

Alerus



AS OF JUNE 30, 2018

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.

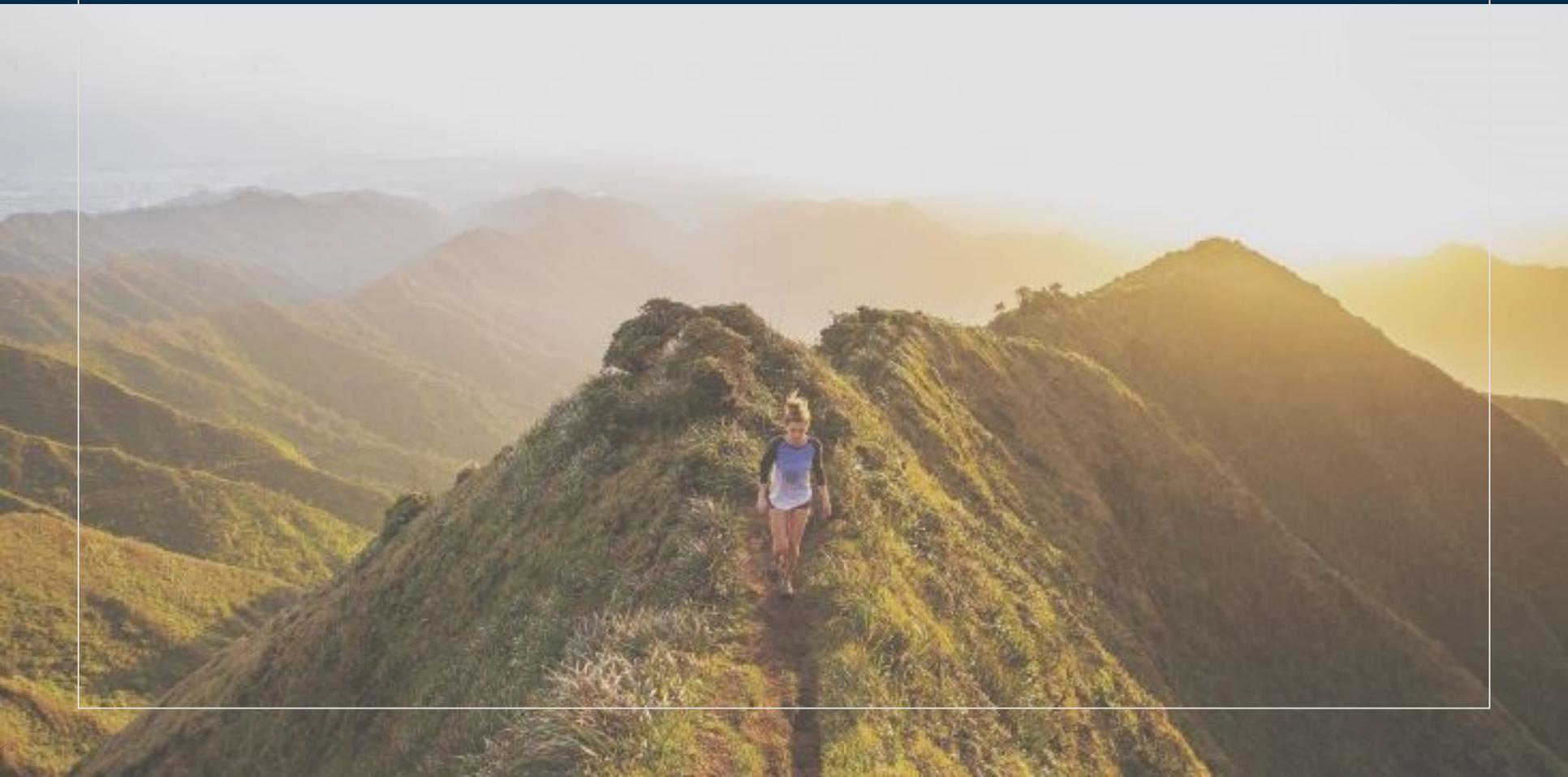
Non-GAAP Financial Measures

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

DATA AS OF 6/30/2018

DIVERSIFIED FINANCIAL SERVICES COMPANY

- \$2.2 billion banking assets
- \$4.7 billion assets under management
- \$28.0 billion assets under administration
- \$388 million year-to-date mortgage originations

ALERUS BUSINESS LINES

- Banking
- Mortgage
- Retirement and Benefits
- Wealth Management

OUR MISSION

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

FRANCHISE FOOTPRINT

MARKET PRESENCE: BANKING AND WEALTH MANAGEMENT

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

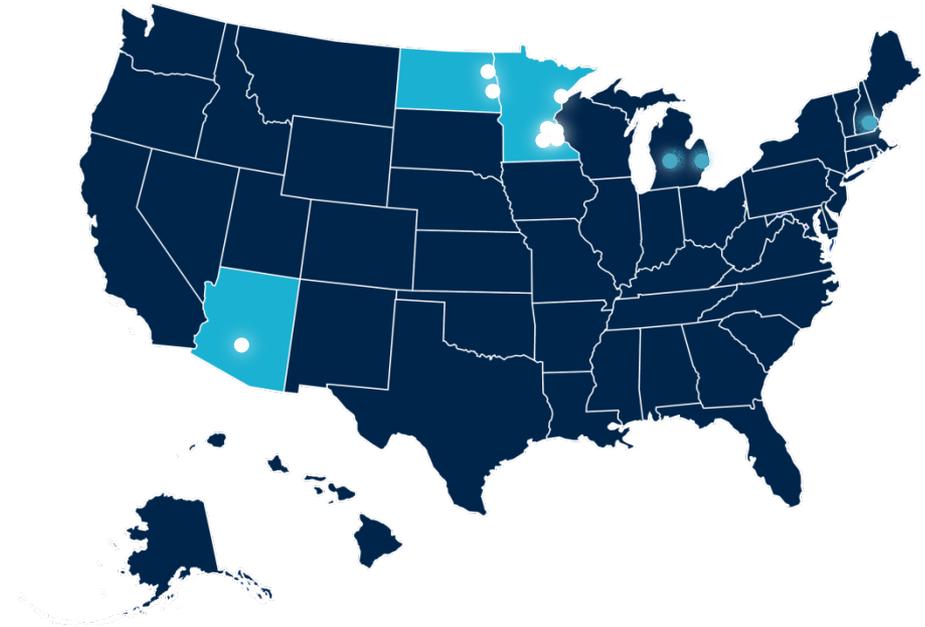
- 2 full-service banking and wealth management offices

Phoenix, AZ

- 1 full-service banking and wealth management office
- 1 loan production 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

- 46,024 individual customers
- 18,987 businesses
- 6,661 employer-sponsored retirement plans
- 360,729 employer-sponsored retirement plan participants

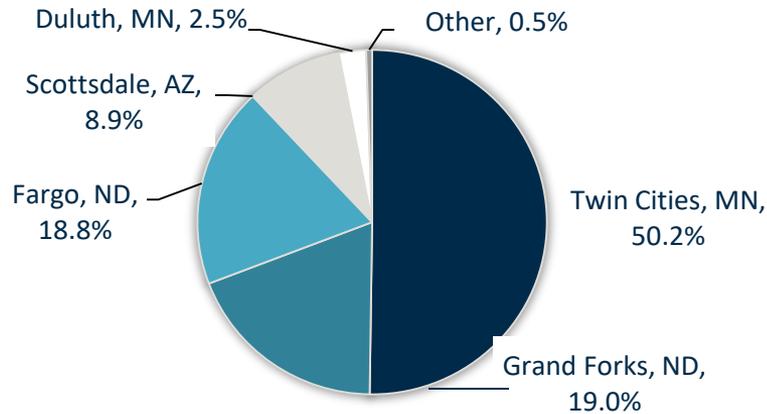
Data as of 6/30/2018.

MARKET DISTRIBUTION

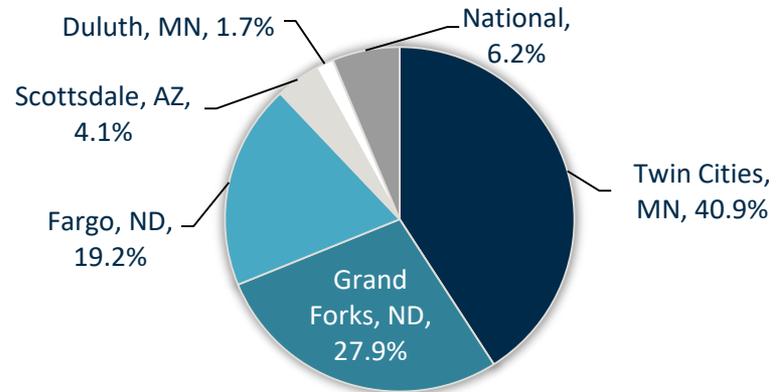
STRONG GROWTH MARKETS AND STABLE CORE FUNDING

(IN MILLIONS)

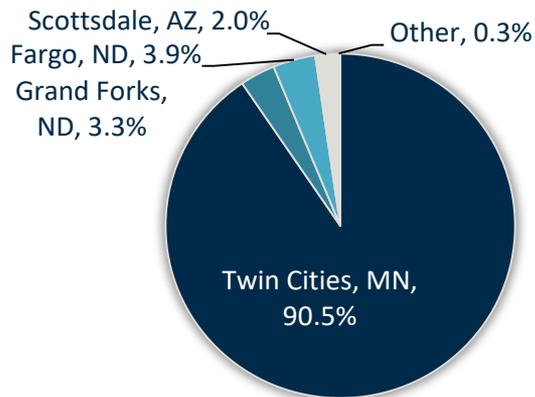
LOANS* (\$1,706)



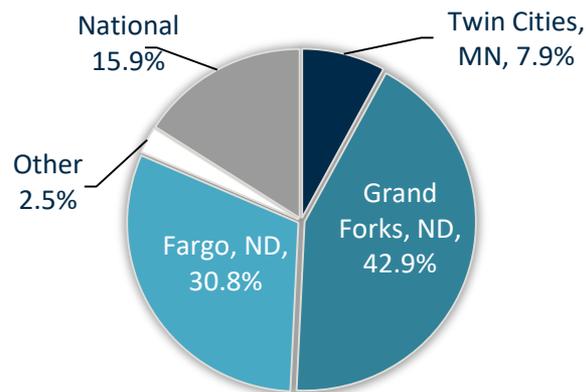
DEPOSITS (\$1,789)



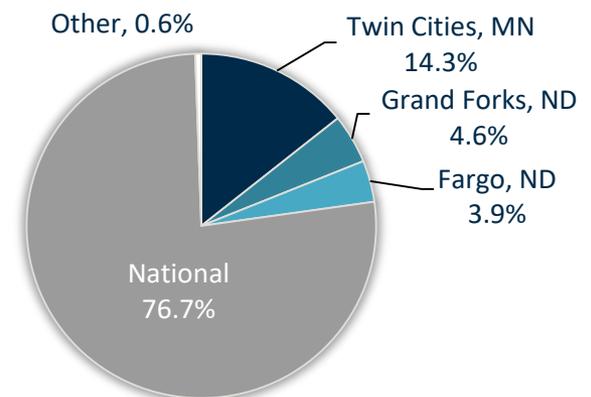
MORTGAGE ORIGINATIONS (\$388)



ASSETS UNDER MGMT. (\$4,750)



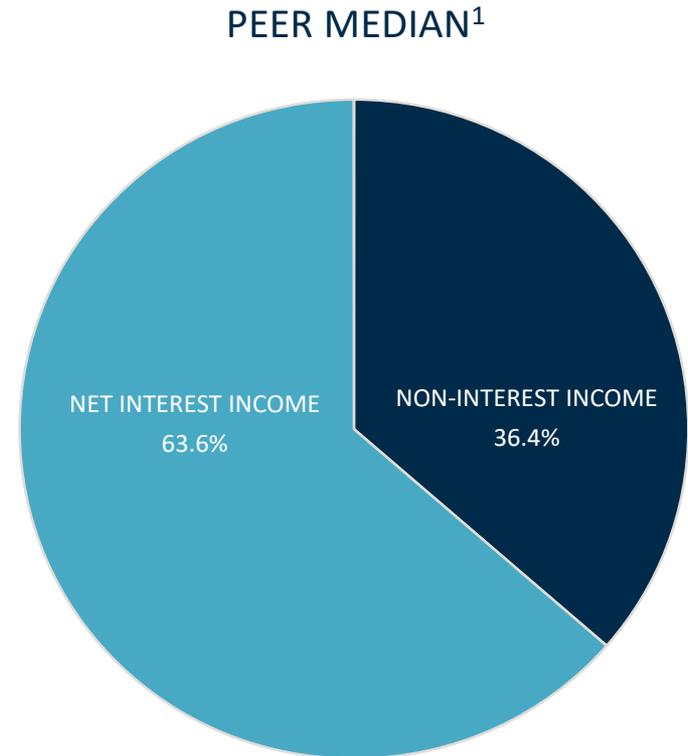
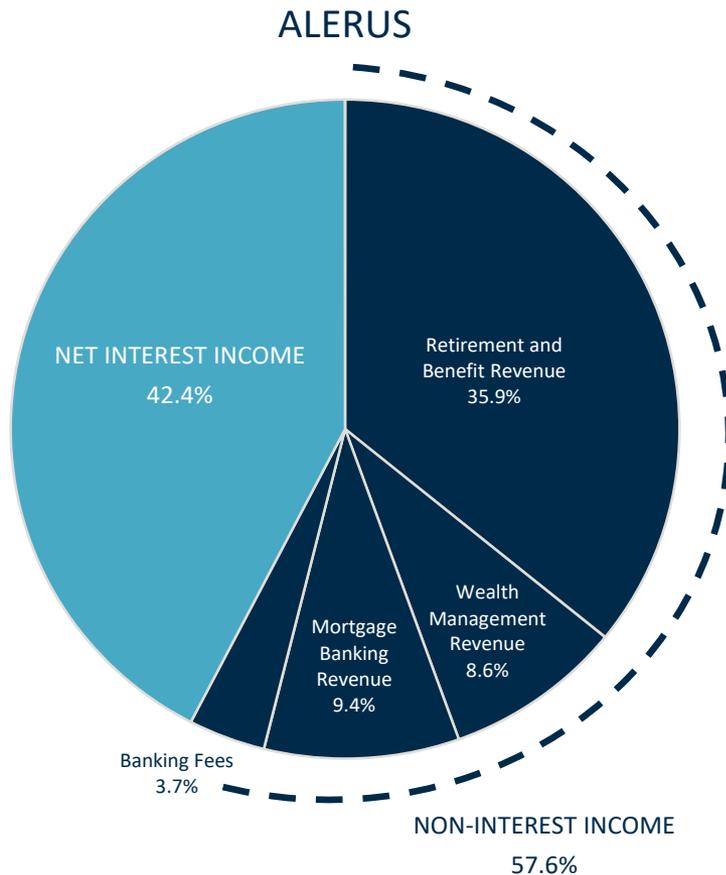
ASSETS UNDER ADMIN. (\$27,995)



* Excludes loans held for sale. Data as of 6/30/2018.

DIVERSIFIED REVENUE STREAM

YEAR-TO-DATE 2018



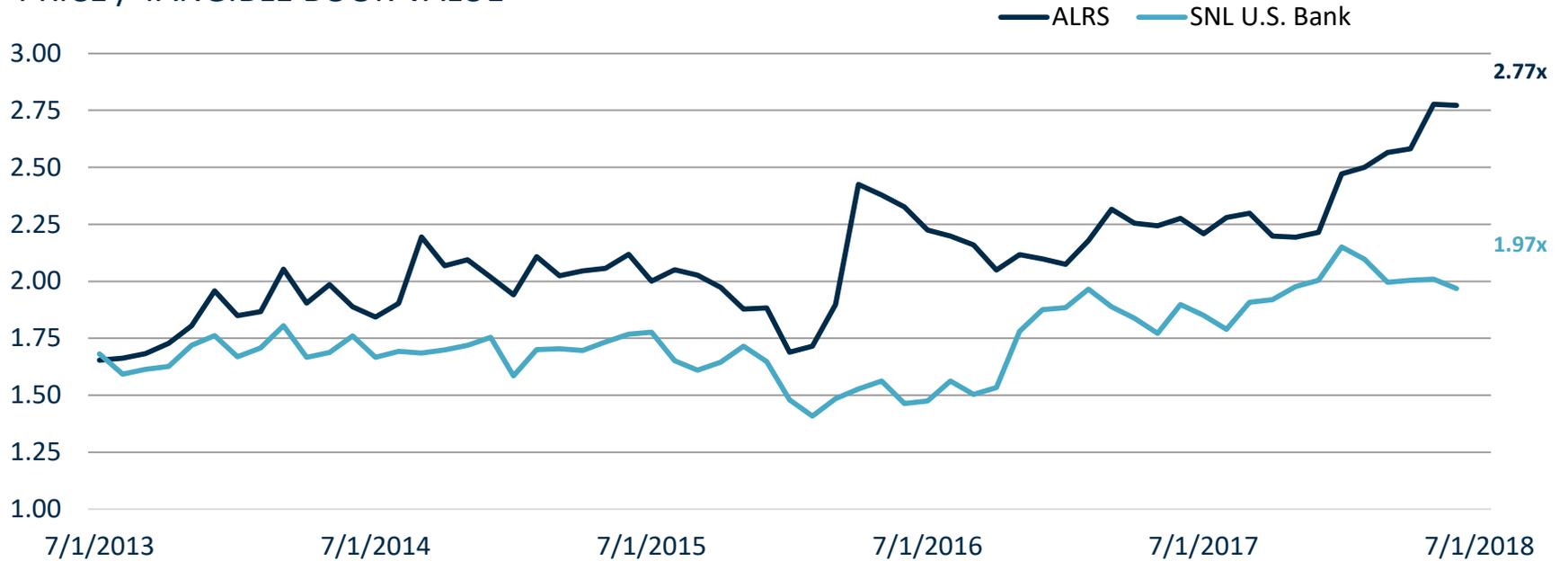
Sources: Alerus Financial Corporation and S&P Global Market Intelligence. Data as of 6/30/2018.

¹ All U.S. Depository Institutions between \$1B and \$10B in Banking Assets and non-interest income as a percentage of total revenue equal to or greater than 30%.

VALUATION PREMIUM

HIGH QUALITY EARNINGS MERIT A PRICE PREMIUM

PRICE / TANGIBLE BOOK VALUE



Source: S&P Global Market Intelligence, Data as of 6/30/2018.

STOCKHOLDER RETURNS

WE'RE HERE FOR THE LONG TERM

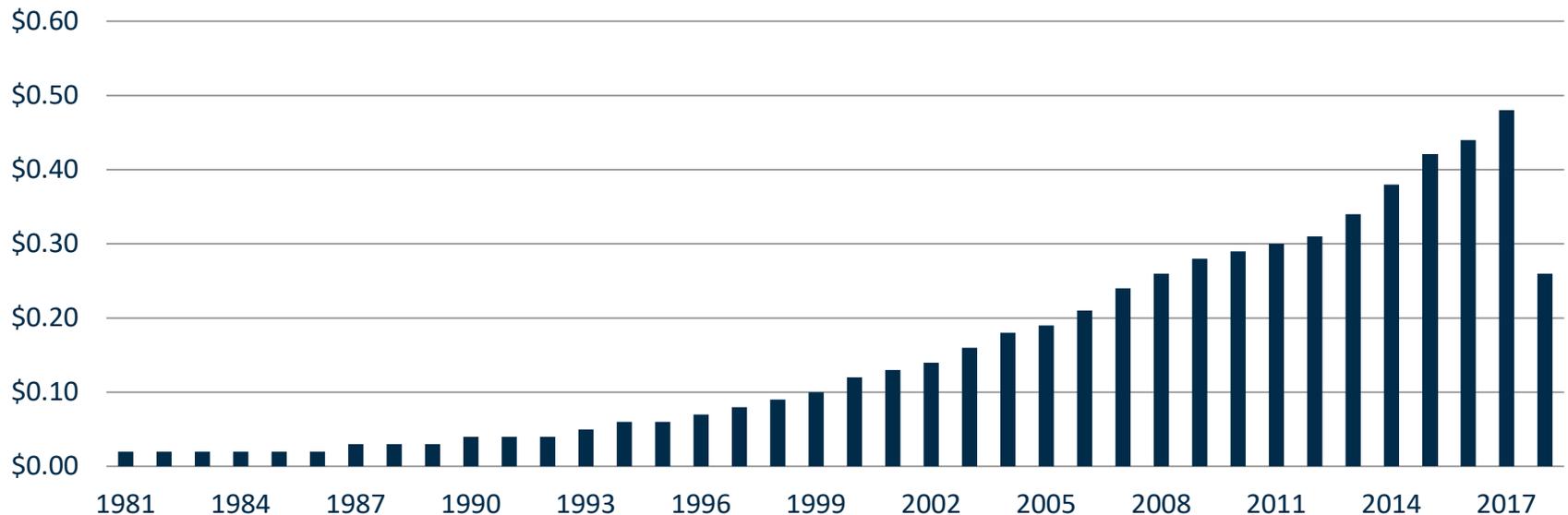
DIVIDENDS (SINCE 1980)

Dividend Payout Ratio 30.6%
Dividend Increase per Year 9.02%

TOTAL RETURN (THROUGH 6/30/18)

YTD Return 29.23%
5-Year Return 126.04%
10-Year Return 247.89%

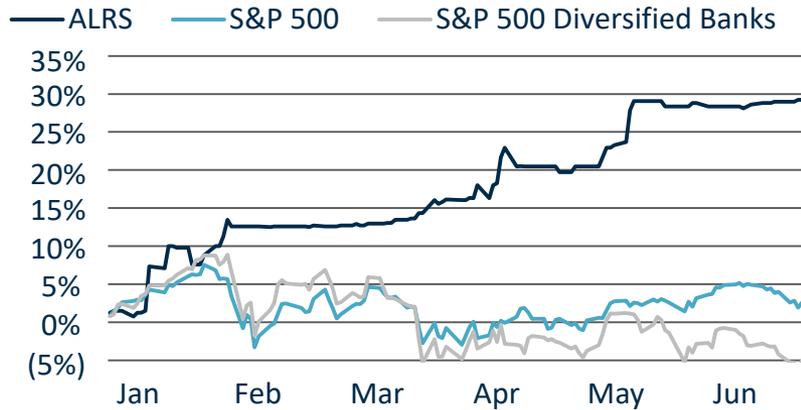
HISTORY OF CONTINUOUS DIVIDENDS



Data as of 6/30/2018. Source: Alerus Financial Corporation and S&P Global Market Intelligence.

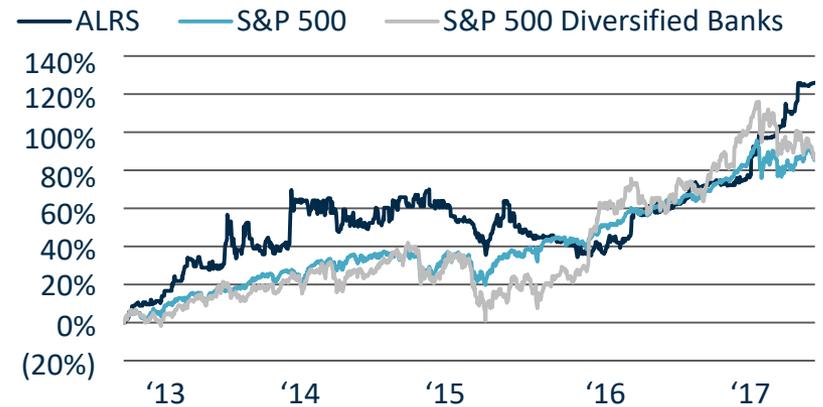
HISTORICAL STOCK PERFORMANCE

YTD TOTAL RETURN THROUGH 6.30.18



Total Return: ALRS = 29% | S&P 500 = 3% | S&P 500 Div. Banks = -5%

5-YEAR TOTAL RETURN



Total Return: ALRS = 126% | S&P 500 = 87% | S&P 500 Div. Banks = 89%

10-YEAR TOTAL RETURN



Total Return: ALRS = 248% | S&P 500 = 162% | SNL US Bank = 115%

TOTAL RETURN SINCE 2000

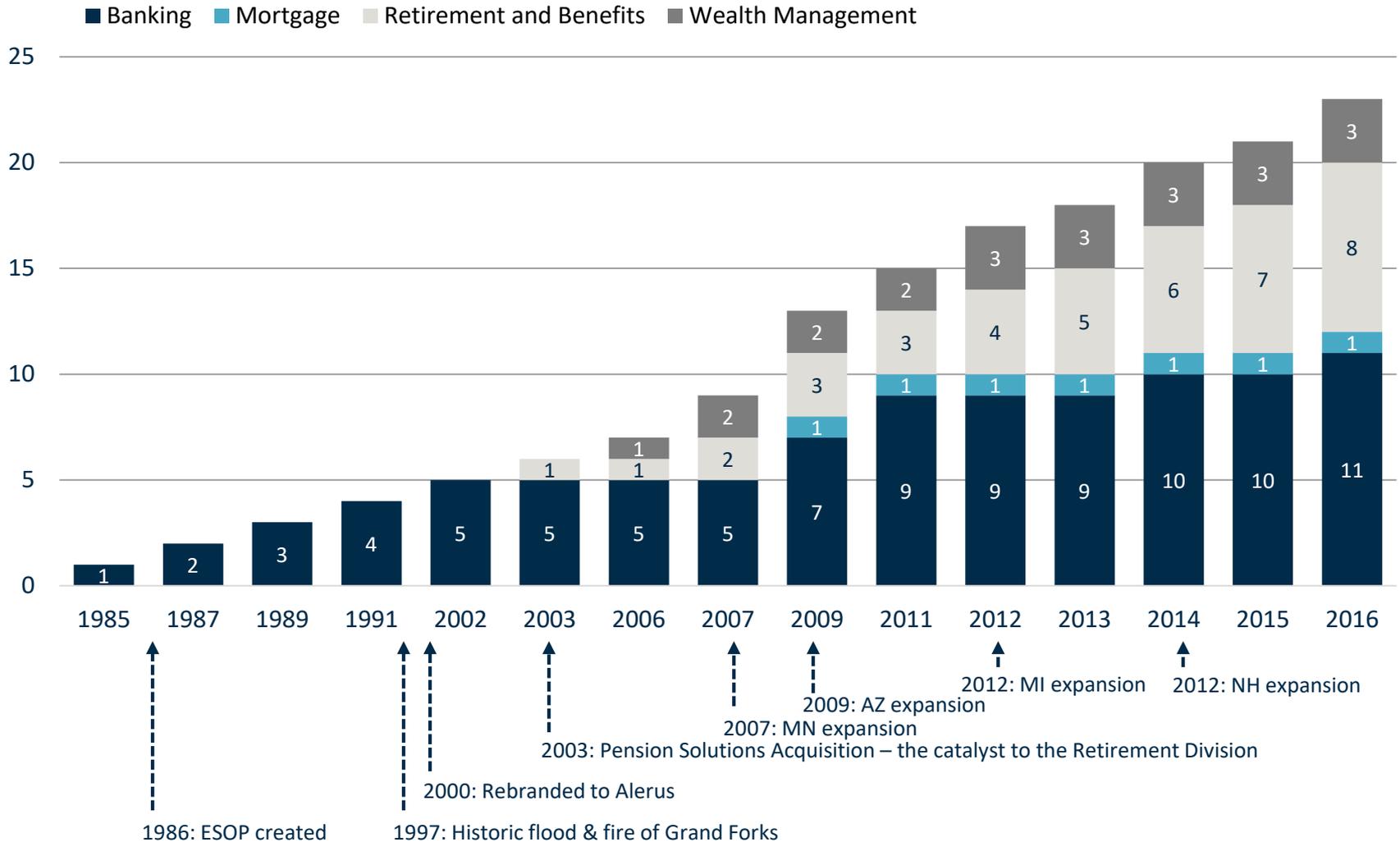


Total Return: ALRS = 885% | S&P 500 = 165% | SNL US Bank = 129%

Data as of 6/30/2018. Source: S&P Global Market Intelligence. SNL U.S. Bank : Includes all Major Exchange (NYSE, NYSE MKT, NASDAQ) Banks in SNL's coverage universe.

HISTORY OF ACQUISITION EXECUTION

CUMULATIVE ACQUISITION SUMMARY, BY BUSINESS TYPE



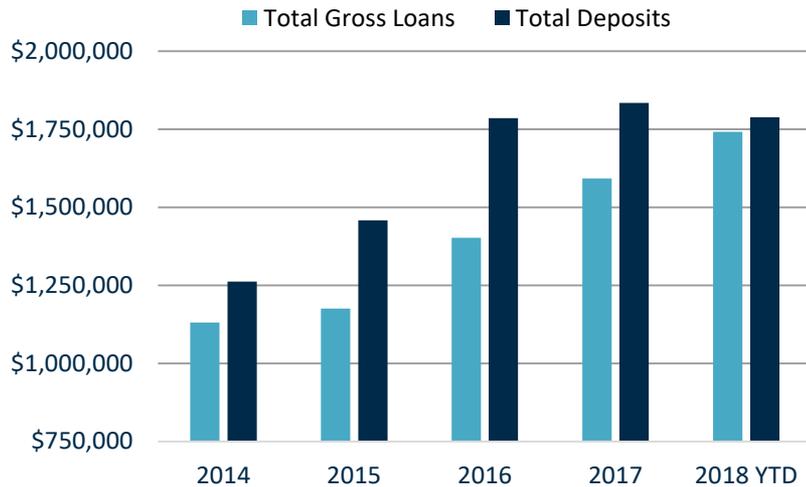
FINANCIAL OVERVIEW



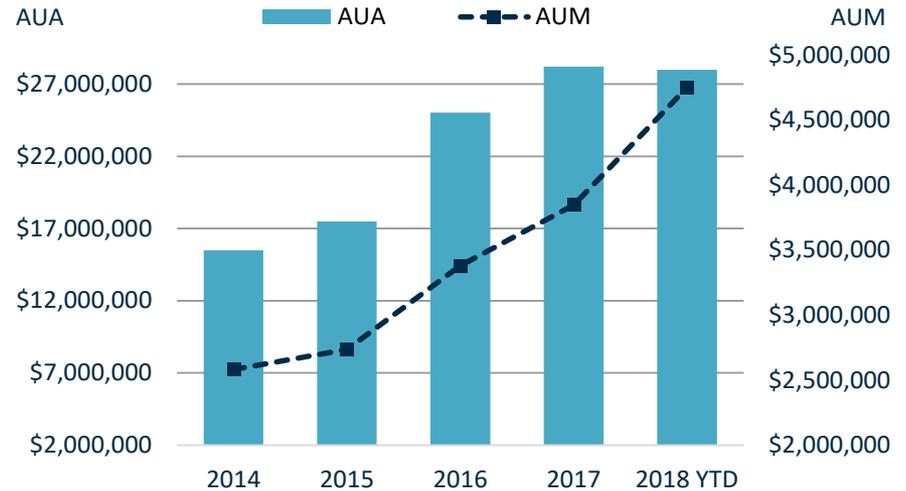
KEY BUSINESS DRIVERS

(\$ IN THOUSANDS)

ON-BALANCE SHEET



OFF-BALANCE SHEET



	2014	2015	2016	2017	2018 YTD
Total Assets	\$ 1,487,732	\$ 1,744,863	\$ 2,050,579	\$ 2,137,058	\$ 2,176,862
Total Gross Loans	\$ 1,130,500	\$ 1,175,563	\$ 1,402,015	\$ 1,592,412	\$ 1,741,596
Total Deposits	\$ 1,262,168	\$ 1,458,021	\$ 1,785,209	\$ 1,834,962	\$ 1,788,534
Assets under Management	\$ 2,583,000	\$ 2,735,000	\$ 3,380,000	\$ 3,848,000	\$ 4,750,000
Assets under Administration	\$ 15,500,000	\$ 17,500,000	\$ 25,028,000	\$ 28,220,000	\$ 27,995,000
Mortgage Originations	\$ 729,913	\$ 986,979	\$ 1,065,132	\$ 867,253	\$ 387,611

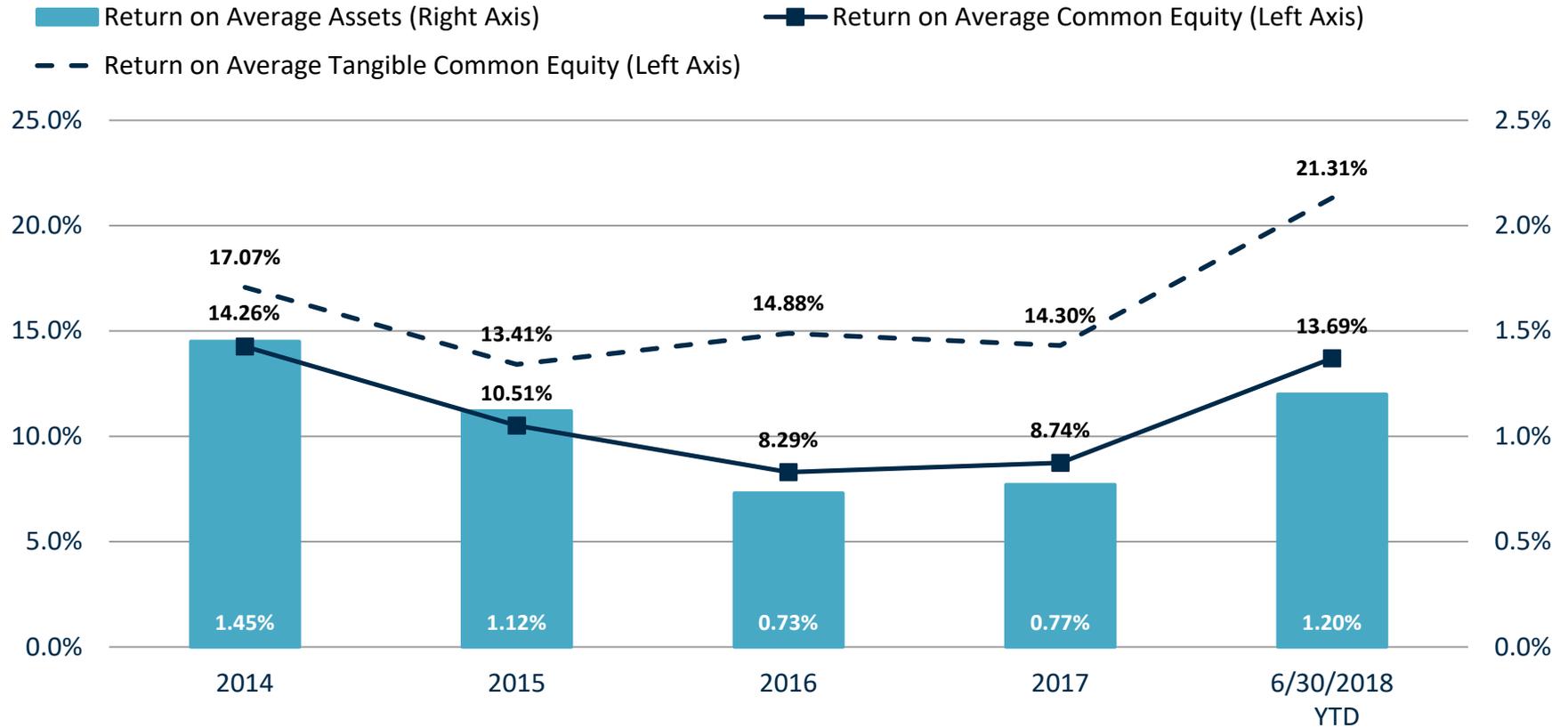
* Total revenue equals net interest income plus non interest income. Beginning in 2017, certain items have been reclassified to accurately reflect customer pass through expenses.

CONTINUED EARNINGS GROWTH

2018 SECOND QUARTER

Results of Operation	Quarter-to-Date Actual June 30,			Percent Change
	2018	2017		
Net Interest Income	\$ 18,899	\$ 16,622		13.7%
Non-Interest Income	26,095	27,124		-3.8%
Provision Expense	4,020	640		528.1%
Non-Interest Expense	33,808	33,772		0.1%
Tax Expense	1,567	4,764		-67.1%
Net Income	\$ 5,599	\$ 4,570		22.5%
Diluted Earnings Per Share	\$ 0.40	\$ 0.33		21.2%
Return on Average Assets	1.05%	0.93%		12.9%
Return on Average Common Equity	12.13%	10.30%		20.7%
Return on Average Tangible Common Equity	19.04%	16.89%		12.7%
Net Interest Margin (Tax Equivalent)	3.88%	3.74%		3.7%
Book Value Per Common Share	\$ 13.52	\$ 13.04		3.7%
Tangible Book Value Per Common Share	\$ 9.75	\$ 8.88		9.8%

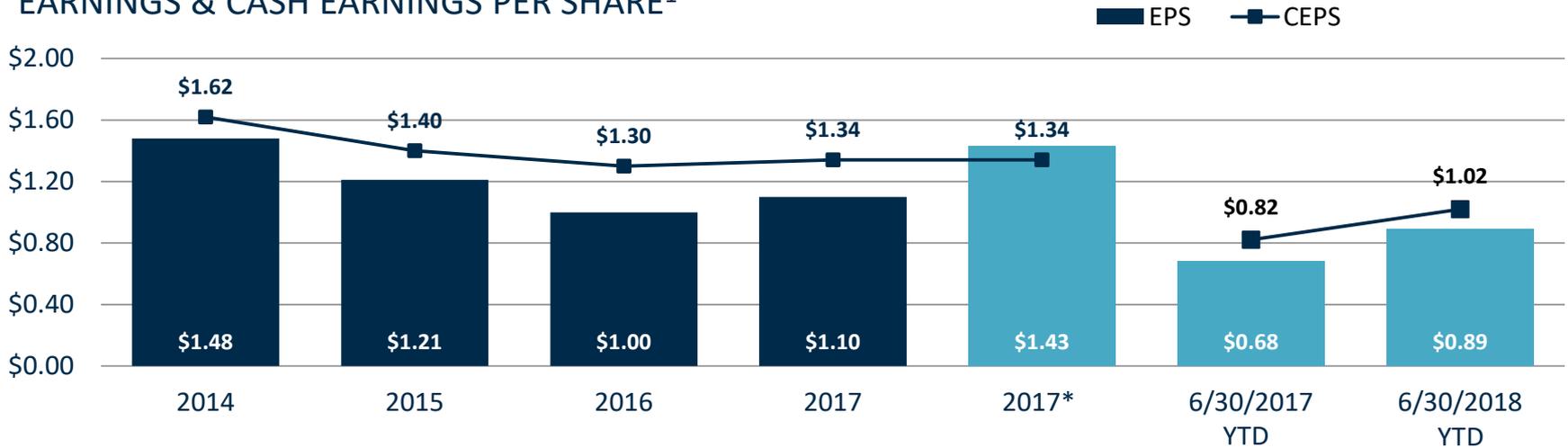
RETURN RATIOS



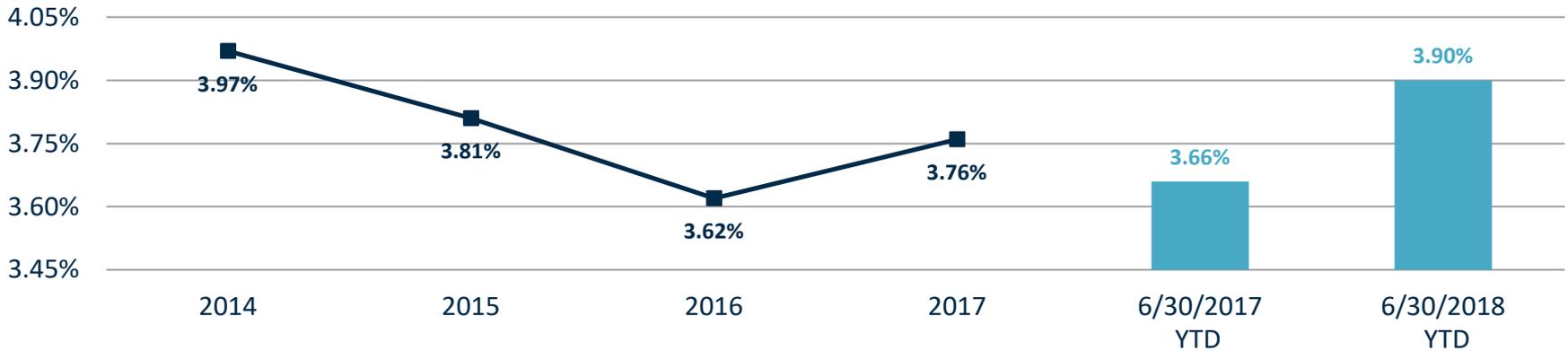
SUSTAINED PROFITABILITY

STABLE CORE EARNINGS AND POSITIVE TRENDING NET INTEREST MARGIN

EARNINGS & CASH EARNINGS PER SHARE¹



NET INTEREST MARGIN

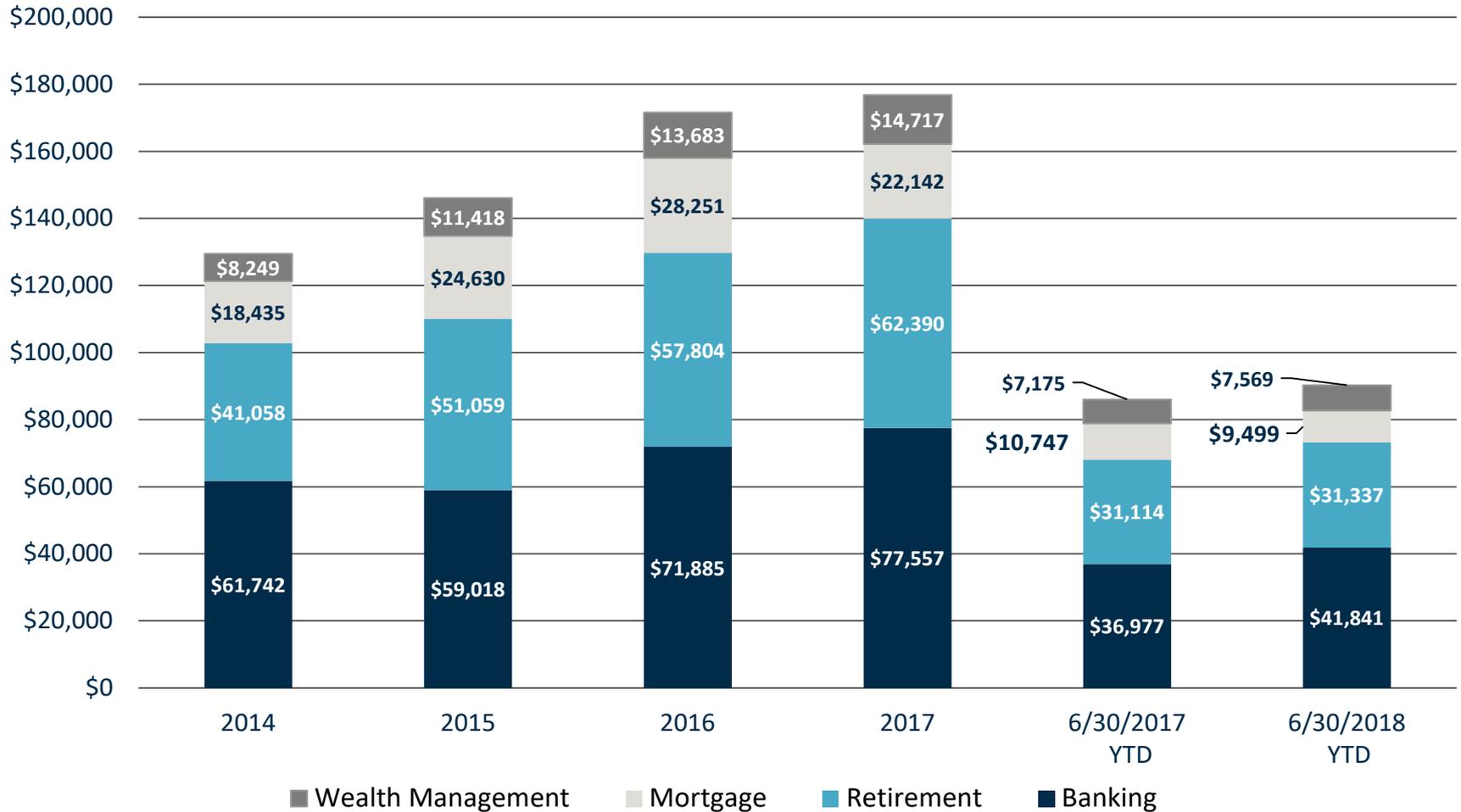


* Net Income excluding the impact of \$4.6 million charge to deferred tax asset due to tax reform.

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

CONSISTENT REVENUE GROWTH

(\$ IN THOUSANDS)

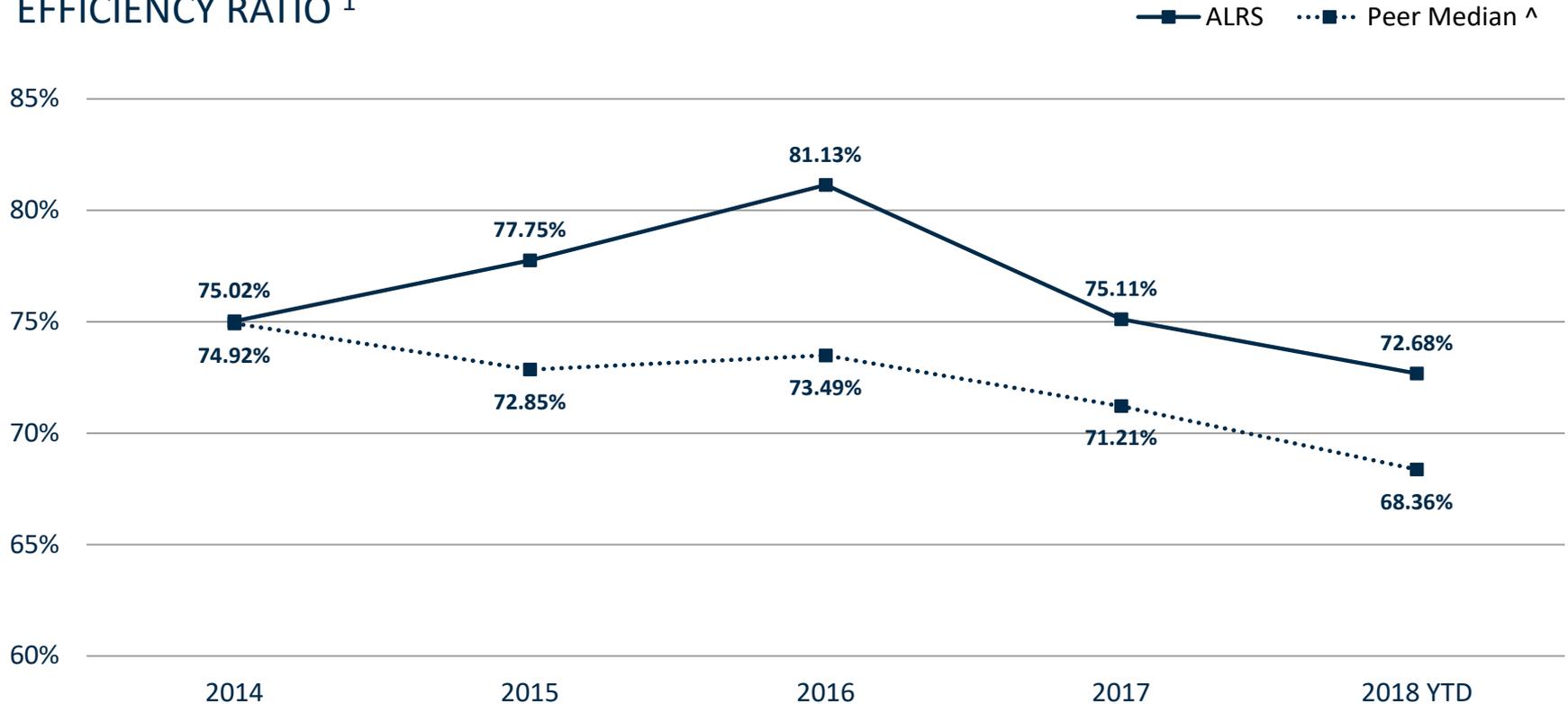


Revenue excludes holding company interest expense associated with subordinated and trust preferred debt.

MANAGING NONINTEREST EXPENSE

DELIVERING TOP LINE REVENUE TO THE BOTTOM LINE

EFFICIENCY RATIO ¹



¹ Source: S&P Global Market Intelligence, Data as of 6/30/2018. (S&P MI KeyField: 215449; Total noninterest expense, less amortization of intangible assets, divided by net interest income on a fully taxable equivalent basis and noninterest income)

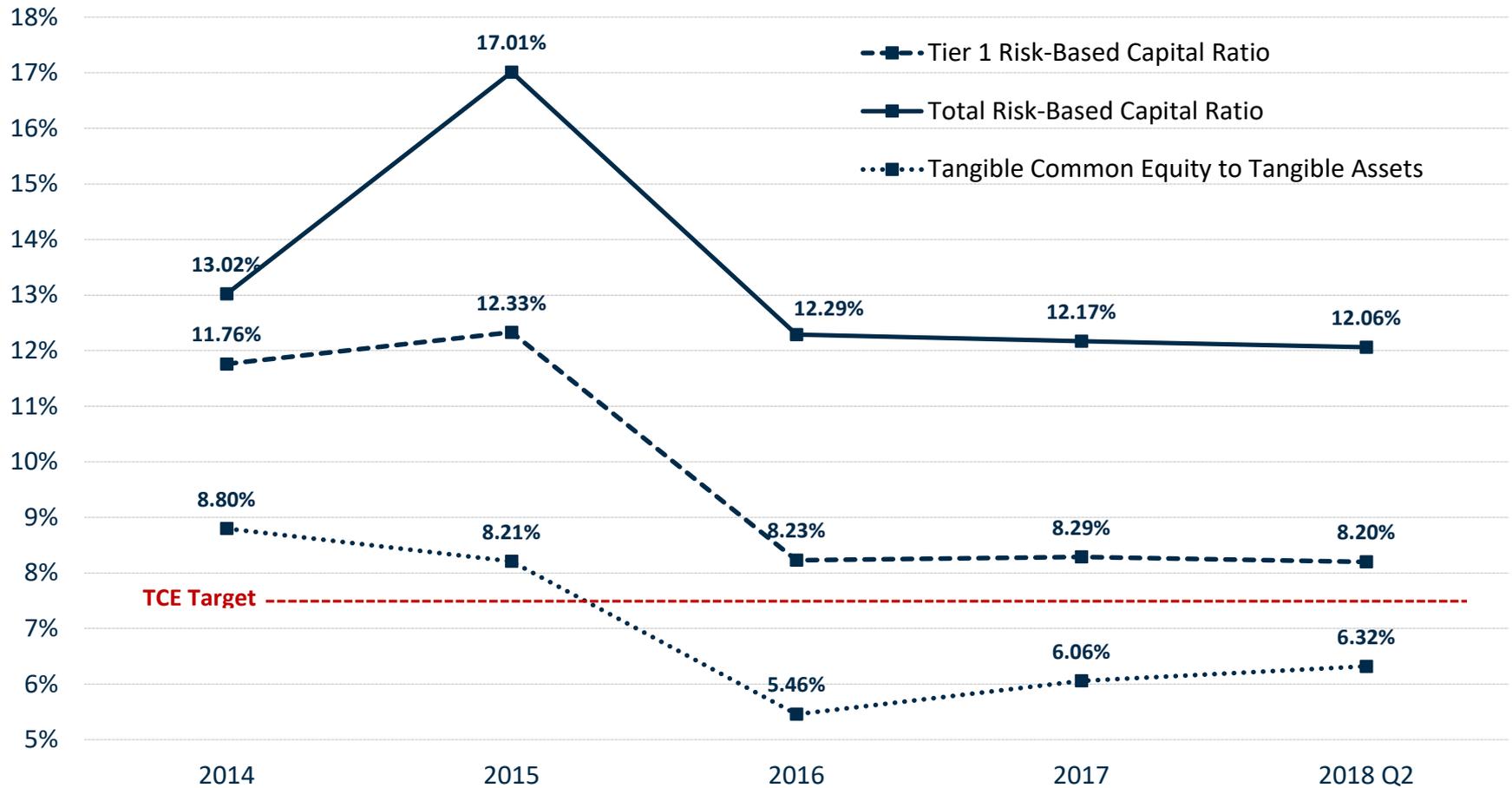
^ All U.S. Depository Institutions between \$1B and \$10B in Banking Assets and non-interest income as a percentage of total revenue equal to or greater than 30%.

CAPITAL



CAPITAL RATIOS

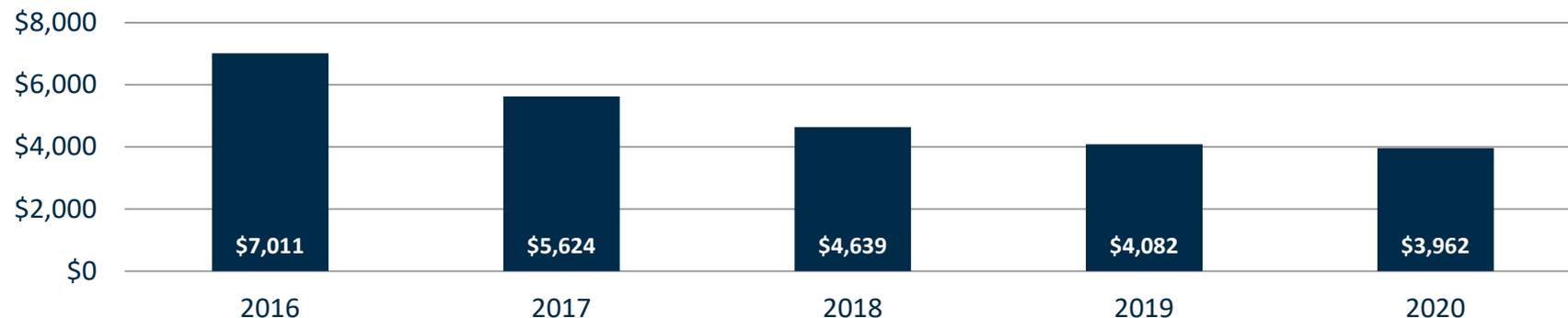
ALERUS FINANCIAL CORPORATION



GOODWILL AND INTANGIBLES

(\$ IN THOUSANDS)

INTANGIBLE AMORTIZATION EXPENSE



GOODWILL AND INTANGIBLE BALANCES



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

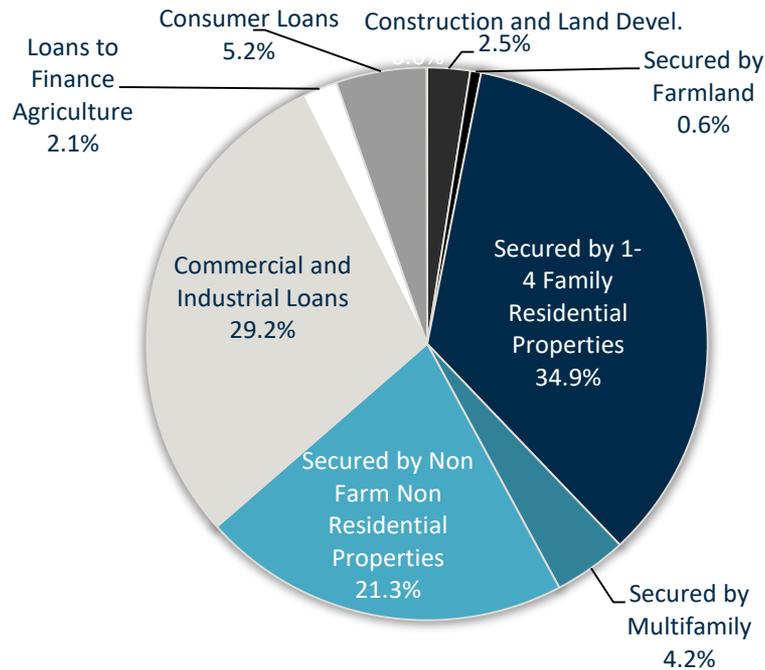
LOAN PORTFOLIO, ASSET QUALITY, AND DEPOSITS



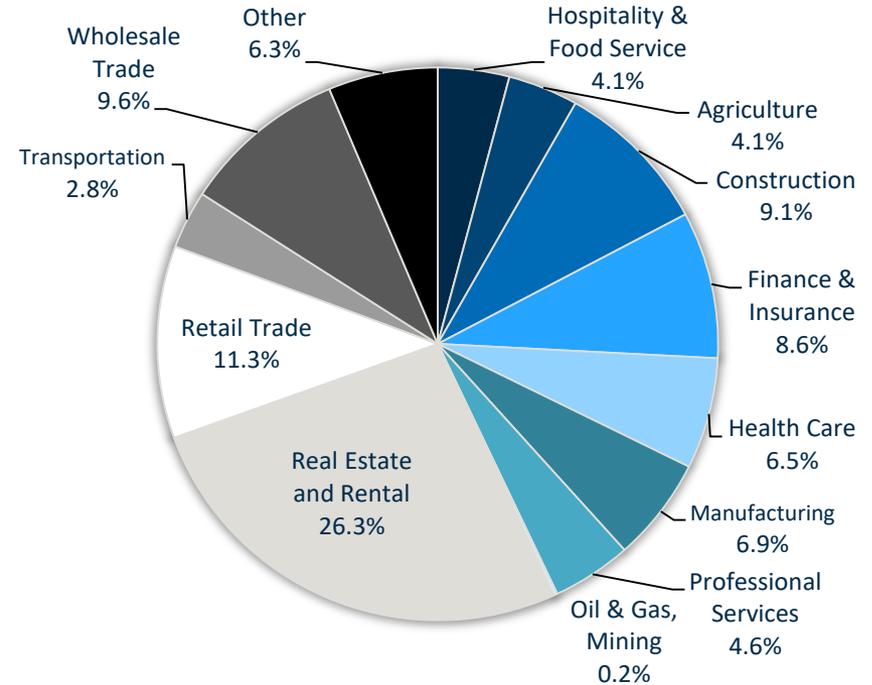
DIVERSIFIED LOAN PORTFOLIO

\$1,706MM*

CONCENTRATION BY TYPE



CONCENTRATION BY INDUSTRY



Fixed Rate: 49%

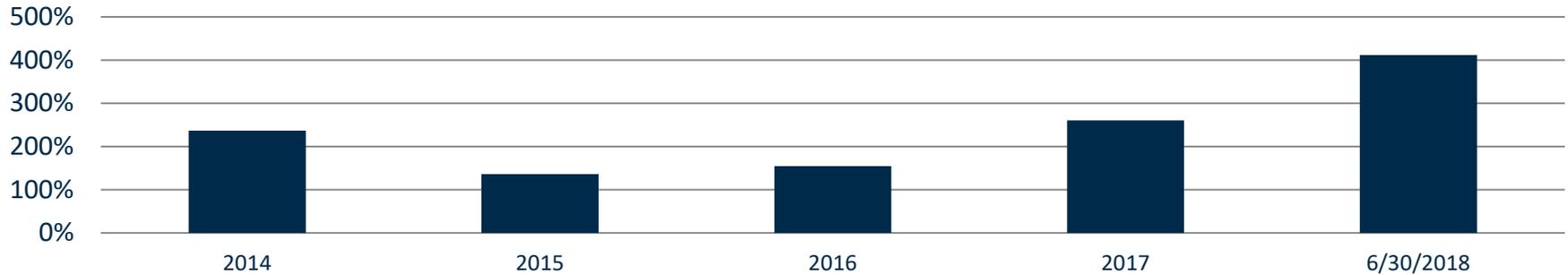
Variable Rate (>12m): 17%

Variable Rate (<12m): 34%

* Excludes loans held for sale. Data as of 6/30/2018.

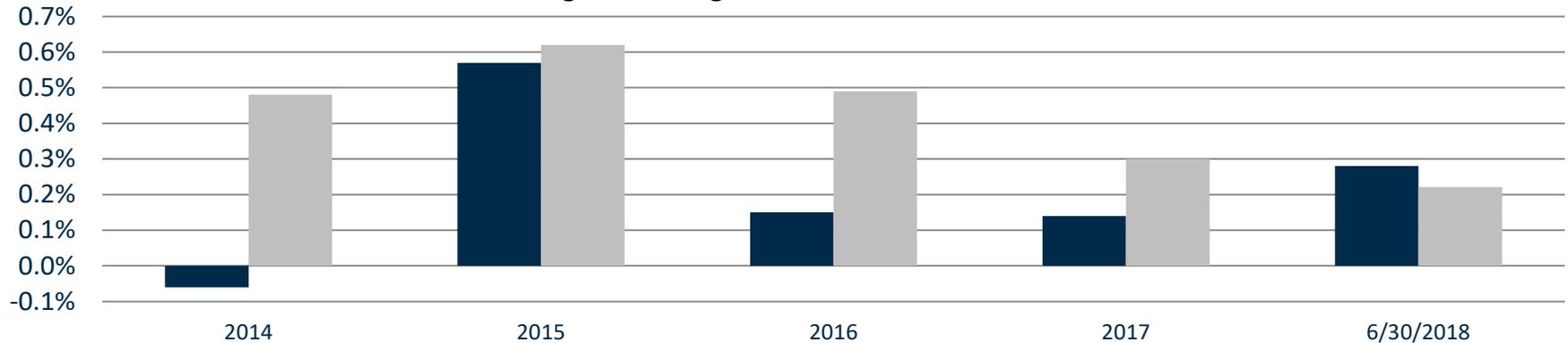
SOLID ASSET QUALITY

■ Reserves / NPA



■ Net Charge Offs / Avg Loans

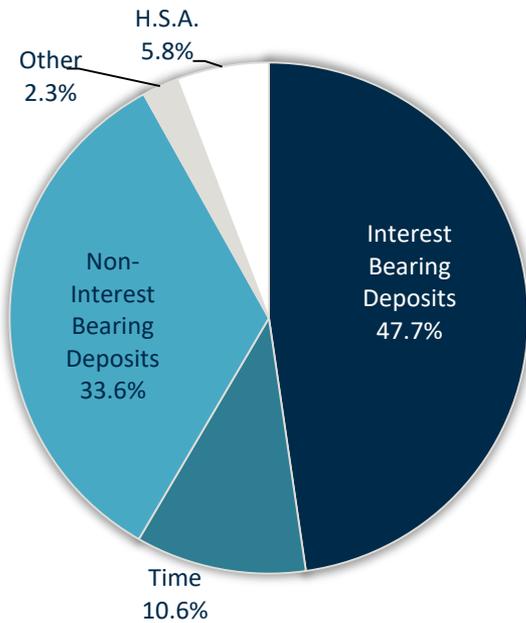
■ NPA / Total Assets



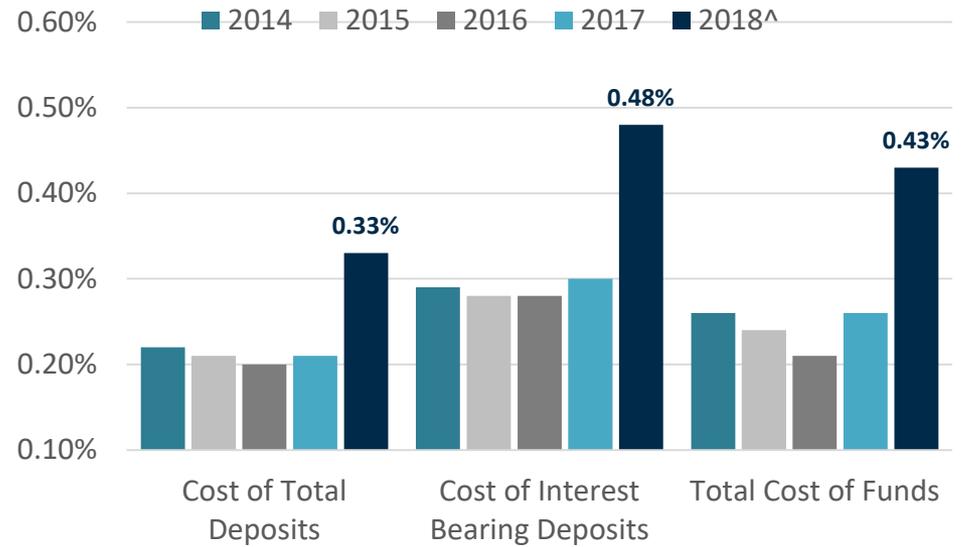
^ Net Charge-Offs in 2014 were negative (i.e. net recoveries). The signs have been changed to positive to accurately represent the relationship to Reserves and Earnings.

STRONG CORE FUNDING MIX

Q2 DEPOSIT FUNDING (\$1,789MM)



LOW COST OF FUNDS



Data as of 6/30/2018. Total cost of funds includes short-term borrowings and excludes subordinated and trust preferred debt.

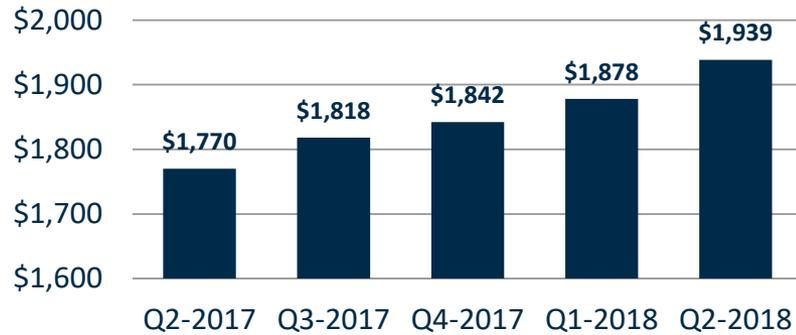
[^] Q2 2018 Annualized

BUSINESS LINES

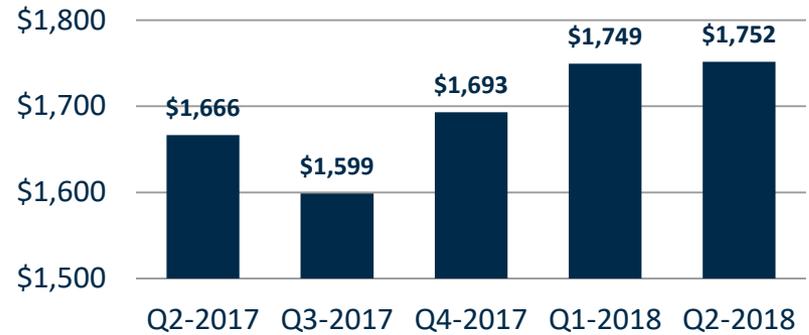


BANKING

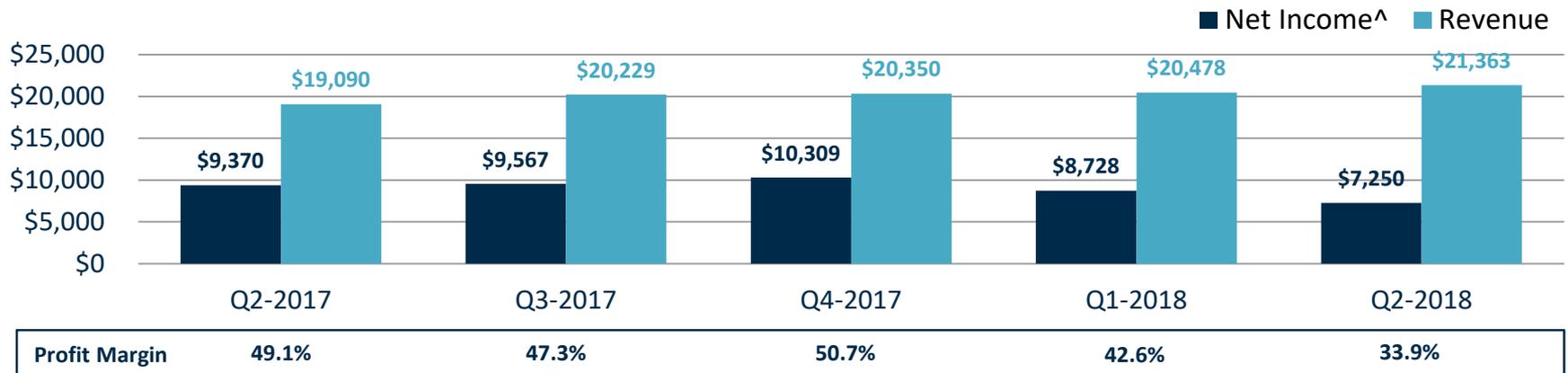
AVERAGE EARNING ASSETS (\$MM)



AVERAGE DEPOSITS (\$MM)



BANKING PROFIT MARGIN (\$000's)*



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

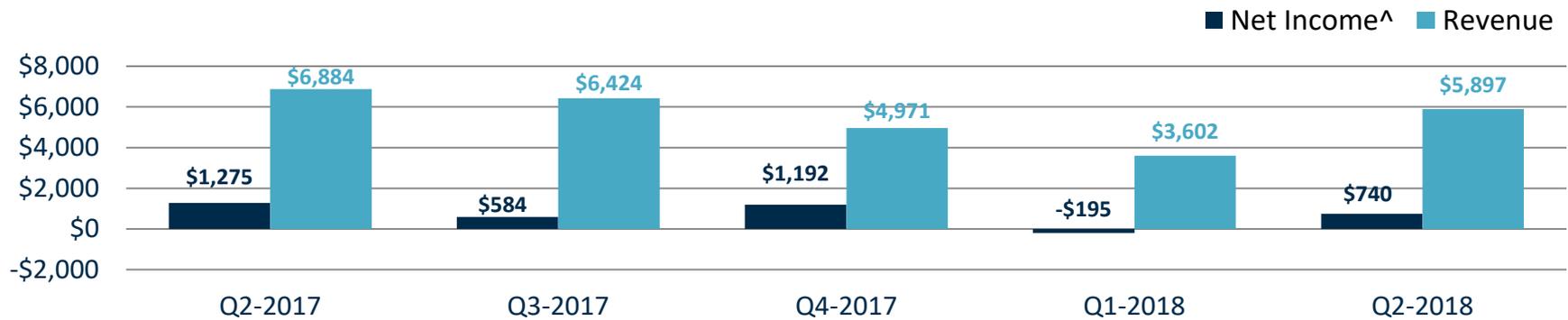
^ Net Income before Tax and Indirect Allocations.

MORTGAGE

MORTGAGE ORIGINATIONS (\$MM)



MORTGAGE BANKING PROFIT MARGIN (\$'000's)*



Profit Margin	18.5%	9.1%	24.0%	-5.4%	12.5%
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* For comparative purposes, historical expense and net income figures have been adjusted to reflect intercompany expense from banking to mortgage for loan purchases.

^ Net Income before Tax and Indirect Allocations.

RETIREMENT AND BENEFITS

ASSETS UNDER MANAGEMENT & ADMINISTRATION (\$MM)



RETIREMENT AND BENEFITS PROFIT MARGIN (\$000's)

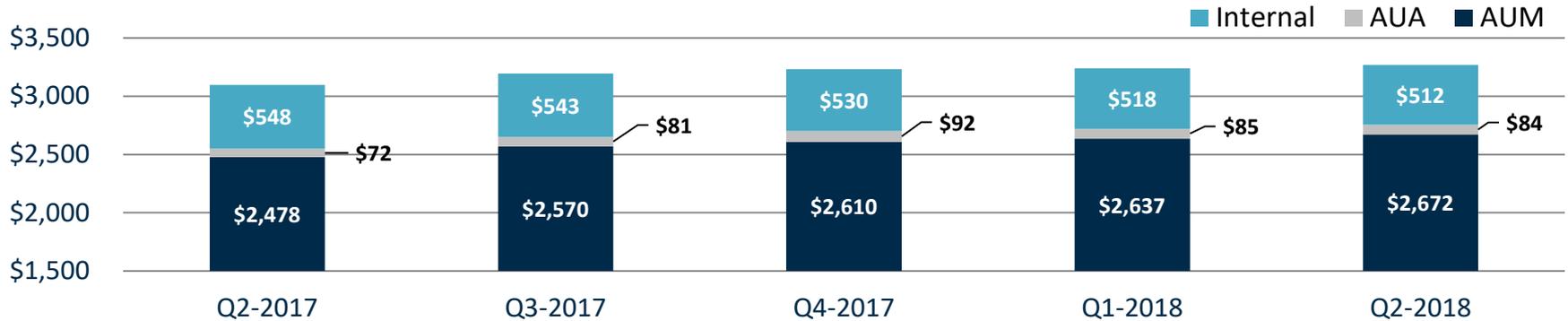


Profit Margin	35.1%	28.1%	34.9%	40.2%	41.2%
	Q2-2017	Q3-2017	Q4-2017	Q1-2018	Q2-2018

^ Net Income before Tax and Indirect Allocations.

WEALTH MANAGEMENT

ASSETS UNDER MANAGEMENT & ADMINISTRATION (\$MM)



WEALTH MANAGEMENT PROFIT MARGIN (\$000's)



Profit Margin	45.4%	45.9%	47.3%	44.7%	49.8%
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^ Net Income before Tax and Indirect Allocations.

FUTURE OF ALERUS



KEY STRATEGIC INITIATIVES

GROWING THE ALERUS FRANCHISE

ORGANIC GROWTH | “ONE ALERUS”

- Collaborative and engaged leadership team focused on growing organically by adding value and deepening relationships with existing clients.
 - **Proactive advise** centered on improving client’s financial wellbeing
 - **Technology roadmap** to support financial fitness, automate account opening, and integrate our full product and service offering (fast-follower mindset)
 - **Harness synergies** within our diverse balance sheet and deepen relationships with 350,000+ single service retirement and benefit clients
 - **Reinvention of operational processes** aided by technology to enhance client experience

ACQUISITIONS

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

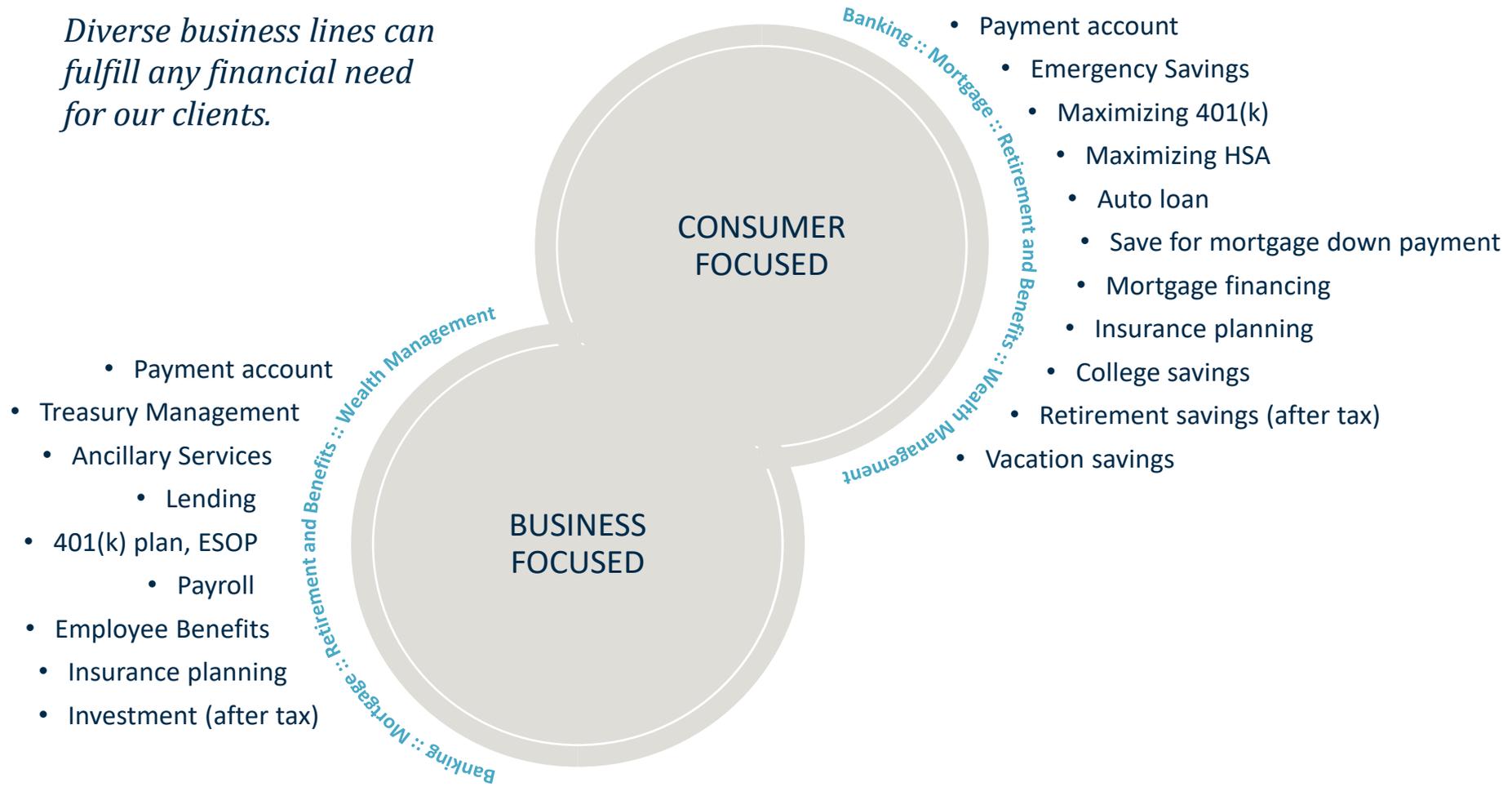
LIFT OUT’S

- Recruit **top talent** (individuals, teams, or both) from outside of our organization to **accelerate growth** in our existing markets or jumpstart our entrance into chosen, new markets
- Lift out’s allow us to take advantage of unplanned market disruption by our competitors (i.e. acquisitions, mergers, etc.)

ADVISORS SERVING CLIENTS

A BIG COMPANY MODEL WITH SMALL COMPANY EXECUTION

Diverse business lines can fulfill any financial need for our clients.



VALUE FOR ALL ALERUS STAKEHOLDERS

IT'S NOT JUST WHAT WE DO, IT'S HOW WE DO IT

We are in the midst of a transformation within our organization to holistically provide our clients with financial guidance at every touchpoint, which will in turn pave the way for increased career opportunities for our employees, and result in added value for our stockholders.

FOR OUR CLIENTS

- Proactive and holistic advice to help improve their financial wellbeing and provide peace of mind
- Sophisticated technology to improve speed of access and ease in managing their finances

FOR OUR EMPLOYEES

- Improved career paths with a growing organization
- Continued learning and growth opportunities

FOR OUR STOCKHOLDERS

- Leverage everything we have built over the last 20 years to maximize stockholder value
- Further diversify our composition of revenue to create and sustain long-term value

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.

SUMMARY



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

CONTACT INFORMATION

CORPORATE HEADQUARTERS

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APPENDIX



NON-GAAP DISCLOSURE RECONCILIATION

	(\$000s)	2018 YTD	2017	2016	2015	2014
Average Common Equity		\$ 183,611	\$ 176,778	\$ 168,742	\$ 160,903	\$ 144,203
Less: Goodwill		(27,329)	(27,329)	(25,699)	(2,365)	(1,090)
Less: average other Intangibles, net of tax benefit		(20,458)	(17,869)	(20,651)	(12,903)	(7,869)
Average Tangible Common Equity		\$ 135,824	\$ 131,580	\$ 122,392	\$ 145,635	\$ 135,244

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

	(\$000s)	2018 YTD	2017	2016	2015	2014
Net Income available to common shareholders		\$ 12,463	\$ 15,444	\$ 14,006	\$ 16,908	\$ 20,570
Add: Other intangible, net of tax benefit		1,890	3,374	4,203	2,618	2,518
Net Cash Available to common shareholders		\$ 14,353	\$ 18,818	\$ 18,209	\$ 19,526	\$ 23,088

Cash ROTCE		21.31%	14.30%	14.88%	13.41%	17.07%
Average Common Shares (000s)		14,056	14,007	14,000	13,947	13,887
Cash Earnings Per Share		\$ 1.02	\$ 1.34	\$ 1.30	\$ 1.40	\$ 1.66

ALERUS LEADERSHIP

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

SENIOR EXECUTIVE TEAM



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



KATIE LORENSON
Executive Vice President and
Chief Financial Officer
Joined Alerus in 2017



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



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



DAN CHEEVER
Executive Vice President and
Chief Development Officer
3 years with Alerus

ALERUS LEADERSHIP COUNCIL

Karl Bollingberg
Director of Lending
31 years with Alerus

Lori Day
Director of Mortgage
Joined Alerus in 2018

Scott Fenske
Ex Officio
General Counsel and
Corporate Secretary
2 years with Alerus

Jon Hendry
Chief Information Officer
34 years with Alerus

Travis Ingebrigtsen
Director of Finance
3 years with Alerus

Chad Johnson, CPA
Ex Officio
Director of Internal Audit
15 years with Alerus

Missy Keney
Director of Marketing and
Customer Experience
13 years with Alerus

Karna Loyland
Director of Deposits
19 years with Alerus

Chip Norris
Group President, Director
of Sales and Service
11 years with Alerus

Brian Overby
President of Alerus
Retirement and Benefits
23 years with Alerus

Brian Schumacher
Director of Wealth
Management
7 years with Alerus

Teresa Wasvick
Director of Human Resources
27 years with Alerus

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



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

Retired, 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