin Cities originators averaged \$42+ million in annual volume over the last three years
- YTD 1,699 loans closed, approximately 31% purchase originations, with approximately 69% sourced from the Twin Cities MSA
- Q1 94.7% pull through on secondary market
- ONE ALERUS SYNERGIES**
 - Through enhanced technology, digital applications exceed 80%. Paperless environment eliminated nearly 200,000+ pages printed on a monthly basis
 - As of March 31, 2021, residential real estate first mortgages excluding construction mortgages totaled \$439 million

REVENUE SUMMARY

(\$000s)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Origination and Sale	\$ 5,926	\$ 11,516	\$ 16,289	\$ 19,071	\$ 16,421
Fair Value Changes	(881)	6,030	5,980	(2,290)	711
Total	\$ 5,045	\$ 17,546	\$ 22,269	\$ 16,781	\$ 17,132
Net income ⁽¹⁾	\$ (126)	\$ 10,056	\$ 13,113	\$ 4,367	\$ 6,725
Profit Margin	(2.4%)	55.6%	57.3%	25.0%	28.3%

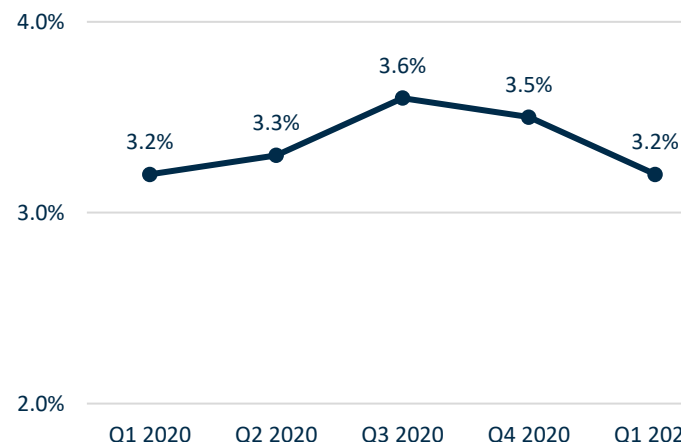
1 Net Income before Tax and Indirect Allocations.

MORTGAGE ORIGINATIONS



Purchase %	50.9%	37.7%	52.8%	42.1%	31.3%
Refinance %	49.1%	62.3%	47.2%	57.9%	68.7%

GAIN ON SALE MARGIN

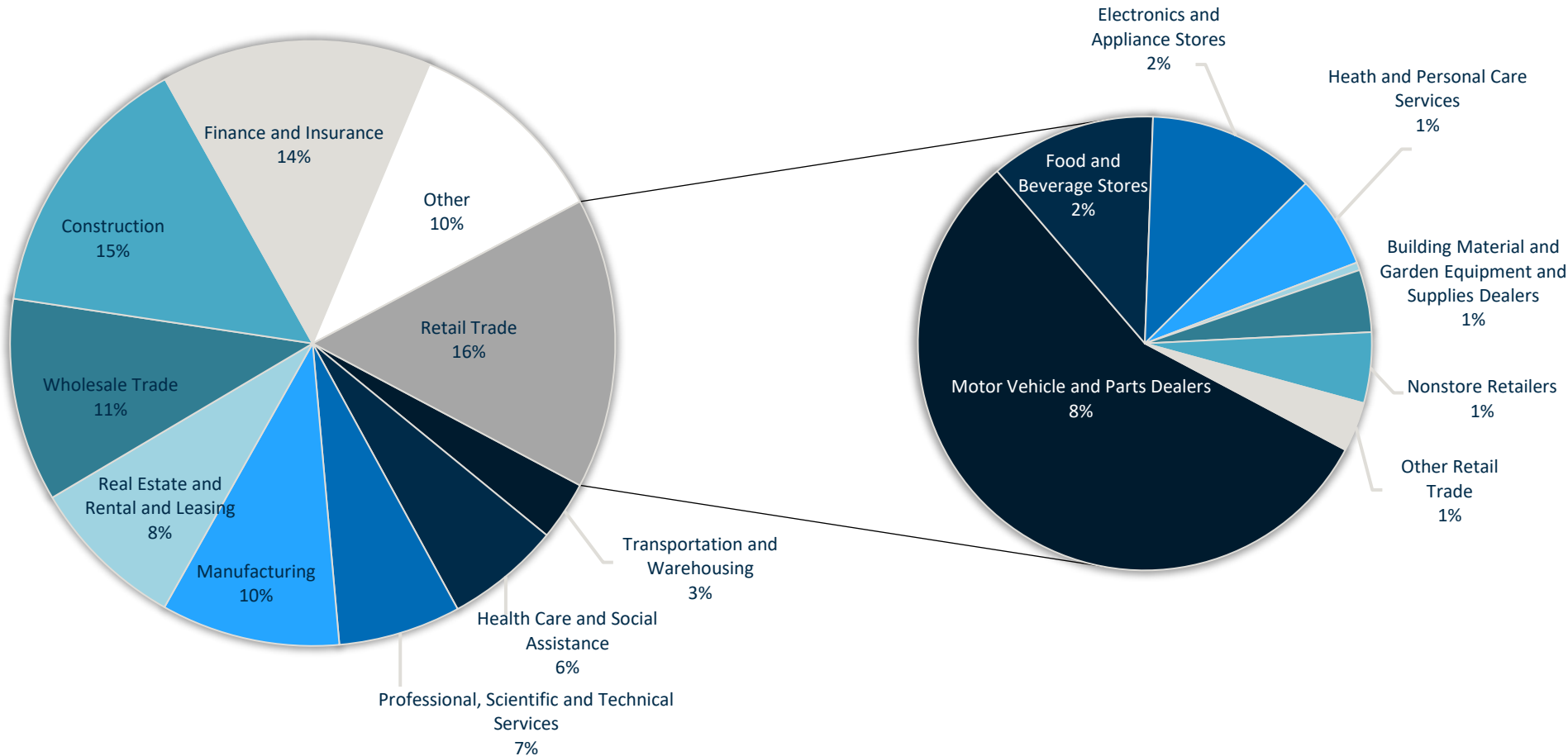


LOAN PORTFOLIO AND CREDIT QUALITY



SUMMARY BY INDUSTRY TYPE

TOTAL COMMITMENT COMMERCIAL & INDUSTRIAL¹



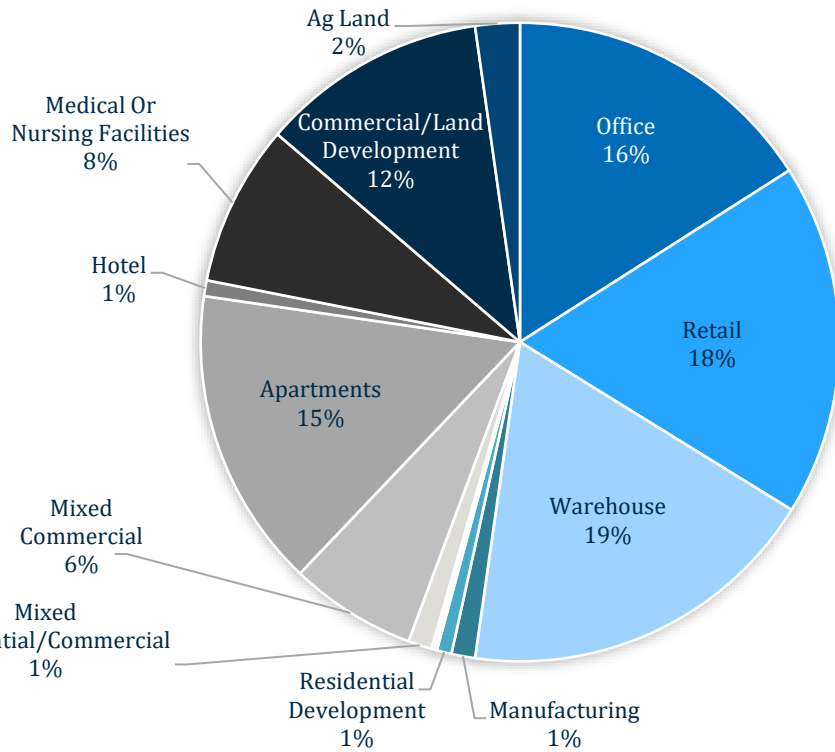
1 – Commercial and industrial loans includes C & I, Loans to Public Entities, and Other Loans. It Excludes PPP and Ag Production loans

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

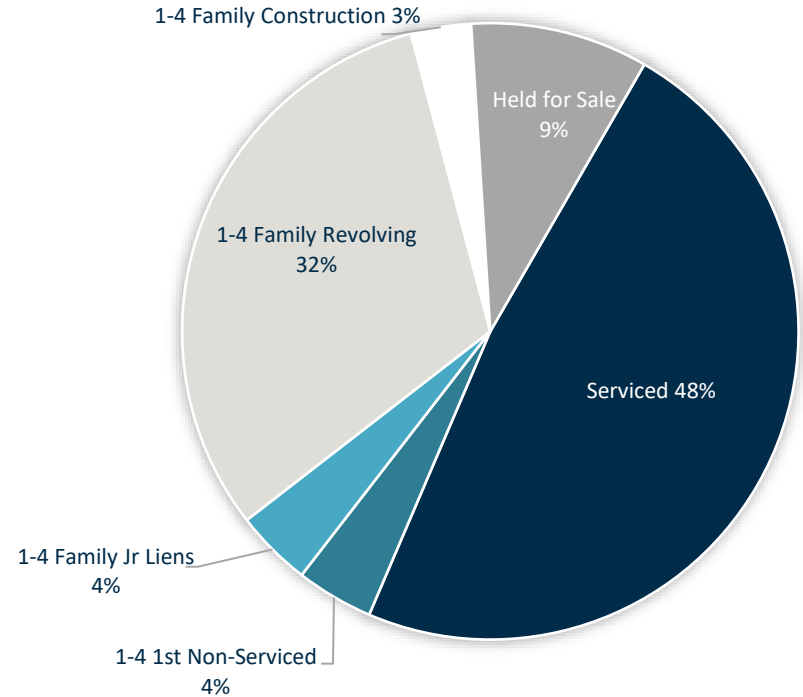
"Other Retail Trade" includes to the following sub-industries within Retail Trade: (1) Miscellaneous Store Retailers, (2) Furniture and Home Furnishings Stores, (3) Sporting Goods, Hobby, Musical Instrument, and Book Stores, (4) Clothing and Clothing Accessories Stores, and (5) General Merchandise Stores

LOANS SECURED BY REAL ESTATE

TOTAL COMMITMENT COMMERCIAL REAL ESTATE¹



TOTAL COMMITMENT RESIDENTIAL REAL ESTATE

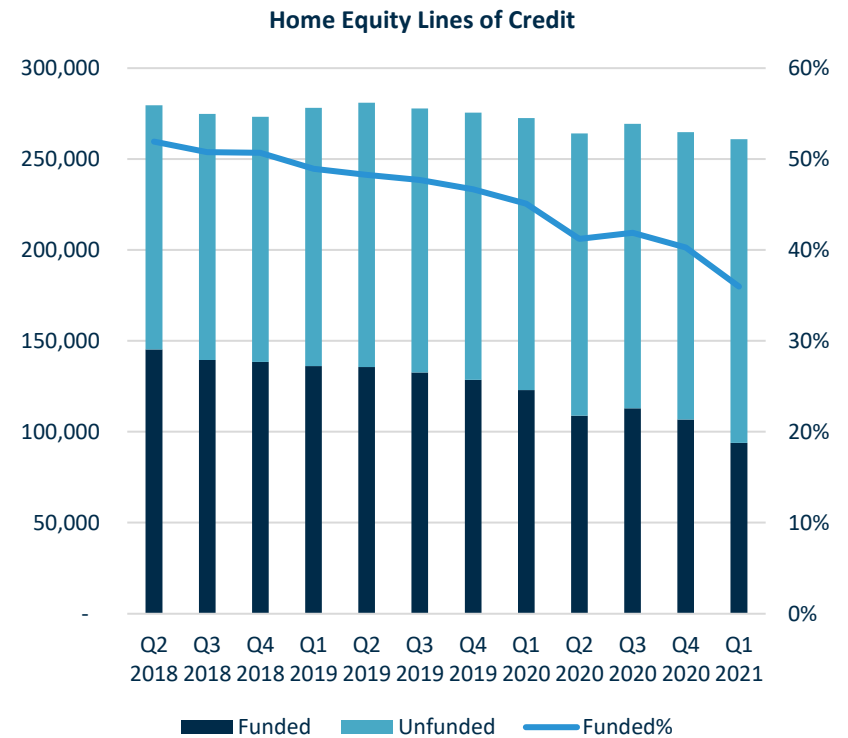
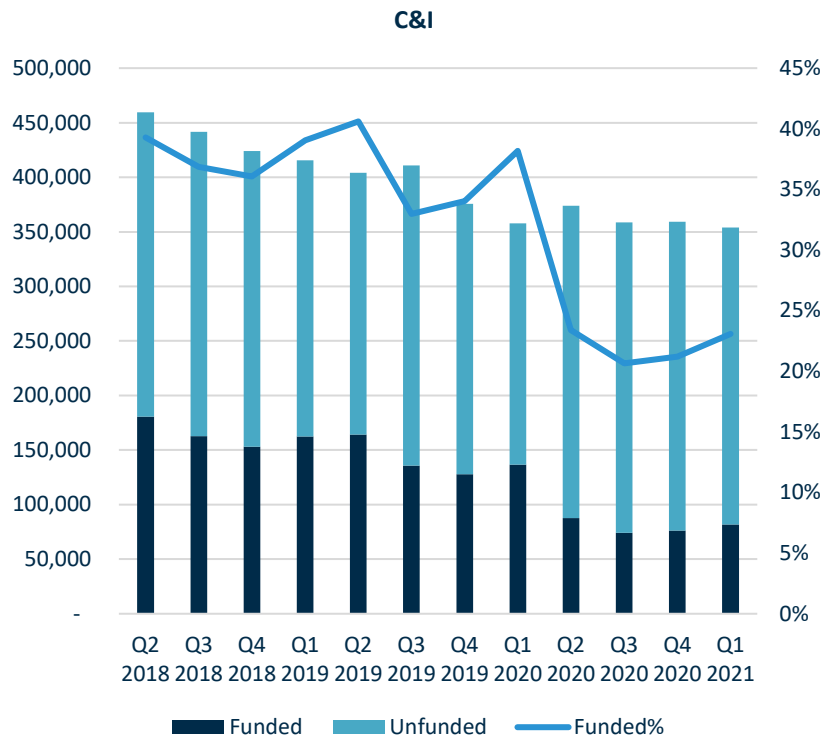


Portfolio	Avg FICO	Avg LTV
Serviced	757	56%
Non-Serviced	793	33%
Junior	753	77%
HELOC	793	76%

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

LINE OF CREDIT UTILIZATION

C&I AND HOME EQUITY LINES OF CREDIT



ALLOWANCE FOR LOAN LOSSES

CHANGES IN THE ALL BY PORTFOLIO SEGMENT

Three months ended March 31, 2021

<i>(dollars in thousands)</i>	Beginning Balance	Provision for Loan Losses	Loan Charge-offs	Loan Recoveries	Ending Balance
Commercial					
Commercial and industrial	\$ 10,205	\$ 316	\$ (204)	\$ 170	\$ 10,487
Real estate construction	658	(60)	—	—	598
Commercial real estate	14,105	277	(536)	3	13,849
Total commercial	24,968	533	(740)	173	24,934
Consumer					
Residential real estate first mortgage	5,774	190	—	83	6,047
Residential real estate junior lien	1,373	(85)	—	—	1,288
Other revolving and installment	753	(83)	(44)	40	666
Total consumer	7,900	22	(44)	123	8,001
Unallocated	1,378	(555)	—	—	823
Total	\$ 34,246	\$ —	\$ (784)	\$ 296	\$ 33,758

ALLOWANCE FOR LOAN LOSSES

ALLOCATION BY PORTFOLIO SEGMENT

<i>(dollars in thousands)</i>	March 31, 2021		December 31, 2020	
	Allocated Allowance	Percentage of loans to total loans	Allocated Allowance	Percentage of loans to total loans
Commercial and industrial	\$ 10,487	35.0%	\$ 10,205	35.0%
Real estate construction	598	2.1%	658	2.2%
Commercial real estate	13,849	29.4%	14,105	28.4%
Residential real estate first mortgage	6,047	23.5%	5,774	23.4%
Residential real estate junior lien	1,288	6.7%	1,373	7.2%
Other revolving and installment	666	3.3%	753	3.7%
Unallocated	823	—%	1,378	—%
Total loans	\$ 33,758	100.0%	\$ 34,246	100.0%

ALLOWANCE FOR LOAN LOSSES

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

Risk Level	Total Loans	Unguaranteed Balance ¹	Reserve Amount	Reserve / Unguaranteed Loans	Reserve/Total Loans
Pass	\$ 1,881,248	\$ 1,619,738	\$ 27,280	1.68%	1.45%
Special Mention	10,674	10,369	427	4.12%	4.00%
Substandard	37,282	36,739	4,226	11.50%	11.34%
Total Loans Evaluated Collectively	1,929,204	1,666,846	31,933	1.92%	1.66%
Total Loans Evaluated Individually	8,141	7,852	1,002	12.76%	12.31%
Unallocated	–	–	823	–	–
Total	\$ 1,937,345	\$ 1,674,698	\$ 33,758	2.02%	1.74%

As of 03/31/2021.

1 - Unguaranteed balances exclude PPP loans as well as loans that are guaranteed by another government agency.

COVID-19 RESPONSE



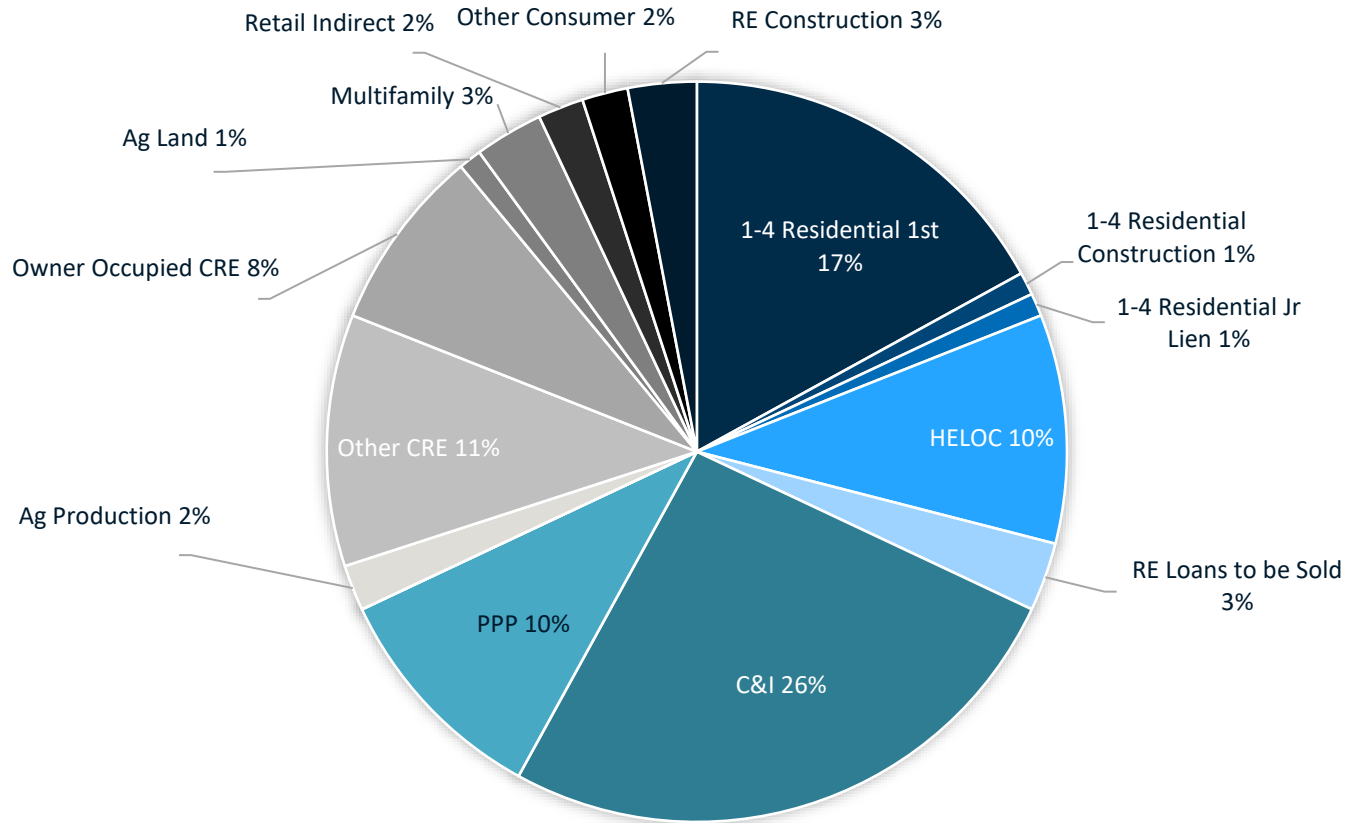
COVID-19 RESPONSE SUMMARY

PROACTIVELY RESPONDING WITH AGILITY AND SUPPORT

LEADING DURING THE PANDEMIC CRISIS	<ul style="list-style-type: none">▪ Activated Business Continuity Planning team and Pandemic Policy; frequent meetings with key leadership teams▪ 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	<ul style="list-style-type: none">▪ Early adoption and continuation of self-quarantine recommendations and restricting non-essential business travel▪ 82% of staff transitioned to working remote in 1 week; 85% remain working remote▪ Established On-Site Pay for staff in offices; introduced Relief Pay for office closures or daycare/school closures▪ Frequent all employee virtual calls hosted by C*Suite; shifted from biweekly in 2020 to monthly in 2021
LEVERAGING INFRASTRUCTURE INVESTMENTS	<ul style="list-style-type: none">▪ Built integrated access between client documents and CRM, allowing team to quickly access client information▪ Robotic Process Automation: continue to add robots to automate operational processes▪ Leveraged DocuSign to develop pre-filled, dynamic Paycheck Protection Program Forgiveness Application▪ Simplified client experience, moving various loan, wealth management, and investment documents to DocuSign
INCREASED DIGITAL ENGAGEMENT	<ul style="list-style-type: none">▪ Built upon holistic financial picture for consumer clients by integrating wealth management and brokerage accounts held with Alerus into My Alerus, simplifying the online account experience down to one login▪ Moved all retirement statements and confirmations to electronic format as the default, further driving online engagement
SERVING IN THE BEST INTEREST OF CLIENTS	<ul style="list-style-type: none">▪ Paycheck Protection Program: helped over 2,289 new and existing clients secure ~ \$447 million in funding relief▪ Ongoing virtual webinars to provide guidance and help clients with their financial issues on various topics▪ Waived fees on loan extensions, loan payment deferrals, or early CD withdrawals due to COVID-19 related hardship▪ Proactively helping participants navigate retirement distributions or other lending options
THE NEW NORMAL	<ul style="list-style-type: none">▪ Continue to encourage virtual business; reopening approach is guided by market conditions▪ ND: lobbies closed in mid-March 2020, open by appointment only in early June 2020, lobbies reopened in mid-June 2020, markets were never subject to stay at home order and markets are widely open for business▪ MN: lobbies closed in mid-March 2020, open by appointment only in August, continued progress of state's four-phases approach to businesses reopening with certain lobbies opened in April 2020▪ AZ: lobbies closed in mid-March, drive-up remained open, open by appointment only in September 2020

WELL DIVERSIFIED LOAN PORTFOLIO

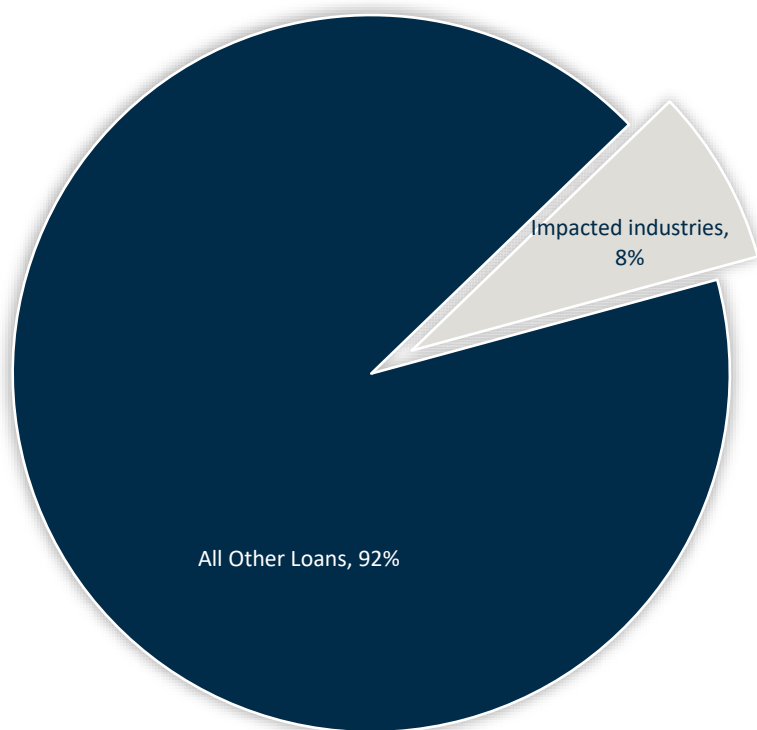
BY TOTAL COMMITMENT INCLUDING UNFUNDED COMMITMENT



As of 3/31/2021.

INDUSTRIES DIRECTLY IMPACTED BY COVID-19

COMMERCIAL AND INDUSTRIAL AND COMMERCIAL REAL ESTATE



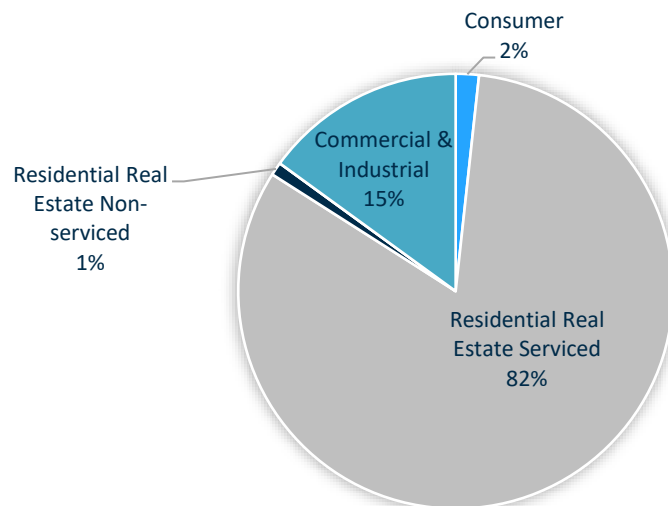
C&I	Total Commitment (\$ in 000's)	% of Total
Accommodation and Food Services	\$ 10,314	0.74%
Arts, Entertainment, and Recreation	3,164	0.23%
Oil and Gas	553	0.04%
Other Retail Trade	3,787	0.27%
Total	\$ 17,818	1.27%

CRE	Total Commitment (\$ in 000's)	% of Total
Retail	\$ 118,217	8.45%
Medical or Nursing Facilities	54,176	3.87%
Hotel	5,292	0.38%
Total	\$ 177,685	12.70%

As of 3/31/2021.

COVID-19 RELIEF PROGRAMS

PAYMENT DEFERRALS, MATURITY EXTENSIONS, AND PAYMENT MODIFICATIONS



March 31, 2021

Loan Group	Number Of Loans	Granted Deferral (\$ in 000's)	Still on Initial Deferral (\$ in 000's)	Additional Deferral (\$ in 000's)	Returned to Normal (\$ in 000's)
Consumer	177	\$ 2,451	\$ 31	\$ 25	\$ 2,395
Residential Real Estate Serviced	62	26,939	373	7,434	19,132
Residential Real Estate Non-serviced	77	10,550	—	32	10,518
Commercial Real Estate	79	80,763	—	—	80,763
Commercial & Industrial	187	33,335	362	126	32,847
Total	582	\$ 154,038	\$ 766	\$ 7,617	\$ 145,655

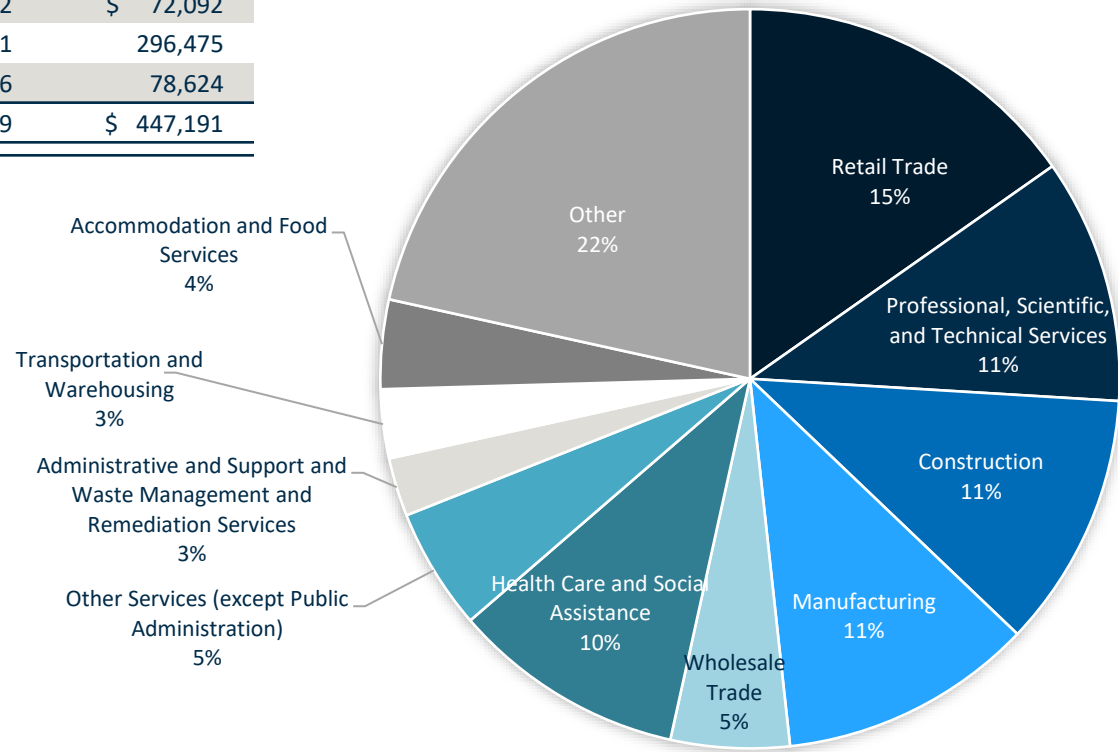
COVID-19 RELIEF PROGRAMS

SBA PAYCHECK PROTECTION PROGRAM (PPP)

INDUSTRY BREAKDOWN OF PPP LOANS MADE TO BORROWERS

THROUGH 03/31/2021 SECURED SBA FINANCING OF 2,289 LOANS FOR APPROXIMATELY \$447MM

Loan Amount Group	# of Loans	\$ Originated (in 000's)
\$150M or less	1,682	\$ 72,092
\$150M to \$2MM	581	296,475
\$2MM+	26	78,624
Total	2,289	\$ 447,191



As of 3/31/2021.

As of March 31, 2021, 1,101 loans totaling \$194.2 million have been approved for forgiveness by the SBA.

APPENDIX



FINANCIAL HIGHLIGHTS

(\$000s, except where otherwise noted)	Annual				17-'20	Year-to-date	
	2017	2018	2019	2020	CAGR	Q1 2020	Q1 2021
Total Assets	\$ 2,136,081	\$ 2,179,070	\$ 2,356,878	\$ 3,013,771	12.2%	\$ 2,512,078	\$3,151,756
Total Loans	1,574,474	1,701,850	1,721,279	1,979,375	7.9%	1,758,277	1,937,345
Total Deposits	1,834,962	1,775,096	1,971,316	2,571,993	11.9%	2,121,514	2,717,573
Tangible Common Equity ¹	125,154	147,152	240,008	274,043	29.9%	248,878	274,265
Net Income	\$ 15,001	\$ 25,866	\$ 29,540	\$ 44,675	43.9%	\$ 5,363	\$ 15,215
ROAA (%)	0.75	1.21	1.34	1.61		0.89	2.02
ROATCE (%)	18.04	21.02	17.46	17.74		9.76	23.03
Net Interest Margin (FTE) (%) ¹	3.74	3.84	3.65	3.22		3.35	3.12
Efficiency Ratio (FTE) (%) ¹	75.36	73.80	73.22	68.40		77.47	66.43
Non-Int. Income / Op. Rev. (%)	60.36	57.73	60.50	64.05		59.07	64.97
Earnings per common share - diluted	1.07	1.84	1.91	2.52		0.30	0.86
Total Equity / Total Assets (%)	8.41	9.04	12.12	10.96		11.69	10.45
Tang. Cmn. Equity / Tang. Assets (%) ^{1,2}	6.01	6.91	10.38	9.27		10.09	8.86
Loans / Deposits (%)	85.80	95.87	87.32	76.96		82.88	71.29
NPLs / Loans (%) ²	0.37	0.41	0.45	0.26		0.40	0.25
NPAs / Assets (%) ²	0.30	0.33	0.33	0.17		0.29	0.17
Allowance / NPLs (%)	282.04	318.45	305.66	674.13		387.65	709.80
Allowance / Loans (%) ²	1.05	1.30	1.39	1.73		1.54	1.74
NCOs / Average Loans (%) ²	0.16	0.18	0.33	0.03		(0.14)	0.10

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

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

NON-GAAP DISCLOSURE RECONCILIATION

	Annual				Year-to-date	
	2017	2018	2019	2020	Q1 2020	Q1 2021
<i>(\$000s, except where otherwise noted)</i>						
Tangible common equity to tangible assets						
Total common stockholders' equity	\$ 179,594	\$ 196,954	\$ 285,728	\$ 330,163	\$ 293,608	\$ 329,234
Less: Goodwill	27,329	27,329	27,329	30,201	27,329	30,201
Less: Other intangible assets	27,111	22,473	18,391	25,919	17,401	24,768
Tangible common equity (a)	125,154	147,152	240,008	274,043	248,878	274,265
Total assets	2,136,081	2,179,070	2,356,878	3,013,771	2,512,078	3,151,756
Less: Goodwill	27,329	27,329	27,329	30,201	27,329	30,201
Less: Other intangible assets	27,111	22,473	18,391	25,919	17,401	24,768
Tangible assets (b)	2,081,641	2,129,268	2,311,158	2,957,651	2,467,348	3,096,787
Tangible common equity to tangible assets (a)/(b)	6.01 %	6.91 %	10.38 %	9.27 %	10.09 %	8.86%
Tangible common equity per common share						
Total stockholders' equity	\$ 179,594	\$ 196,954	\$ 285,728	\$ 330,163	\$ 293,608	\$ 329,234
Less: Goodwill	27,329	27,329	27,329	30,201	27,329	30,201
Less: Other intangible assets	27,111	22,473	18,391	25,919	17,401	24,768
Tangible common equity (c)	125,154	147,152	240,008	274,043	248,878	274,265
Common shares outstanding (d)	13,699	13,775	17,050	17,125	17,106	17,190
Tangible common equity per common share (c)/(d)	\$ 9.14	\$ 10.68	\$ 14.08	\$ 16.00	\$ 14.55	\$ 15.95
Return on average tangible common equity						
Net income	\$ 15,001	\$ 25,866	\$ 29,540	\$ 44,675	\$ 5,363	\$ 15,215
Add: Intangible amortization expense (net of tax)	3,655	3,664	3,224	3,129	782	909
Remeasurement due to tax reform	4,818	-	-	-	-	-
Net income, excluding intangible amortization (e)	23,474	29,530	32,764	47,804	6,145	16,124
Average total equity	176,779	187,341	231,084	310,208	294,727	334,188
Less: Average goodwill	27,329	27,329	27,329	27,439	27,329	30,201
Less: Average other intangible assets (net of tax)	19,358	19,522	16,101	13,309	14,128	19,995
Average tangible common equity (f)	130,092	140,490	187,654	269,460	253,270	283,992
Return on average tangible common equity (e)/(f)	% 18.04 %	% 21.02 %	% 17.46 %	% 17.74 %	% 9.76 %	% 23.03%
Net interest margin (tax-equivalent)						
Net interest income	\$ 67,670	\$ 75,224	\$ 74,551	\$ 83,846	\$ 18,837	\$ 22,038
Tax equivalent adjustment	865	462	347	455	100	143
Tax equivalent net interest income (g)	68,535	75,686	74,898	84,301	18,937	22,181
Average earning assets (h)	1,833,002	1,970,004	2,052,758	2,618,427	2,271,004	2,880,255
Net interest margin (tax equivalent) (g)/(h)	3.74 %	3.84 %	3.65 %	3.22 %	3.35 %	3.12%
Efficiency Ratio						
Noninterest expense	\$ 134,920	\$ 136,325	\$ 142,537	\$ 163,799	\$ 36,726	\$ 43,042
Less: Intangible amortization expense	5,623	4,638	4,081	3,961	990	1,151
Adjusted noninterest expense (i)	129,297	131,687	138,456	159,838	35,736	41,891
Net interest income	67,670	75,224	74,551	83,846	18,837	22,038
Noninterest income	103,045	102,749	114,194	149,371	27,189	40,881
Tax equivalent adjustment	865	462	347	455	100	143
Total tax equivalent revenue (j)	171,580	178,435	189,092	233,672	46,126	63,062
Efficiency ratio (i)/(j)	75.36 %	73.80 %	73.22 %	68.40 %	77.47 %	66.43%