ALERUS FINANCIAL CORPORATION Q1 2026 EARNINGS CALL

APRIL 30, 2026

Participants

Executives

Katie Lorenson, President, Chief Executive Officer and Director
Alan Villalon, Executive Vice President and Chief Financial Officer
James Collins, Executive Vice President and Chief Banking and Revenue Officer
Karin Taylor, Executive Vice President and Chief Operating Officer
Forrest Wilson, Executive Vice President and Chief Retirement Services Officer

Analysts

Brendan Nosal, Analyst; Hovde Group
Jeff Rulis, Analyst; D.A. Davidson
Nathan Race, Analyst; Piper Sandler
Damon Del Monte, Analyst; KBW

Presentation

Operator
Good morning. Welcome to the Alerus Financial Corporation Earnings Conference Call. (Operator Instructions)

Today's call will reference slides that can be found on Alerus' Investor Relations website. You can also view the presentation slides directly within the webcast platform. (Operator Instructions)

Please note, this event is being recorded.

This call may contain forward-looking statements, and the company's actual results may differ materially from those indicated in any forward-looking statements. Important factors that could cause actual results to differ materially from those indicated in the forward-looking statements are listed in the earnings release and company's SEC filings.

I would now like to turn the conference over to Alerus Financial Corporation's President and CEO, Katie Lorenson. Please go ahead.

Katie Lorenson
Thank you and good morning, everyone. I appreciate you joining us today.

With me today are Alerus' CFO, Al Villalon; our Chief Operating Officer, Karin Taylor; our Chief Banking and Revenue Officer, Jim Collins; and Alerus' Chief Retirement Services Officer, Forrest Wilson.

We delivered a strong first quarter to begin 2026 and more importantly, one that demonstrates the progress we've made repositioning Alerus for higher quality, more durable performance.

For the quarter, we reported net income of $23 million or $0.89 per diluted share. Return on average assets was 1.79% and return on average tangible common equity was approximately 22%. These results were driven by margin expansion, resilient fee income, disciplined expense management and continued improvement in asset quality.

We view this quarter as a clear validation that the strategic actions we've taken are translating into tangible financial outcomes.

Our results reflect three structural strengths shaping the business.

First, our balance sheet is fundamentally better positioned. Margin expansion in the quarter reflects disciplined funding management, the benefits of balance sheet actions taken last year, and a funding mix that continues to differentiate our franchise.

Growth in highly valuable HSA balances sourced through our benefit services platform highlights the uniqueness of our funding model with nearly one-fourth of the deposits sourced from our integrated and synergistic business lines.

Second, diversification continues to matter. More than 40% of our revenue are fee-based, capital-light, and recurring.

Our retirement and benefit services and wealth advisory fee streams provide stability across interest rate and market cycles. Even as asset levels and market conditions fluctuate, underlying engagement, client activity and long-term profitability across these businesses remain solid.

Third, we continued our success in recruiting high-quality talent, adding team members in key markets in Wisconsin and Arizona in addition to progressing towards our goal of doubling the number of wealth advisors across the franchise.

Impressively, we've maintained discipline on expenses while continuing to make these selective investments in technology and growth initiatives.

Our focus remains on scalability, ensuring that as revenue grows, returns improve in a sustainable way.

During the quarter, we remained focused on relationship-driven growth. Commercial and private banking continues to be an area of focus with year-over-year C&I growth exceeding 10%, supported by healthy pipelines and strong client engagement.

At the same time, we've remained intentional in reducing exposure to lower return and higher volatility segments of the balance sheet. The mix shift is improving risk-adjusted returns and strengthening the overall profile of the loan portfolio.

On the funding side, deposit trends reflect the value of our diversified platform. Growth in core deposits including commercial and private banking relationships, in addition to our synergistic deposits reinforces the strategic advantage of our integrated business model. As a result, the loan-to-deposit ratio improved to under 93%.

Asset quality improved meaningfully during the quarter. Nonperforming assets declined and criticized loan balances continue to trend lower, and we made significant progress resolving previously identified credit issues.

During the quarter, we charged down a nonaccrual and well-reserved C&I credit related to a long-standing client relationship negatively impacted by changes in government funding. This was a single event and not reflective of broader portfolio trends.

We also made substantial progress in moving closer to resolution on our largest remaining nonaccrual relationship which represents approximately 65% of total nonaccrual loans.

As a result of portfolio improvements and credit resolution activity, we recorded a reserve release of $4.9 million during the quarter, while maintaining an allowance for credit losses of 1.25% of total loans. Taken together, these actions underscore the strength of our credit discipline and our commitment to proactive risk management.

Our capital position remains strong. Tangible book value per share increased to $18.15 and tangible common equity to tangible assets improved to nearly 9%. Capital ratios remain comfortably above regulatory requirements.

During the quarter, we also repurchased $6 million of common stock while continuing to return capital through dividends.

Our approach to capital allocation remains disciplined and balanced, supporting growth while returning excess capital to shareholders. Most importantly, the company's trajectory remains highly positive.

The underlying fundamentals of the business, our talented team, balance sheet positioning, diversified revenue model, credit discipline and operating focus are stronger than they have been at any other time in our nearly 150 years as an institution.

We remain focused on disciplined growth, continued execution, and delivering sustainable long-term value for our shareholders.

And with that, I will turn the call over to Al to walk through the financial results in more detail.

Alan Villalon
Thanks, Katie. Let's start on Page 9 of our investor deck which is posted on the Investor Relations section of our website.

In the first quarter, we delivered a strong start to 2026 and demonstrated the earnings power of the franchise following the balance sheet reposition completed late last year. We generated adjusted diluted EPS of $0.89, inclusive of $6 million of share repurchases during the quarter.

Our results reflect continued core net interest margin improvement, disciplined expense management, and the benefit of our diversified business model with noninterest income representing just over 40% of total revenue.

Profitability remained strong with an adjusted return on average tangible common equity of 21.96% and an adjusted return on average assets of 1.79%, improving 17 basis points from the prior quarter. Tangible book value per share increased 3.4% linked quarter to $18.15 and our tangible common equity ratio improved to 8.85%, underscoring continued capital generation.

Turning to the balance sheet. We remain well positioned to support organic growth. Deposits increased 3.7% on a period-end basis and our loan-to-deposit ratio improved to 92.8%.

In addition, we continue to maintain robust liquidity of approximately $2.7 billion, providing flexibility to fund loan growth, manage through market volatility, and continue returning capital through dividends and share repurchases.

Let's turn to Page 16 to talk about our earning assets.

At quarter end, loans were relatively stable versus the prior quarter. We continue to proactively reallocate capital to full relationships, primarily in C&I and private banking. Excluding this continued rationalization, end-of-period loans would have grown modestly. Overall, our loan mix remains balanced at approximately 50% fixed and 50% floating.

On investments, we continue to benefit from the strategic portfolio repositioning executed in the fourth quarter.

During 4Q, we sold $360 million of available-for-sale securities, representing over two-thirds of total AFS securities at year-end 2025. This restructuring improved the overall average investment portfolio yield by 139 basis points from 4Q '25 to 3.84% in the first quarter of '26, and has been a meaningful contributor to margin expansion. Currently, our balance sheet remains positioned slightly liability sensitive.

On a rate cut, we will see slight margin improvement and vice versa on a hike.

Turning to deposits on Page 17. Our funding profile continues to strengthen and remains a key contributor to margin expansion and balance sheet flexibility.

On a period-end basis, total deposits increased 3.7% from the prior quarter, reflecting growth across both public funds and core client deposits. Importantly, we continue to see favorable mix improvement and operated during the quarter with only $8 million of brokered deposits.

Noninterest-bearing deposits increased 6.2% linked quarter and now represents approximately 19.7% of total deposits. This shift meaningfully supports our cost of funds and improves the durability of our funding base. The quarter-over-quarter increase in deposits was driven by seasonal inflows, public fund inflows, as well as steady growth from commercial and private banking clients.

We are particularly pleased by the continued stability of our core deposit franchise which reflects core operating and treasury management relationships rather than rate-sensitive behavior.

As a result of deposit growth and selective loan originations, our loan-to-deposit ratio improved to 92.8%, providing additional on-balance sheet liquidity and positioning us well to continue to support organic loan growth going forward without relying on higher cost wholesale funding.

Overall, our deposit franchise remains a competitive advantage supporting loan growth and providing flexibility as we navigate the evolving rate environment.

Turning to Page 18. Net interest income remained stable at $44.9 million. Reported net interest margin expanded eight basis points to 3.77%, a new post-IPO high. Purchase accounting accretion contributed approximately 25 basis points in the quarter. Excluding accretion, core margin was 3.52%, representing a 35-basis-point improvement from the core margin in the fourth quarter.

Drivers of the core margin improvement included a 21-basis-point decline in the total cost of funds to 1.97% and a higher portfolio yield of 3.84% following the fourth quarter balance sheet repositioning.

In addition, strong new business margins across both loans and deposits supported continued margin momentum. New loans were originated at average rates in the low to mid-6% range, while new deposits were in the low to mid-2% range.

Turning to Page 19. Adjusted fee income, excluding the balance sheet repositioning and other one-time items, declined 3.2% from the prior quarter, primarily due to lower swap fee revenue. Importantly, fee income continued to represent over 40% of total revenue, demonstrating the value of our diversified model in a dynamic rate environment.

Let's turn to Page 20 for additional detail on fee income.

Turning to banking services fee income. Adjusted banking fees declined modestly from the prior quarter, primarily driven by lower swap revenues. We do not include swap revenues in guidance due to inherent variability in client-driven timing. Importantly, our core transaction-based fees remained stable, supported by continued activity across our commercial and consumer client base.

Mortgage fee income increased over 130% from the prior year, driven by increased originations, improved gain on sale margins, and a higher valuation of mortgage servicing rights. While originations remain seasonally lower, economics per loan improved, demonstrating our ability to generate solid fee contribution even in a muted volume environment.

On Page 21, I'll provide highlights for Retirement and Benefit Services. Total revenue increased to $17.4 million, up 0.8% linked quarter.

Assets under administration and management declined 5.9%. It's important to note this change had and is expected to have minimal impact on revenues as the revenue was replaced with new partnership onboarded during the quarter.

Synergistic deposits within retirement -- within the retirement segment increased 2.3% linked quarter. HSA deposits grew 7.1% to approximately $218 million and continue to be a particularly attractive funding source, carrying an average cost of roughly 10 basis points.

Turning to Page 22, and Wealth Advisory Services. Revenue in the quarter was $7.2 million. On a linked-quarter basis, revenue declined a modest 2.7%, primarily driven by market-related pressure on asset values as client retention remained strong.

Assets under administration and management decreased 1.2% from the prior quarter, reflecting broader market performance during the period. From a fee mix standpoint, the decline was evenly split between asset-based and transaction-based revenue, consistent with lower market levels and typical first quarter seasonality.

Turning to Page 23. Our expense discipline continued to translate into positive operating leverage during the quarter. Reported noninterest expense declined 2.9% on a linked-quarter basis, reflecting lower incentive compensation as both mortgage activity and banking production were seasonally lower.

Importantly, this decline was achieved while we continue to invest in the franchise. The increase in professional fees during the quarter was driven by the reclassification of certain vendor services previously recorded within business services and technology rather than incremental new spend.

Overall, expense trends remained well controlled, and we continue to demonstrate the scalability of our operating model as revenue growth outpaced expense growth in the first quarter. This discipline supports both near-term profitability and our ability to invest selectively in growth initiatives without compromising returns.

Turning to Page 24. Asset quality improved meaningfully.

While net charge-offs were 71 basis points, the increase was driven primarily by a single $6.4 million charge-off on one previously identified C&I relationship that had previously been placed on nonaccrual. This charge-down relationship still has remaining reserves of 78%.

Importantly, nonperforming assets declined $15.4 million linked quarter and criticized loans were down 43% year-over-year.

We recorded a $4.9 million reserve release, primarily driven by lower loan balances and an improved mix. Despite the continued positive trends, we maintained reserve level above the industry at 1.25%.

On Page 25, capital and liquidity remains strong. Tangible common equity to tangible assets improved to 8.85% and tangible book value per share increased to $18.15.

We continue to return capital to shareholders through both our quarterly dividend and $6 million of share repurchases at an average price of $23.90 while maintaining substantial liquidity to support organic growth.

Turning to Page 26. Our 2026 guidance has improved and reflects continued discipline and growth -- continued disciplined growth and positive operating leverage.

We expect the following: loans to grow at a mid-single-digit rate for the full year despite more than $400 million of contractual maturities. Deposits to grow in the low single digits. We have ample liquidity to support loan growth in excess of deposit growth.

A net interest margin of approximately 3.55% to 3.65% for 2026. In the second quarter, we expect about 20 basis points of contractual purchase accounting accretion.

Also for additional context, the exit rate of our net interest margin was approximately 3.65% for the month of March. Adjusted noninterest income to grow in the mid-single digits, driven by continued growth in our wealth and retirement businesses. Consistent with prior guidance, swap fee income is not included given variability. Total net revenue growth in the mid-single digits with noninterest expense growth in the low single digits will continue to support positive operating leverage.

We do expect second quarter noninterest expenses to be slightly higher due to a seasonal uptick in mortgage and banking production, along with improved equity markets in our wealth division which will push incentives higher. Full year return on assets will exceed 1.25%.

Finally, for additional -- for each additional 25 basis point cut in rates, we would expect net interest margin to improve roughly three to five basis points.

In summary, our first quarter performance demonstrates that the earnings power of the franchise is taking flight, and we believe Alerus is well positioned for 2026 and beyond to reach new heights.

With that, I'll now open it up for Q&A.

Questions and Answers

Operator
(Operator Instructions) The first question will be coming from the line of Brendan Nosal of Hovde Group.

Brendan Nosal
Maybe just starting off here on the retirement business.

Can you just unpack the decline in plan participants and AUA this quarter and help us understand why it's revenue neutral, as you pointed out in the release?

Forrest Wilson
Yes, Brendan, this is Forrest Wilson.

I can say since I got here, we've been putting an emphasis on a much more disciplined and aggressive approach to our growth strategy, really scrutinizing the mix of business that we take on more closely than ever and specifically looking at profitability, operational leverage and complexity.

In this past quarter, we were able to exit a large low-margin client that it was a legacy relationship that had significant assets but generated limited revenue relative to the size and added disproportionate operational complexity for sure for our division. Coincidentally, additionally --

Alan Villalon
Forrest, this is Al.

Can you -- we're getting some feedback here.

Can you start over because you're sounding a little muffled.

Forrest Wilson
Yes. Sorry about that.

Is that okay?

Alan Villalon
Still muffled.

Katie Lorenson
That's okay. I can take it, Forrest.

In regards to the drop in assets participants for the quarter, it was driven by the exit of a large lower-margin legacy relationship and replaced with a new partnership that has much higher levels of profitability, but lower levels of assets and participants.

Forrest Wilson
Yes. (Inaudible) better? Sorry.

Alan Villalon
That's better.

Forrest Wilson
All right. Sorry, about that. Thanks, Katie.

Katie Lorenson
Yes. No problem.

Forrest Wilson
Yes, I mean as Katie mentioned, so coincidentally, we exited a large low-margin client that had significant assets, and we onboarded a very substantial new partnership that does have lower assets, but a much higher, more simplified business which is in line with our strategy.

So all in all, it was absolutely just an episodic event of this quarter, but does reflect a deliberate focus on us trying to achieve a higher quality, more profitable business. But it happened in the same quarter and is largely a revenue-neutral event between the two.

Brendan Nosal
Okay. All right. That's helpful color there.

I appreciate it. Maybe moving on to loan growth and demand.

Can you just spend a minute talking about what gives you confidence you'll still hit the mid-single-digit growth guide for the year, just given the softer start to the year?

James Collins
Yes. This is Jim Collins.

We're staying the course, right?

We started off a little slow on loan production, but we are moving out some investor CRE that doesn't fit our risk tolerance or is -- some risk-rated loans that we don't -- that we're pushing out now. But our C&I pipelines are fairly robust in all markets, except for our ag. Our ag is relatively flat, which is fine with us.

We will still plan to hit single-digit growth for the year, but we are still pushing out some credits for -- in 2026 in the investor CRE buckets.

Brendan Nosal
Okay. Okay. That's helpful.

I'm going to sneak one more in there. Just on the margin.

Al, I think you said the exit margin in the month of March was 3.65% versus the quarter's reported 3.77%. Just help us understand the evolution from the full quarter's reported number to that exit margin?

What were the puts and takes there?

Alan Villalon
Yes, I mean a lot of it had to be loan deposit mix.

So we did see really good mix shift, especially on the deposit side because we had good inflows there.

We do expect lower purchase accounting accretion on a go-forward basis. That's why I want to give the exit rate there.

So we're only anticipating 20 basis points of purchasing accounting accretion in the second quarter, and it's probably going to step down from there because as we continue to see accelerated payoffs as far in the future into today.

So those are the main puts and takes.

We did -- our cost of funds did decline nicely, too, from the Fed cuts in the fourth quarter of last year. That was one of the big drivers along with the BSR.

Operator
And the next question is coming from the line of Jeff Rulis of D.A. Davidson.

Jeff Rulis
Just circling back on that margin, Al. Just to be clear, the 3.55% to 3.65%, is that -- are you excluding accretion?

Alan Villalon
No. That's full reported number. That's for the full year.

Jeff Rulis
And you're including your expected accretion in that figure?

Alan Villalon
Correct, but no accelerated payoffs for the remainder of the year.

So we do expect purchase accounting accretion to decrease as each quarter progresses.

Jeff Rulis
Okay. And the -- I think you mentioned to some adjustments in the March quarter, but that would imply flat to down.

Is that -- maybe just -- it sounds like margin compression from -- going forward?

And what's the -- I guess the cautiousness on that part?

Is it just easing of deposit benefits?

Alan Villalon
Yes. No problem, Jeff.

So it is partially easing deposit benefits. We did see a couple of rate cuts late last year.

But also, too, in the second and third quarter, we typically see outflows of deposits, especially from our public funds.

So that's going to put a little pressure on our deposit base because as we replace some of our lower cost funding with higher cost funding, that will put a little bit of pressure on there as well.

Jeff Rulis
Okay. And Al, in the first quarter, were there any interest recoveries in the margin that impacted the 3.77%?

Is that anything in there?

Alan Villalon
No. There were none.

Jeff Rulis
Okay. Got it.

Then one other question is just to -- back into the loan growth side. Maybe do you have production -- gross production in the first quarter versus Q4?

It sounds like -- I heard the last commentary about pushing some credits out, but trying to get a sense for how that -- it sounds pretty good on a core basis.

So anything on the production numbers that you can give us quarter-over-quarter?

James Collins
From a C&I standpoint, we had really solid C&I growth.

I don't have the numbers in front of me per se, but we're driving mid-market C&I growth fairly well with the full relationships. The CRE -- some of the CRE that we put on the books two, three years ago, that's what we're moving off the books. First quarter, second quarter, that's what you'll see moving off the books.

And you'll continue to see the percentages of C&I grow quarter-over-quarter like you did last year. When you saw year-over-year 10% C&I growth, you'll continue to see that through 2026 and '27 as that has been our core focus the last three years.

Jeff Rulis
Would you say production in C&I was greater in the first quarter than it was in the fourth quarter?

James Collins
No, I think it was a little bit lower than it was in the fourth quarter. But I think the pipelines building in the second and third quarter look very healthy.

Operator
And the next question will be coming from the line of Nathan Race of Piper Sandler.

Nathan Race
Al, just going back to the margin discussion. If you strip out the accretion that you mentioned in the quarter, that implies core loan yields were 5.60% in 1Q.

To get to your margin guide, I think that would imply a decent step down in loan yields, but it doesn't sound like there's anything unique in that core loan yield in terms of interest recoveries in response to earlier questions.

So I'm just trying to jive the trajectory of loan yields, particularly within the context of what you mentioned in terms of new loan production coming on the low- to mid-sixes.

Alan Villalon
Yes, Nate.

I mean basically, just a little conservatism there, especially as we still think our core margin will be in the mid-threes, but as we continue -- as -- Jim probably could talk about this a little bit more, too, but we are seeing competition pick up, especially on the deposit front.

So the benefit of those deposit cost of fund decreases is probably behind us right now unless we see another Fed cut in the future, because we are seeing more pressure on deposit costs in our footprint.

James Collins
Yes. I would say in all markets, obviously all banks are focused on deposits just as we are. It's getting extremely competitive. It's been competitive the whole time. Everybody is sharpening their pencils.

So that continues to tighten.

Nathan Race
Okay. That's really helpful.

Maybe a question for Katie, just in terms of maybe some updated thoughts on excess capital management. You guys are building capital at pretty strong clips that, even with some balance sheet growth returning, I think you're still going to be accreting capital quite nicely going forward.

So just curious how you're thinking about maybe executing on buybacks as a more continuous capital management tool, particularly just -- I imagine you're -- the valuation probably isn't quite where it needs to be or should be considering where you trade on a price tangible basis.

Katie Lorenson
Yes. Great question.

So from a priority standpoint, pretty consistent with what we've discussed in the previous quarters. Invest, first and foremost, in organic growth, but returning capital opportunistically, especially, as you mentioned, when valuations warrant it is -- continues to be a priority.

We were active this quarter. We intend to remain active in our buyback going forward.

Nathan Race
Okay. Really helpful.

If I could just sneak one more in on the wealth management front.

I would just be curious to get an update in terms of the traction you're seeing from some of the production-related hires that you brought on over the last several quarters. And just generally, how

you're thinking about that revenue line growing this year, assuming we have some stability in equity market valuations over the balance of this year?

James Collins
Yes. I would say we put on some hires end of last year, a couple more at the beginning of this year. We're seeing some traction on new revenue from them.

We have some additional hires that we're looking to hopefully hire on the back half of this year. We've had solid retention of all clients as we put on that platform, if you recall, last year.

We've had -- the first quarter was predominantly just issues with the markets, but we should see generally good performance out of additional revenue growth out of new clients as we're putting on new wealth advisors going forward.

Operator
(Operator Instructions) Our next question will be coming from the line of Damon DelMonte of KBW.

Damon DelMonte
So first one, just to circle back on the loan growth.

So it sounds like you still have some targeted CRE loans to work off the balance sheet.

So as we think about like the quarterly cadence going forward, should we expect flattish balances here in the second quarter and then a nice jump in the third and fourth quarter to get you to that full-year target?

James Collins
I would look to that, yes.

Damon DelMonte
Okay. Okay. Great.

Then given the slower growth here expected in the second quarter, should we model in a very modest provision, especially given the sizable release of reserves this quarter?

It seems like you – do you feel like you've rightsized your reserve given the credit profile you have?

So should we expect a minimal provision that would just cover whatever charge-offs that you have?

Karin Taylor
Yes, Damon, I think that's right.

I mean going forward, our provision is going to be driven by loan growth and really the macroeconomic factors.

Damon DelMonte
Okay. And do you feel like the mid-120s is probably a good run rate for you guys over time absent any type of, obviously, macro deterioration?

Karin Taylor

Yes. I mean when I look at our pooled reserve, we're north of one --110 to 120, I think, is a fair range, of course, depending on what happens in the economy.

Damon DelMonte
Okay. Okay. Great.

Then I guess, lastly, on expenses. I think, Al, did you say 2% to 3% -- or sorry, low-single-digit growth for the full-year off of last year?

Is that correct?

Alan Villalon
Yes. Yes. Correct.

Operator
And we have a follow-up question from the line of Brendan Nosal of Hovde Group.

Brendan Nosal
Just looking at the mortgage banking segment, if I look at originations and sales, those are both seasonally down quite a bit, but the revenue was actually up sequentially. I think you mentioned MSR, fair value benefits.

Can you just size up how much of a benefit the MSR was this quarter?

Alan Villalon
Let me get that number for you. The other benefit, too, is that in our pipelines in the fourth quarter, we did have the rate cuts affecting our pipeline.

So we actually had some mortgages in there that came in at higher rates, allowed us to get bigger gain on sale.

So I would say that was the bigger driver for mortgage that quarter. Less impact from the MSR part.

Brendan Nosal
Okay. Okay.

Then one final one for me. I think you folks said in the prepared remarks that you continue to make progress on that one large nonaccrual loan that is still working through resolution.

Can you offer a little bit more color on where you are on that credit, how you reserved and where ultimate loss content on that loan might end up?

Karin Taylor
Sure, Brendan. This is Karin.

We do continue to make progress; currently negotiating a sale on that deal. We are getting more clarity around value as we go through that process.

So we actually decreased our reserve from about 17% in Q1 to about 8% in Q2.

Alan Villalon
And Brendan, just to close the loop on the fair value mark, we're just looking at right now a couple of hundred thousand for fair value on the MSR mark.

Operator
I will now be turning the call back over to Katie for closing remarks. This does conclude our Q&A session.

Katie Lorenson
All right. Well thank you, everyone. Appreciate you all joining today.

I just want to take this opportunity to thank our team, first and foremost. The results that we discussed today and that you heard about today reflect our culture, our talent and our discipline across Alerus.

And we have built a stronger organization in a relatively short period of time. I'm very proud of how our teams continue to execute towards our long-term objectives.

Over the past few years, I think the consistency of our fundamentals is evident. This quarter represents another pearl on the string: disciplined execution of our strategy that we've been articulating, continued progress across earnings power, margin, funding, capital and credit quality.

I do want to mention that our overall credit quality has improved meaningfully. Trends in asset quality, criticized loans and nonperforming assets continues to move in the right direction. We do remain confident that the net charge-offs will normalize towards our long-term historical averages, which compare favorably to the industry.

From a balance sheet and capital allocation standpoint, we are growing where we want to grow with solid momentum in the verticals that we've invested in.

We remain focused on consistent execution, and we feel great about the foundation we are continuing to build from, the momentum of the company, and we are grateful for all of the collaboration and hard work of our talented team members.

Thank you, again, for your time today and for your continued interest in Alerus.

Operator
Thank you. The conference has now concluded.

Thank you for attending today's presentation.

You may now all disconnect.