

# Alerus



EARNINGS PRESENTATION

Q4 2023

NASDAQ: ALRS

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 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 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 forward-looking statements include, among others, the following: interest rate risk, including the effects of recent and potential additional rate increases by the Federal Reserve; our ability to successfully manage credit risk and maintain an adequate level of allowance for credit losses; new or revised accounting standards; business and economic conditions generally and in the financial services industry, nationally and within our market areas, including continued rising rates of inflation and possible recession; the effects of recent developments and events in the financial services industry, including the large-scale deposit withdrawals over a short-period of time at Silicon Valley Bank, Signature Bank and First Republic Bank that resulted in the failure of those institutions; 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, including the integration of Metro Phoenix Bank which we acquired in 2022; 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 or our third-party vendors’ information security controls or cybersecurity-related incidents, including as a result of sophisticated attacks using artificial intelligence and similar tools; 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 from non-banks such as credit unions and Fintech companies, including digital asset service providers; our ability to successfully manage liquidity risk, including our need to access higher cost sources of funds such as fed funds purchased and short-term borrowings; the concentration of large deposits from certain clients, who have balances above current Federal Deposit Insurance Corporation (“FDIC”) insurance limits; 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, including the acquisition of Metro Phoenix Bank; the extensive regulatory framework that applies to us; the impact of recent and future legislative and regulatory changes, including in response to the recent failures of Silicon Valley Bank, Signature Bank and First Republic Bank in 2023; fluctuations in the values of the securities held in our securities portfolio, including as a result of changes in interest rates; governmental monetary, trade and fiscal policies; risks related to climate change and the negative impact it may have on our customers and their businesses; severe weather, natural disasters, widespread disease or pandemics; acts of war or terrorism, including the Israeli-Palestinian conflict and the Russian invasion of Ukraine, or other adverse external events; any material weaknesses in our internal control over financial reporting; changes to U.S. or state tax laws, regulations and guidance, including the new 1.0% excise tax on stock buybacks by publicly traded companies; potential changes in federal policy and at regulatory agencies as a result of the upcoming 2024 presidential election; talent and labor shortages and employee turnover; 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

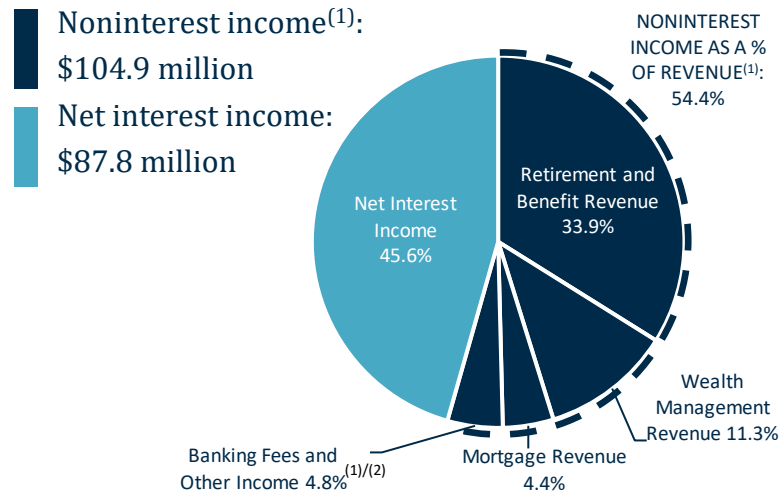
- To positively impact our clients' financial potential-through holistic guidance, unparalleled service, and engaging technology.

## ALERUS BUSINESS LINES

- Banking
- Retirement and Benefit Services
- Wealth Management
- Mortgage

## DIVERSIFIED REVENUE STREAM

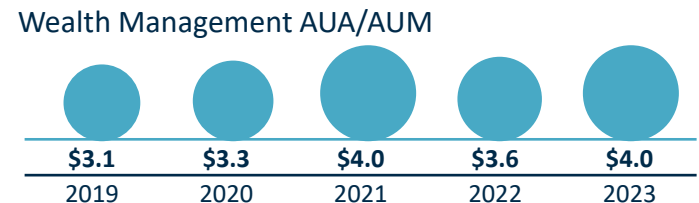
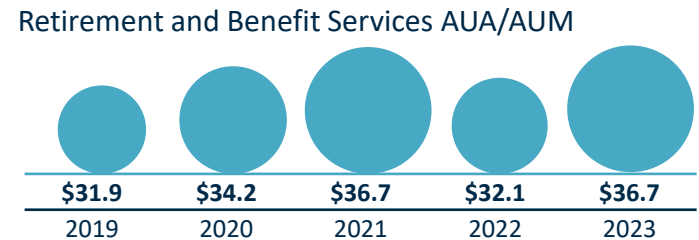
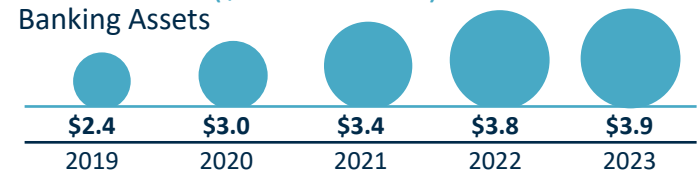
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2023<sup>(1)</sup>



## DIVERSIFIED FINANCIAL SERVICES COMPANY

- \$3.9 billion Banking assets
- \$36.7 billion Retirement and Benefit Services AUA/AUM
- \$4.0 billion Wealth Management AUA/AUM
- \$364.1 million in Mortgage Originations in 2023

## ASSET GROWTH (\$ IN BILLIONS)



1 - Excludes net losses on investment securities of \$24.6 million in 4Q23 which represents a non-GAAP Financial measure. See "Non-GAAP Disclosure Reconciliation."

2 - Banking fees and other income consists of service charges on deposit accounts, interchange income and other noninterest income. Data as of 12/31/2023.

# OUR DIVERSE BUSINESS LINES

A BIG COMPANY MODEL WITH SMALL COMPANY EXECUTION

## COMMERCIAL BANKING

- Commercial and commercial real estate lending
- Government and non-profit banking
- Small business lending
- Treasury management
- Deposit services

## BANKING<sup>(1)</sup>

50.4% of Revenue

## CONSUMER BANKING

- Private banking
- Deposit products and services
- Consumer lending

## RETIREMENT & BENEFIT SERVICES

33.9% of Revenue

- Retirement plan administration and recordkeeping
- Retirement plan investment advisory
- Health and benefits administration

## TRUSTED ADVISOR

## MORTGAGE

4.4% of Revenue

- Residential mortgage lending
- Residential construction lending
- Home equity/second mortgages

## WEALTH MANAGEMENT

11.3% of Revenue

- Advisory services
- Trust and fiduciary services
- Investment management
- Insurance planning
- Financial planning
- Education planning

1 - Excludes net losses on investment securities of \$24.6 million in 4Q23 which represents a non-GAAP Financial measure. See "Non-GAAP Disclosure Reconciliation."

Revenue data LTM as of 12/31/2023.

# FRANCHISE FOOTPRINT

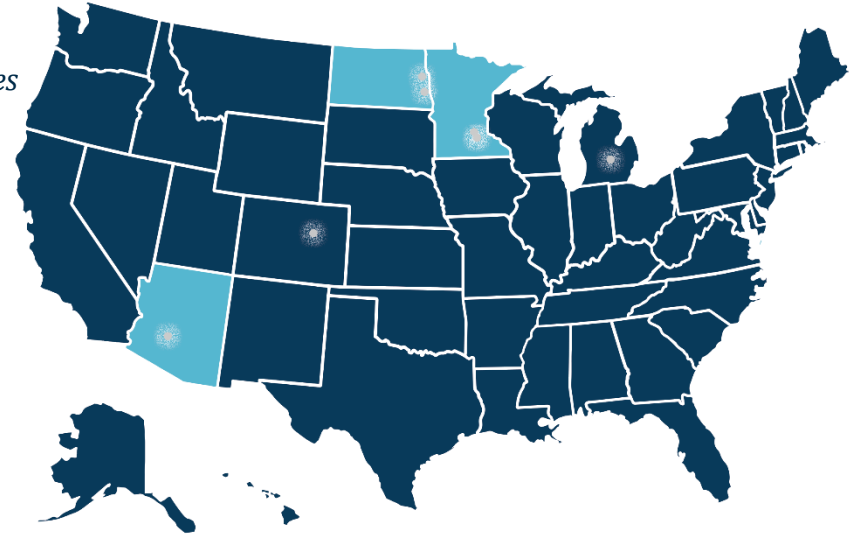
## FULL-SERVICE BANKING OFFICES

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

- **Grand Forks, ND:** 4 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 BENEFIT SERVICES OFFICES

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



## DIVERSIFIED CLIENT BASE

- 37,700 consumer clients
- 16,700 commercial clients
- 8,300 employer-sponsored retirement plans
- 474,000 employer-sponsored retirement and benefit plan participants and health savings account participants
- 37,550 flexible spending account and health reimbursement arrangement participants

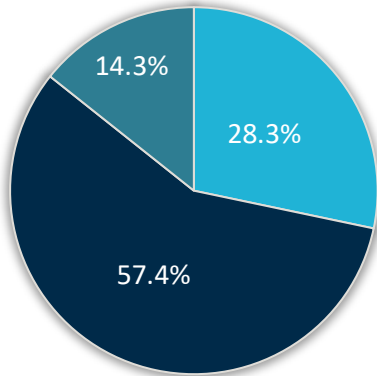
Data as of 12/31/2023.

# MARKET DISTRIBUTION

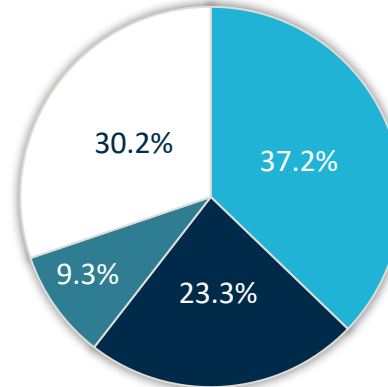
STRONG GROWTH MARKETS AND STABLE CORE FUNDING

(DOLLARS IN MILLIONS)

LOANS \$2,756



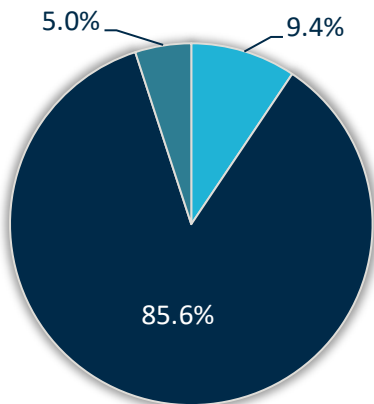
DEPOSITS \$3,096



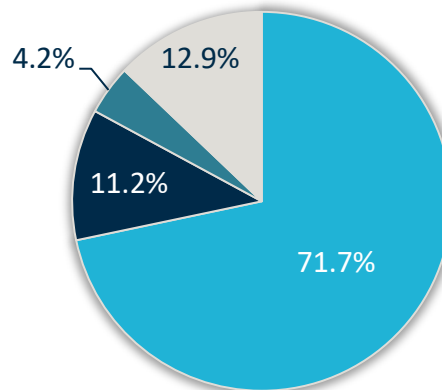
LEGEND

- North Dakota
- Minnesota
- Arizona
- National
- Synergistic

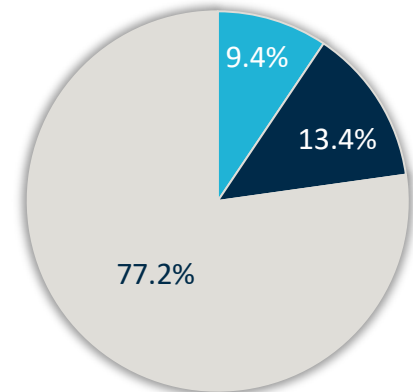
2023 MORTGAGE ORIGINATIONS \$364



WM ASSETS UNDER ADMIN/MGMT. \$4,019



ARB ASSETS UNDER ADMIN/MGMT. \$36,682



Data as of 12/31/2023.

# ONE ALERUS

CULTURE + BUSINESS MODEL = SUSTAINED TOP TIER SHAREHOLDER RESULTS

## ONE ALERUS STRATEGY

Our collaborative One Alerus culture brings our product and service offerings to clients in a cohesive and seamless manner. We believe One Alerus enables us to achieve future organic growth through client acquisition, retention and expansion to provide strong returns to our stockholders and employees through our ESOP.

## TECHNOLOGY INVESTMENT

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

These investments allow for digital and proactive engagement with clients.

## DIVERSIFIED SERVICES

We provide comprehensive products and services to clients including banking, mortgage, wealth management, and retirement and benefit services.

## SYNERGISTIC GROWTH

Deposits sourced from our retirement and benefit services and wealth management divisions totaled \$851.5 million as of December 31, 2023.

Cumulative rollovers have added \$1.3 billion of assets under management.

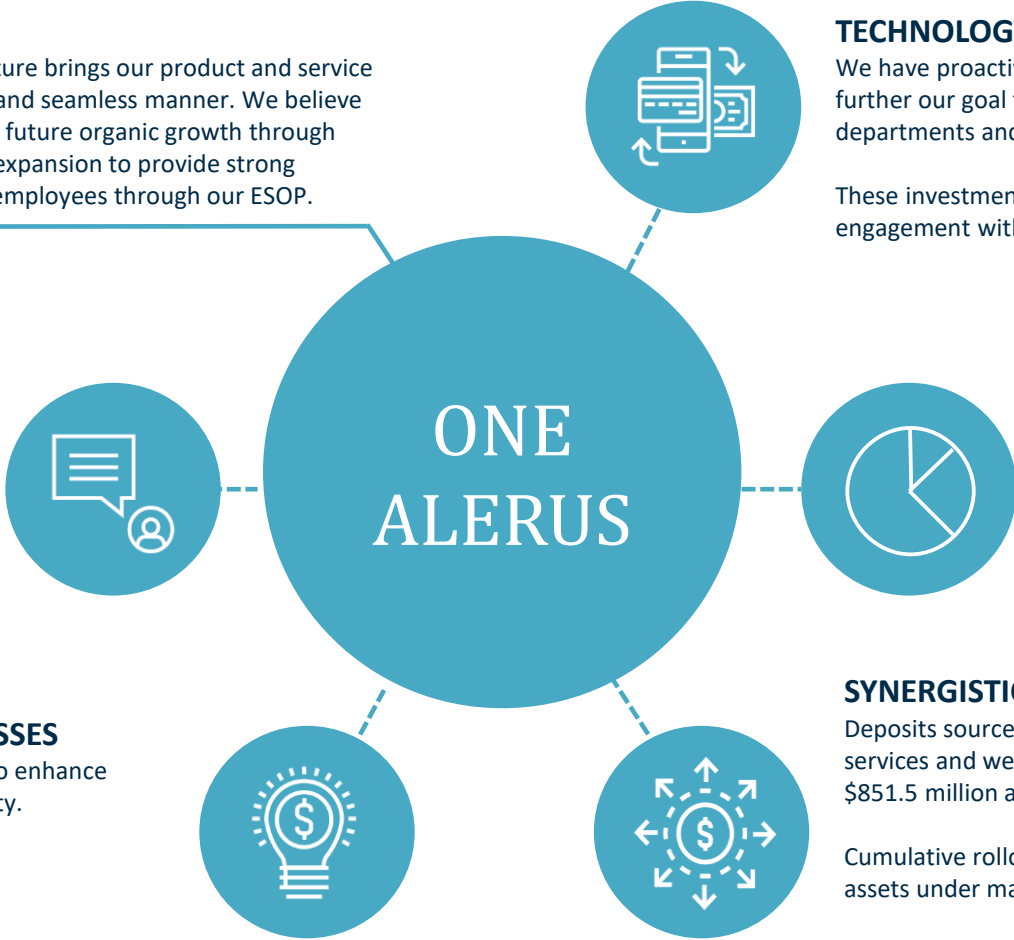
Residential real estate first mortgages totaled \$726.9 million as of December 31, 2023.

## TAILORED ADVICE

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

## REINVENTION OF PROCESSES

We consistently seek new ways to enhance efficiencies and improve scalability.



Data as of 12/31/2023.

# STRATEGIC GROWTH

*To supplement our organic growth, we have executed 25 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 (in MN) and a branch (in AZ) from BNC National Bank

**2012**

**EXPANDED TO MICHIGAN**

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

**2013**

Acquired Tegrit Administrators, LLC

**2014**

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**

**COMPLETED INITIAL PUBLIC OFFERING (IPO)**

**2020**

**EXPANDED TO COLORADO**

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

**2022**

Acquired Metro Phoenix Bank (Phoenix, AZ)

# KEY STRATEGIC INITIATIVES

## GROWING THE ALERUS FRANCHISE

### ORGANIC GROWTH “ONE ALERUS”

- Collaborative leadership team focused on **growing organically** through new client acquisition and deepening relationships with existing clients through our expansive services
- Diversified business model focused on bringing value to the client through advice and specialty solutions to help clients grow

### PURSUE TALENT ACQUISITION

- Recruiting **top talent** in mid-market C&I banking and specialty niches 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**

### LEVERAGE OUR EXISTING CLIENT BASE

- Diversified client base consists of **37,700** consumer clients, **16,700** commercial clients and over **397,000** employer-sponsored retirement and benefit 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

### ENHANCE BRAND AWARENESS

- **Purpose driven** organization with a **recognizable mission** for clients, employees, and stakeholders
- Proactively position ourselves as an **acquirer and employer of choice**
- Invested in one of the **leading marketing automation technologies**

### STRENGTHEN AND BUILD INFRASTRUCTURE

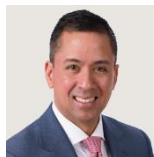
- Provide **secure and reliable** technology that meets evolving client expectations
- Integrate our full product and service offerings through our **fast-follower** strategy

# OFFICERS AND DIRECTORS

## EXECUTIVE MANAGEMENT



**KATIE LORENSON**  
 Director, President and  
 Chief Executive Officer  
*7 years with Alerus*



**AL VILLALON**  
 Executive Vice President and  
 Chief Financial Officer  
*Joined Alerus in 2022*



**JIM COLLINS**  
 Executive Vice President and  
 Chief Banking and Revenue Officer  
*Joined Alerus in 2022*



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



**MISSY KENEY**  
 Executive Vice President and  
 Chief Engagement Officer  
*19 years with Alerus*



**JON HENDRY**  
 Executive Vice President and  
 Chief Technology Officer  
*40 years with Alerus*

## BOARD OF DIRECTORS



**DAN COUGHLIN**  
*Since 2016*  
 Chairman, Alerus Financial Corp.  
 Former MD & Co-Head – Fin'l  
 Services Inv. Banking, Raymond  
 James; Former Chairman  
 & CEO, Howe Barnes Hoefler &  
 Arnett



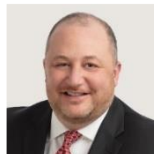
**RANDY NEWMAN**  
*Since 1987*  
 Former President and CEO, Alerus



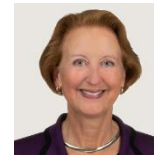
**KEVIN LEMKE**  
*Since 1994*  
 President  
 Virtual Systems, Inc.



**GALEN VETTER**  
*Since 2013*  
 Former Global CFO, Franklin Templeton  
 Investments; Former Partner-in-Charge,  
 Upper Midwest Region, RSM



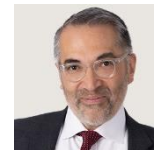
**MICHAEL MATHEWS**  
*Since 2019*  
 Former CIO, Deluxe Corporation  
 Former SVP – Technology and Enterprise  
 Programs, UnitedHealth Group



**JANET ESTEP**  
*Since 2021*  
 Former President and CEO, Nacha  
 Former EVP, US Bank Transaction Division  
 Former VP, Pace Analytical Services



**MARY ZIMMER**  
*Since 2021*  
 Former Director of Diverse Client Segments  
 and Former Northern Regional President,  
 Wells Fargo Advisors  
 Former Head of Intl. Wealth USA, Royal Bank  
 of Canada U.S. Wealth Mgmt.



**JOHN URIBE**  
*Since 2023*  
 Chief Financial Officer  
 Blue Cross and Blue Shield of Minnesota



**NIKKI SORUM**  
*Since 2023*  
 Former Head of Sales and Distribution, Thrivent  
 Former SVP, Private Client Group,  
 RBC Wealth Management

# FOURTH QUARTER HIGHLIGHTS



# Q4 2023 HIGHLIGHTS

SUCCESS IS NEVER FINAL

## EARNINGS

- Net interest margin expanded 10 basis points, from 2.27% in the third quarter to 2.37% in the fourth quarter of 2023
- Net interest income increased 5.7%, from \$20.4 million in the third quarter to \$21.6 million in the fourth quarter of 2023
- Noninterest income, excluding net losses on investment securities of \$24.6 million, was 54.13%<sup>(1)</sup> of total revenue, compared to 58.21% for the third quarter of 2023

## BALANCE SHEET & ASSET QUALITY

- Total deposits were \$3.1 billion as of December 31, 2023, an increase of \$223.4 million, or 7.8%, from September 30, 2023, while uninsured deposits remained steady at 24% of total deposits
- Noninterest-bearing deposits increased 1.4% compared to September 30, 2023
- Total loans were \$2.8 billion as of December 31, 2023, an increase of \$149.7 million, or 5.7%, from September 30, 2023
- The loan to deposit ratio as of December 31, 2023 was 89.0%, compared to 90.7% as of September 30, 2023, with brokered deposits remaining at \$0
- Net recoveries to average loans of 0.04%, compared to net recoveries to average loans of 0.09% for the third quarter of 2023

## CAPITAL STRENGTH

- Returned \$5.8 million to shareholders through dividends and share repurchases during the quarter
- Repurchased \$2.1 million of the Company's outstanding stock at an average per share purchase price of \$17.65, reducing common shares outstanding by 118,000 at quarter end
- Tangible book value per common share (non-GAAP) was \$15.46, an 8.0% increase from the third quarter of 2023
- Common equity tier 1 capital to risk weighted assets as of December 31, 2023 was 11.82%, compared to 13.01% as of September 30, 2023, and continues to be well above the minimum threshold to be well capitalized of 6.50%

<sup>1</sup> - Excludes net losses on investment securities of \$24.6 million in 4Q23 which represents a non-GAAP Financial measure. See "Non-GAAP Disclosure Reconciliation."

# Q4 2023 FINANCIAL HIGHLIGHTS

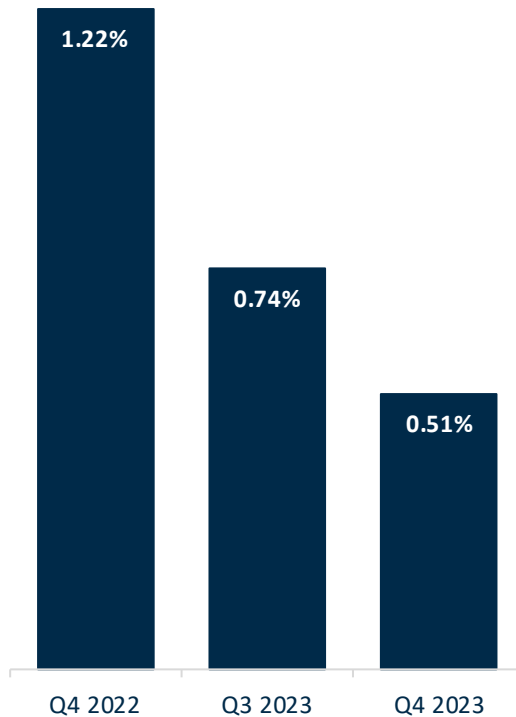
## INCOME STATEMENT

	Three months ended			Year ended	
	December 31, 2023	September 30, 2023	December 31, 2022	December 31, 2023	December 31, 2022
<i>(dollars and shares in thousands, except per share data)</i>					
Net Interest Income	\$ 21,552	\$ 20,395	\$ 26,964	\$ 87,839	\$ 99,729
Provision for Credit Losses	1,507	—	—	2,057	—
Net Interest Income After Provision for Credit Losses	20,045	20,395	26,964	85,782	99,729
Noninterest Income	791	28,407	25,517	80,229	111,223
Noninterest Expense	38,654	37,260	37,948	150,157	158,770
Income Before Income Taxes	(17,818)	11,542	14,533	15,854	52,182
Income Tax Expense	(3,064)	2,381	3,624	4,158	12,177
<b>Net Income</b>	<b>\$ (14,754)</b>	<b>\$ 9,161</b>	<b>\$ 10,909</b>	<b>\$ 11,696</b>	<b>\$ 40,005</b>
<b>Per Common Share Data</b>					
Earnings Per Common Share - Diluted	\$ (0.73)	\$ 0.45	\$ 0.53	\$ 0.58	\$ 2.10
Adjusted Earnings Per Common Share - Diluted <sup>(1)</sup>	0.26	0.35	0.56	1.47	2.18
Diluted Average Common Shares Outstanding	19,996	20,095	20,232	20,143	18,884
<b>Performance Ratios</b>					
Return on Average Total Assets	(1.51) %	0.95 %	1.17 %	0.31 %	1.14 %
Return on Average Tangible Common Equity <sup>(1)</sup>	(18.85) %	13.51 %	16.63 %	5.37 %	15.09 %
Noninterest Income as a % of Revenue	3.54 %	58.21 %	48.62 %	47.74 %	52.72 %
Net Interest Margin (Tax-Equivalent)	2.37 %	2.27 %	3.09 %	2.46 %	3.04 %
Efficiency Ratio <sup>(1)</sup>	165.40 %	73.37 %	69.62 %	85.85 %	72.86 %

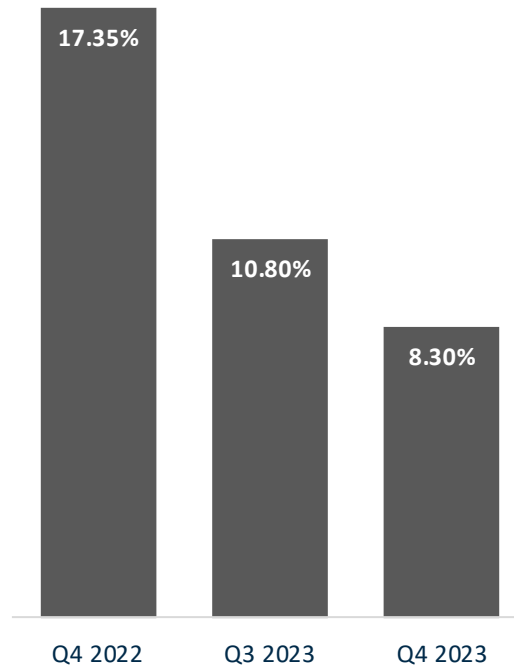
1 – Represents a non-GAAP Financial measure. See “Non-GAAP Disclosure Reconciliation.”

# PERFORMANCE RATIOS

**Adjusted Return on Average Assets<sup>(1)/(2)</sup>**



**Adjusted Return on Average Tangible Common Equity<sup>(1)/(2)</sup>**



**Tangible Book Value per Share<sup>(1)</sup>**



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

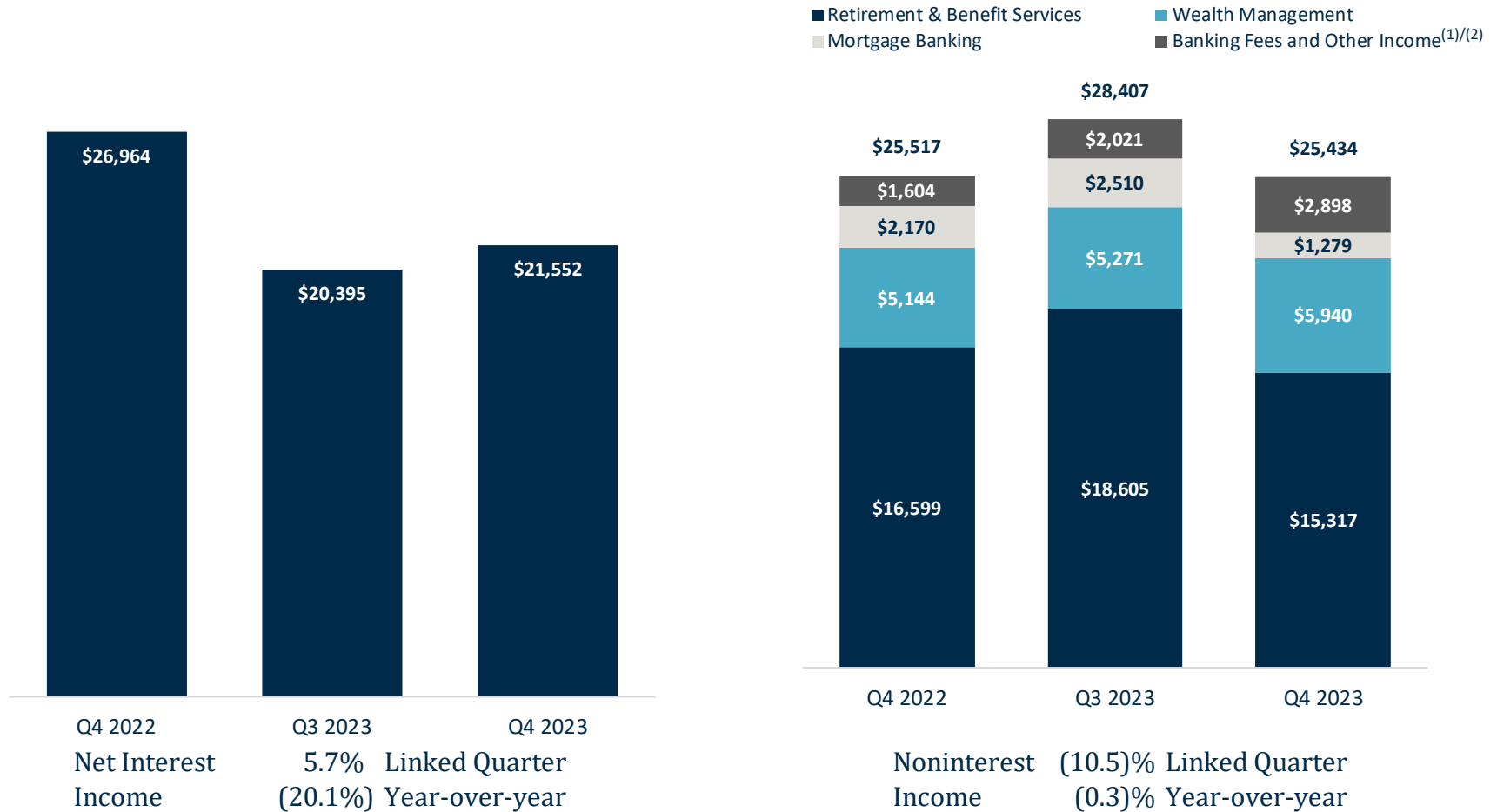
2 – Rates have been annualized

# KEY REVENUE ITEMS

DOLLARS IN THOUSANDS

## Net Interest Income

## Noninterest Income

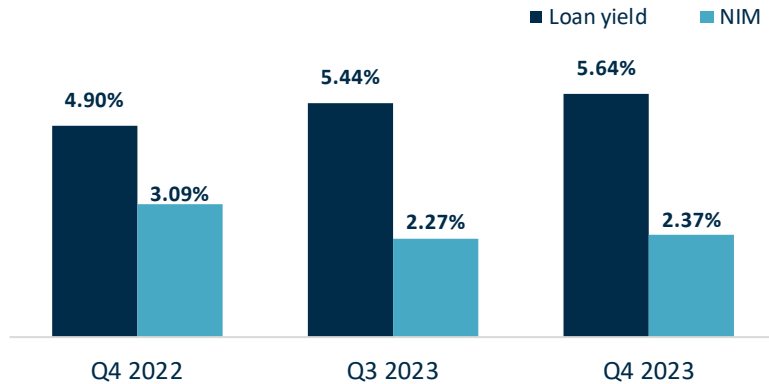


1 – Banking fees and other income consists of service charges on deposit accounts, interchange income and other noninterest income.

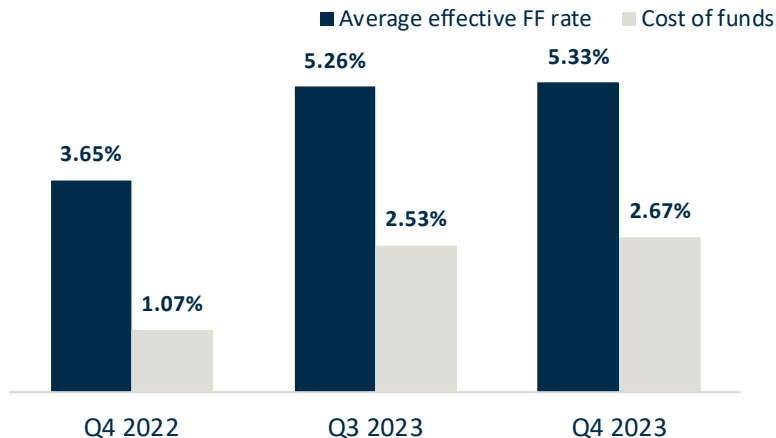
2 - Excludes net losses on investment securities of \$24.6 million in 4Q23 which represents a non-GAAP Financial measure. See "Non-GAAP Disclosure Reconciliation."

# NET INTEREST INCOME

## LOAN YIELD AND NET INTEREST MARGIN (NIM)<sup>(1)</sup>



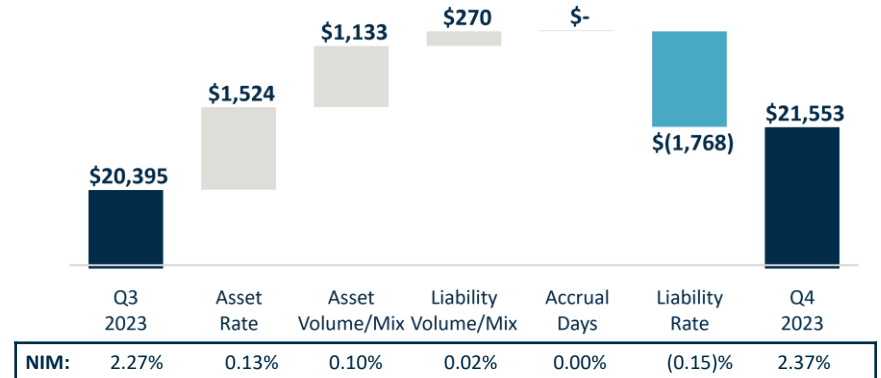
## AVERAGE EFFECTIVE FF RATE AND COST OF FUNDS<sup>(1)</sup>



1 – Rates have been annualized for interim periods. Source: Federal Reserve.

## NET INTEREST INCOME (NII)

(\$ in Thousands)



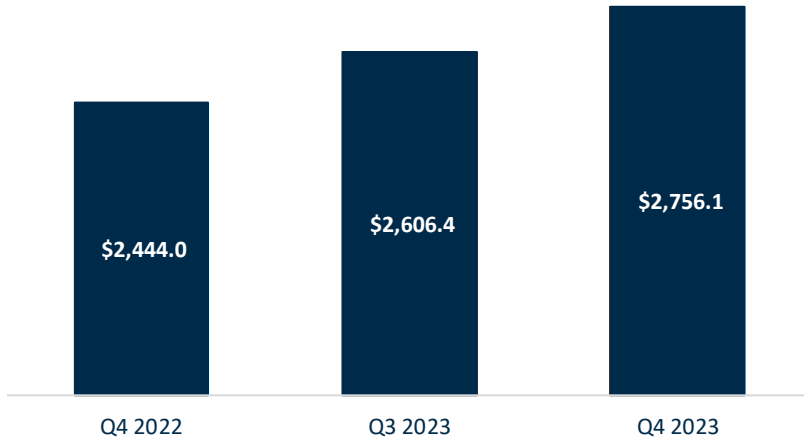
## QUARTERLY HIGHLIGHTS

- Interest income increased \$2.7 million, or 6.3%, from the third quarter of 2023, primarily driven by a 23 basis point increase in yield on interest earning assets, mostly attributable to higher yields on new loans and strong organic loan growth
- The increase in interest income was offset by a \$1.5 million increase in interest expense, primarily due to an increase in rates paid on interest-bearing deposits

# DIVERSIFIED LOAN PORTFOLIO

## TOTAL LOANS

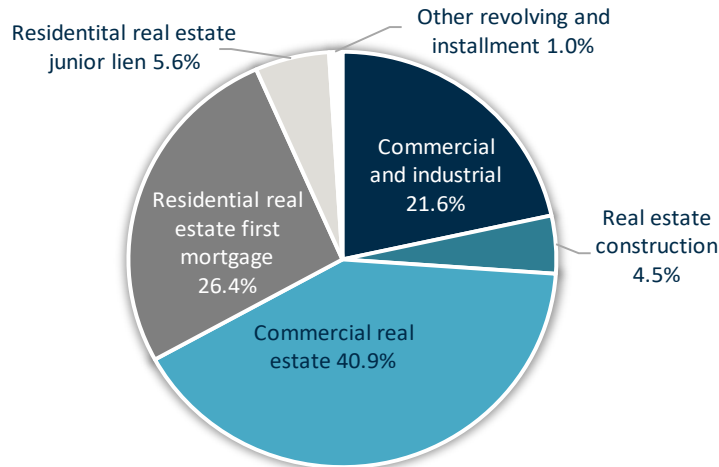
(\$ in Millions)



## HIGHLIGHTS

- Total loans grew 12.8% from December 31, 2022
- Year to date loan growth was primarily driven by an increase in commercial real estate, residential real estate, and C&I loans, partially offset by a decrease in other consumer revolving and installment loans
- Total loan yield in the current quarter increased to 5.64%, from 5.44% in the prior quarter

## DIVERSIFIED LOAN PORTFOLIO



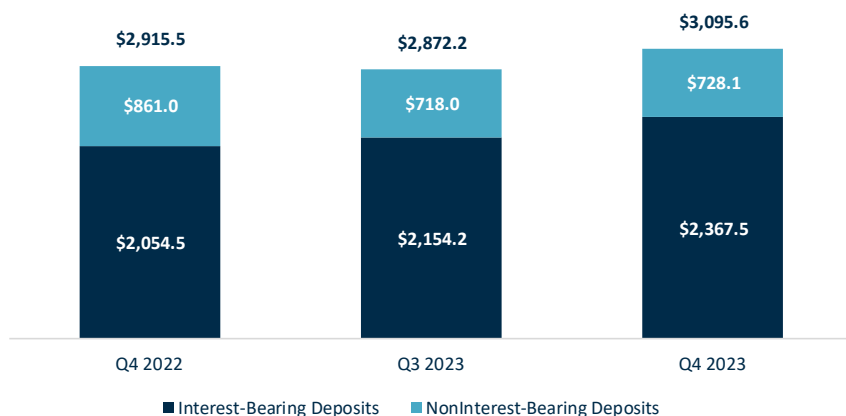
## PORTFOLIO CHANGES

(\$ in Thousands)	As of 12/31/2022	As of 9/30/2023	As of 12/31/2023	Change QoQ	Change YoY
Commercial and industrial	\$ 583,876	582,387	\$ 594,827	2.1%	1.9%
Real estate construction	97,810	97,742	124,034	26.9%	26.8%
Commercial real estate	881,670	1,025,014	1,126,912	9.9%	27.8%
Residential real estate first mortgage	679,551	717,793	726,879	1.3%	7.0%
Residential real estate junior lien	150,479	152,677	154,134	1.0%	2.4%
Other revolving and installment	50,608	30,817	29,302	-4.9%	-42.1%
<b>Total</b>	<b>2,443,994</b>	<b>2,606,430</b>	<b>2,756,088</b>	<b>5.7%</b>	<b>12.8%</b>
Loans to deposits ratio	83.8%	90.7%	89.0%		

# STRONG CORE FUNDING MIX

## TOTAL DEPOSITS

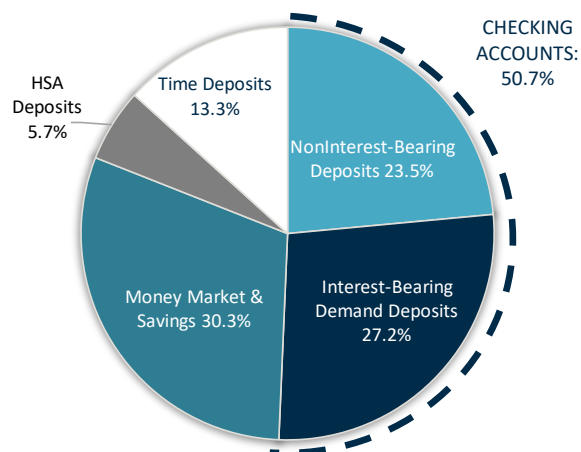
(\$ in Millions)



## HIGHLIGHTS

- Total deposits increased 7.8% compared to September 30, 2023
- Noninterest-bearing deposits increased 1.4% compared to September 30, 2023
- Time deposits increased 18.6% in the current quarter as higher short-term CD rates attracted both existing non-maturity deposits as well as new deposits to the Company

## DECEMBER 31, 2023 DEPOSIT FUNDING (\$3,096 MILLION)



## PORTFOLIO CHANGES

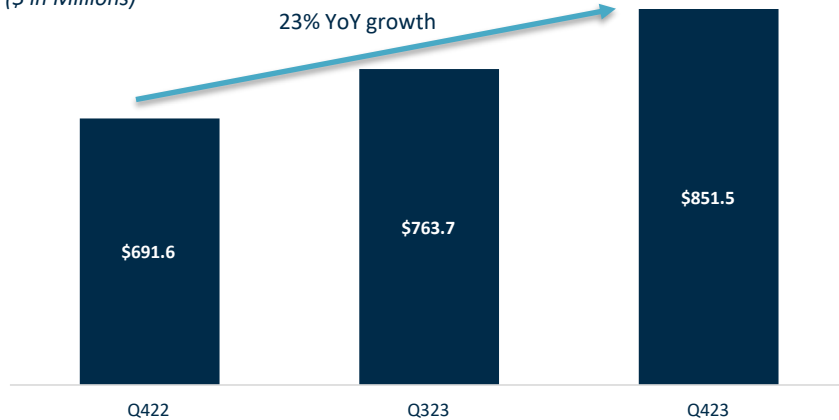
(\$ in Thousands)	As of 12/31/2022	As of 9/30/2023	As of 12/31/2023	Change QoQ	Change YoY
Noninterest-bearing	860,987	717,990	728,082	1.4%	-15.4%
Interest-bearing demand	706,275	759,812	840,711	10.6%	19.0%
Money market and savings	969,692	871,720	938,527	7.7%	-3.2%
Time deposits	212,359	346,935	411,562	18.6%	93.8%
HSA deposits	166,171	175,727	176,729	0.6%	6.4%
Total	2,915,484	2,872,184	3,095,611	7.8%	6.2%

# DEPOSIT CHARACTERISTICS

STRONG LIQUIDITY WELL IN EXCESS OF UNINSURED BALANCES

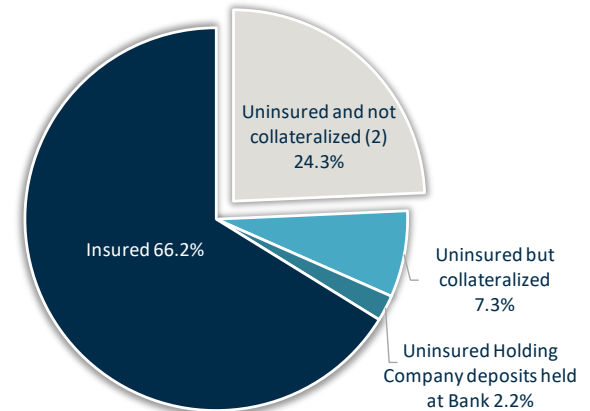
## SYNERGISTIC DEPOSIT GROWTH <sup>(1)</sup>

(\$ in Millions)



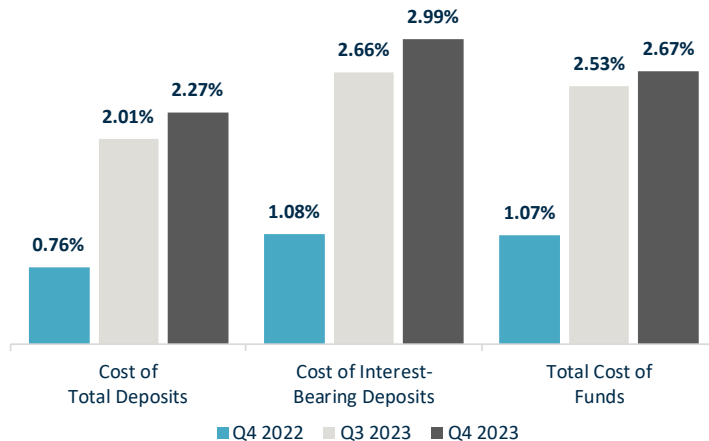
1 – Synergistic deposits are sourced from our retirement and benefit services and wealth management divisions

## UNINSURED VS INSURED

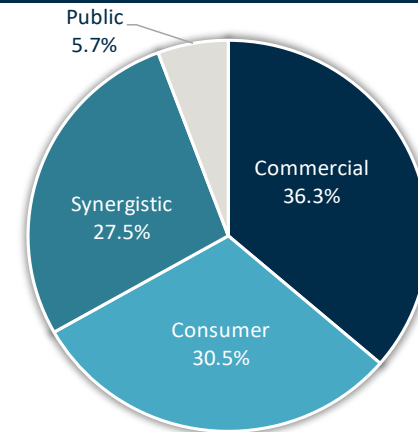


2 – Uninsured and not collateralized deposits represent those customer deposit balances over the current FDIC insurance limit of \$250,000 that are not collateralized by other means such as pledged loans or pledged securities

## COST OF FUNDS INCREASING WITH SHORT-TERM RATES



## DECEMBER 31, 2023 DEPOSIT COMPOSITION

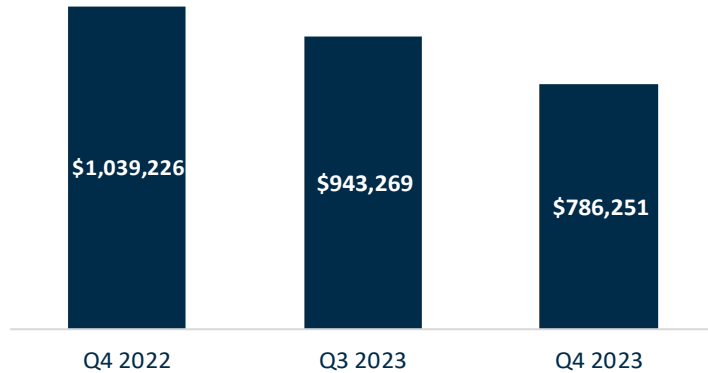


As of December 31, 2023, our loan to deposit ratio was 89% with no brokered deposits utilized

# INVESTMENT PORTFOLIO

## INVESTMENT PORTFOLIO

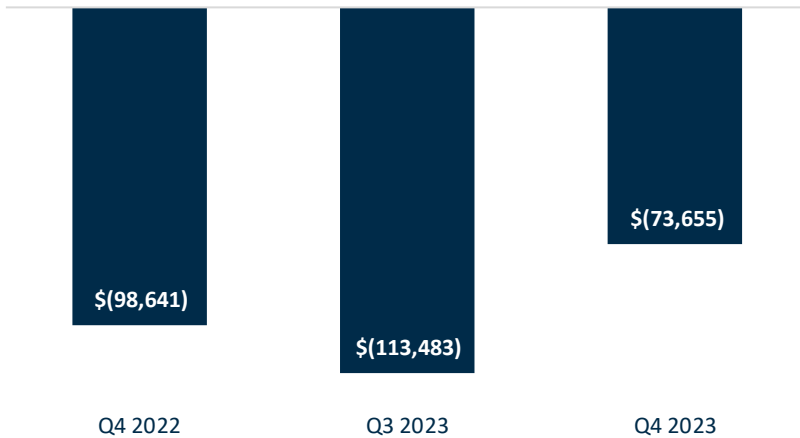
(\$ in Thousands)



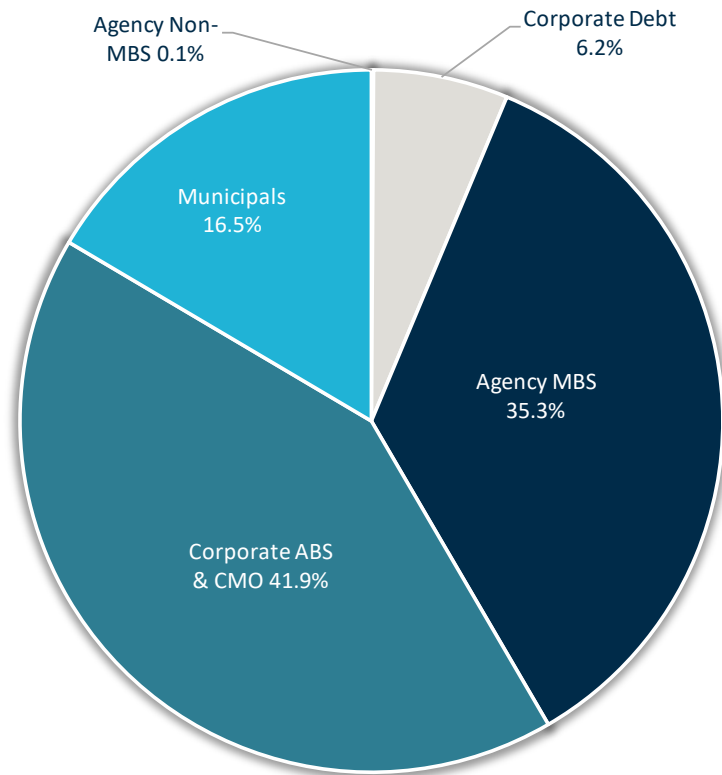
<b>Yield on Securities:</b>	2.3%	2.6%	2.7%
<b>% of Earning Assets:</b>	29.3%	26.0%	21.4%

## AOCI

(\$ in Thousands)



## MIX



<b>Held-to-Maturity:</b>	38.1%	<b>Available-for-Sale:</b>	61.9%
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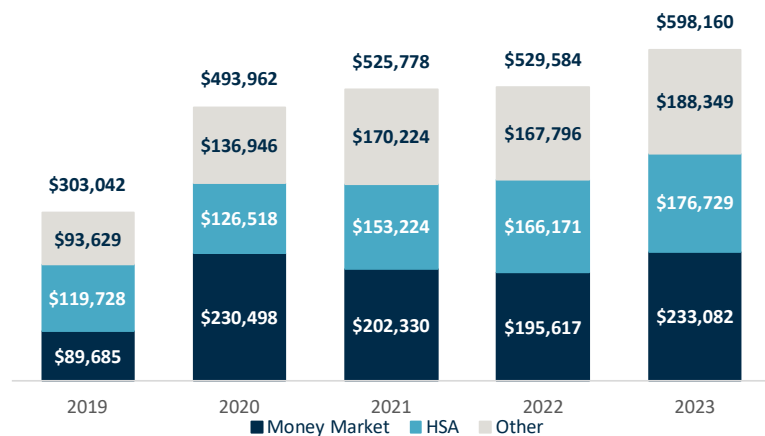
# RETIREMENT AND BENEFIT SERVICES

## OVERVIEW – 8,300 PLANS – NATIONAL FOOTPRINT

- **RETIREMENT** - Provide recordkeeping and administration services to qualified retirement plans
- **TRUST CUSTODY & ADVISORY SERVICES** - Provide investment fiduciary services to retirement plans
- **HEALTH AND BENEFITS** - Provide HSA, FSA, COBRA recordkeeping and administration services to employers
- **REVENUE MIX** - 35% market sensitive
- **ONE ALERUS SYNERGIES**
  - IRA rollovers \$132 million YTD 12/31/2023
  - Deposits \$598 million - HSA deposits, 401(k) Money Market Funds, Emergency Savings, Terminated Participants
  - Commercial Banking client expansion

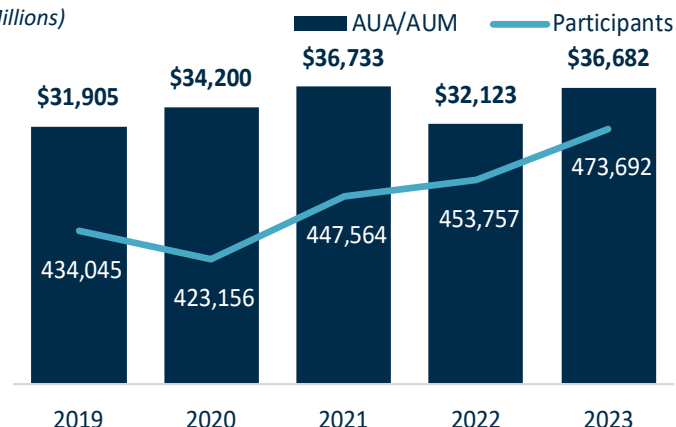
## STABLE SYNERGISTIC DEPOSITS

(\$ in Thousands)



## ASSETS UNDER ADMINISTRATION/MANAGEMENT

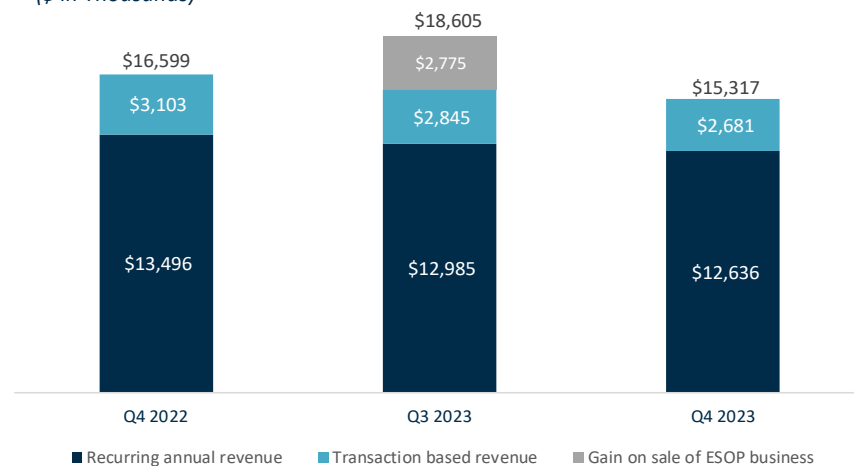
(\$ in Millions)



Revenue:	2019	2020	2021	2022	2023
	\$63,811	\$60,956	\$71,709	\$67,135	\$65,294

## REVENUE MIX

(\$ in Thousands)



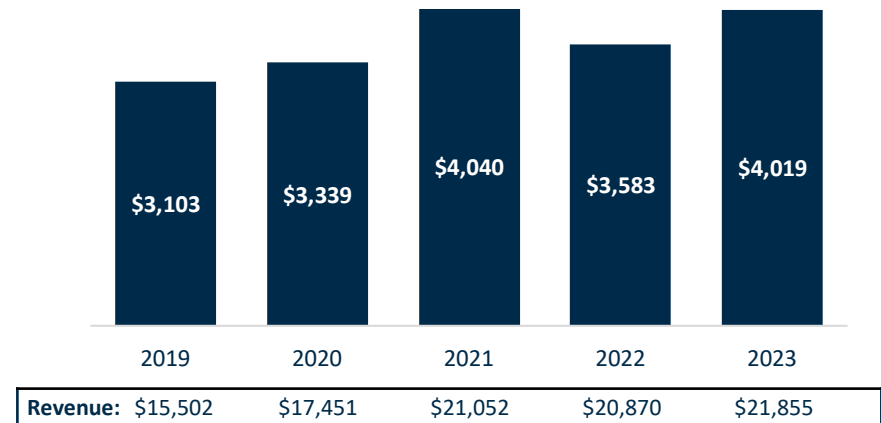
# WEALTH MANAGEMENT SERVICES

## OVERVIEW OF SERVICES

- **ADVISORY AND PLANNING SERVICES**
  - Advisory Services, Insurance Planning, Financial Planning, Education Planning
- **INVESTMENT MANAGEMENT**
  - Personalized SMA strategies, Tax Management and Global Perspective
- **TRUST AND FIDUCIARY SERVICES**
  - IRA, Agency and Personal Trust
- **ONE ALERUS SYNERGIES**
  - IRA rollovers
  - 401(k) managed accounts
  - Synergistic deposits totaled \$253.4 million at Q4 2023

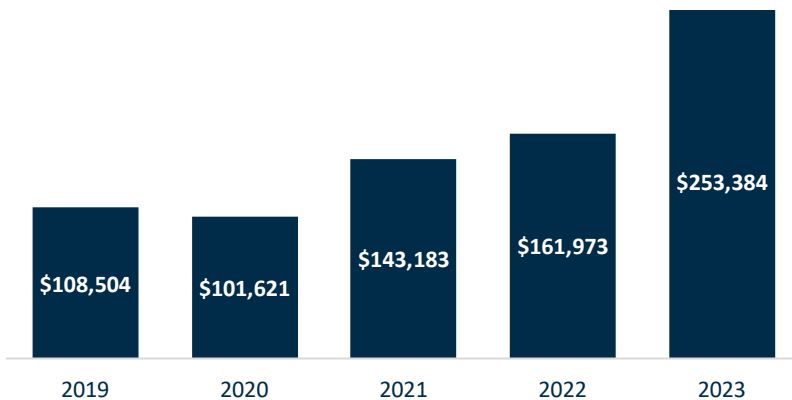
## ASSETS UNDER ADMINISTRATION/MANAGEMENT

(\$ in Millions)



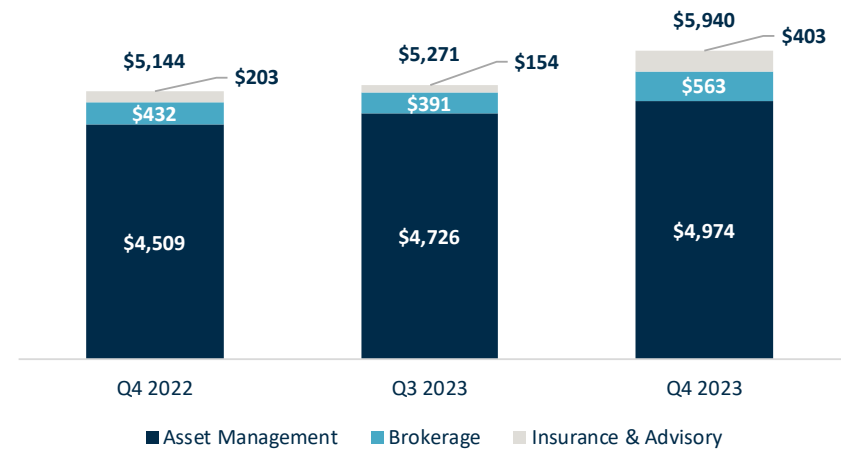
## SYNERGISTIC DEPOSITS

(\$ in Thousands)



## REVENUE MIX

(\$ in Thousands)



# MORTGAGE BANKING

## OVERVIEW OF SERVICES

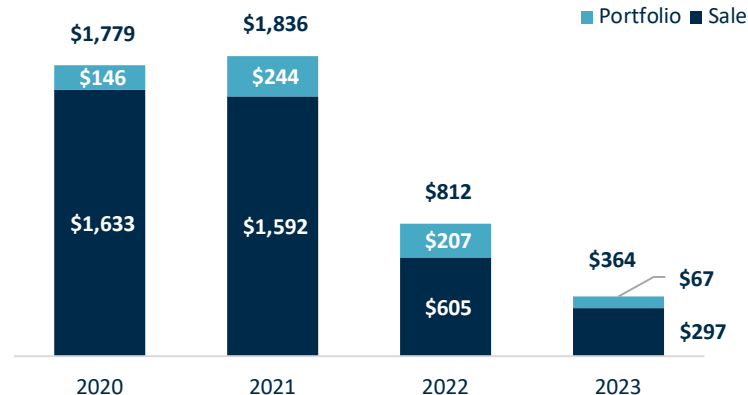
- 1st and 2nd mortgage product offerings through centralized mortgage operations in Minneapolis, Minnesota
- 86% of 2023 originations sourced from the Twin Cities MSA
- Enhanced technology with 82% of applications through digital channel

## QUARTERLY RESULTS

(\$ in Thousands)	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Origination and Sale	\$ 3,145	\$ 1,463	\$ 2,432	\$ 2,917	\$ 1,593
Fair Value Changes	(974)	254	473	(407)	(314)
Total Revenue	\$ 2,171	\$ 1,717	\$ 2,905	\$ 2,510	\$ 1,279
Gain on Sale Margin	3.0%	3.0%	2.8%	3.0%	2.5%

## YEARLY MORTGAGE ORIGINATIONS

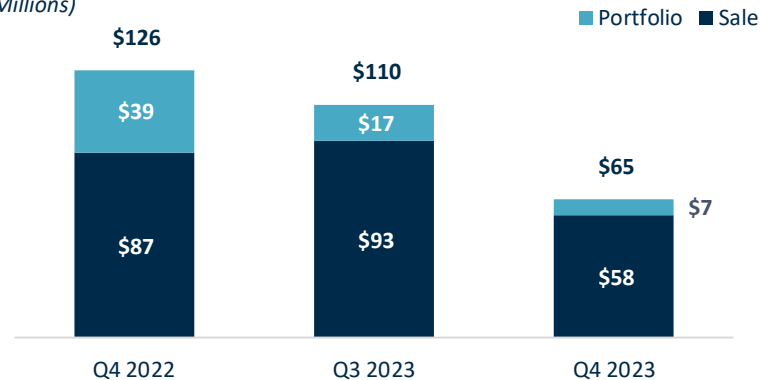
(\$ in Millions)



Purchase:	45.2%	51.2%	88.3%	96.7%
Refinance:	54.8%	48.8%	11.7%	3.3%

## QUARTERLY ORIGINATIONS

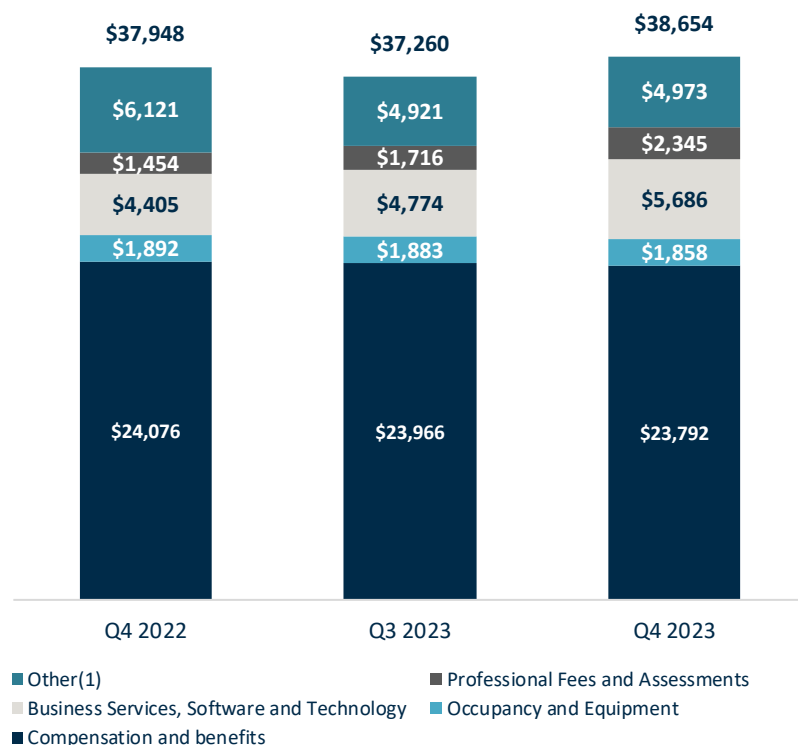
(\$ in Millions)



Purchase:	92.2%	97.7%	94.6%
Refinance:	7.8%	2.3%	5.4%

# NONINTEREST EXPENSE

(\$ in Thousands)



Noninterest  
Expense

3.7% Linked quarter  
1.9% Year-over-year

## QUARTERLY HIGHLIGHTS

- Noninterest expense increased \$1.4 million, or 3.7%, over the last quarter
- The increase was primarily driven by a \$0.9 million increase in business services, software and technology which was driven by seasonally higher contract renewals due to inflationary pressures and equipment purchases
- Additionally, there was a \$0.6 million increase in professional fees and assessments driven primarily by higher fees resulting from increased audit, examination, and other professional fees

## YEAR OVER YEAR HIGHLIGHTS

- Noninterest expense increased \$0.7 million, or 1.9%, compared to the fourth quarter of 2022
- The increase was primarily driven by inflationary pressures in business services, software and technology expense, higher professional fees and assessments due to higher auditing fees and an increase in FDIC assessments

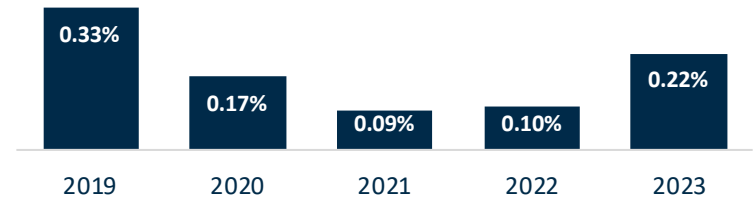
1 – Other noninterest expense consists of intangible amortization, marketing and business development, supplies and postage, travel, mortgage and lending, and other noninterest expense.

# ASSET QUALITY AND RESERVE LEVELS

## OVERVIEW

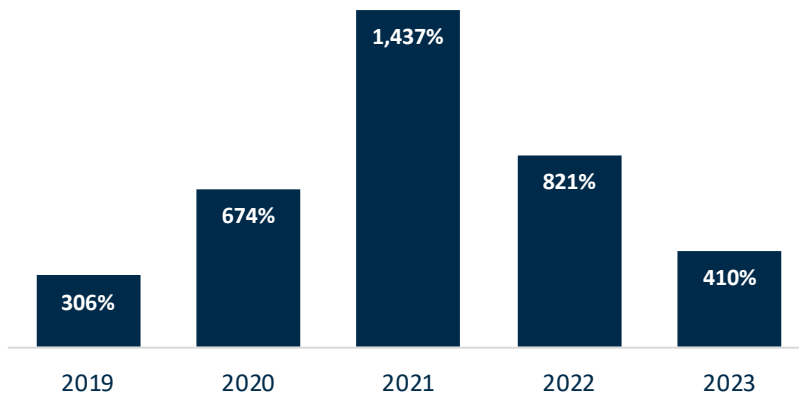
- Non-performing loans remain at low levels
- Reserve levels remain strong despite an increase in non-performing loans in 2023
- Strong credit quality continues to be evidenced by a third straight quarter of net recoveries

## NPA / ASSETS (%)

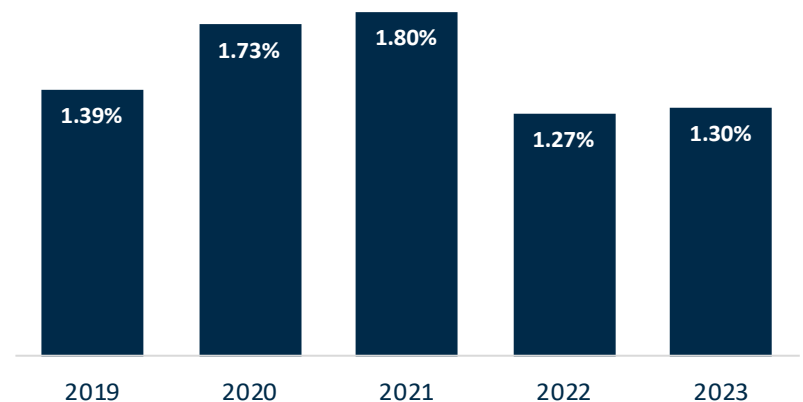


	2019	2020	2021	2022	2023
NCO/ Avg Loans	0.33%	0.03%	(0.04)%	0.02%	(0.04)%

## RESERVES / NPL (%)

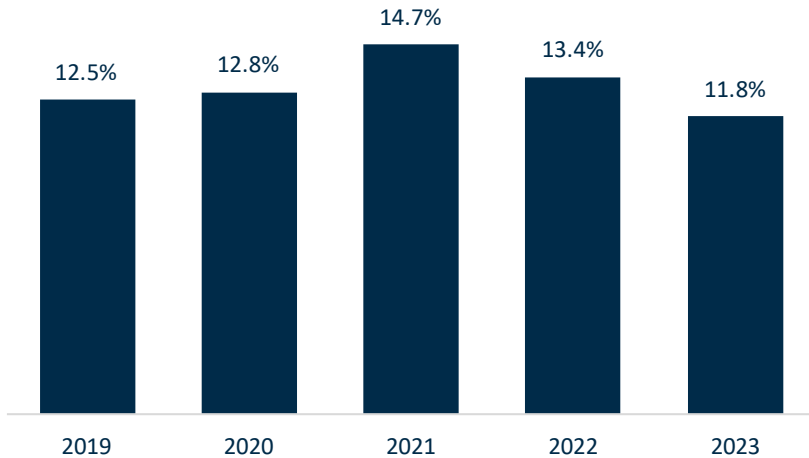


## RESERVES / LOANS (%)

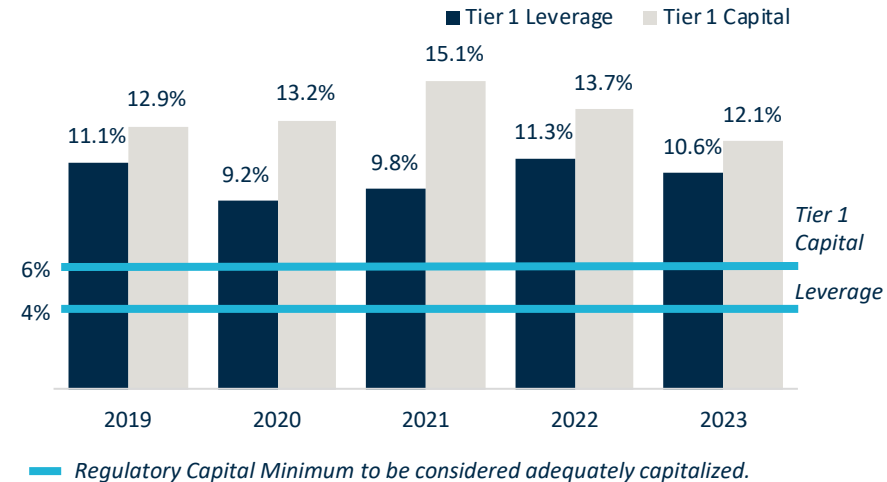


# STRONG CAPITAL AND SOURCES OF LIQUIDITY

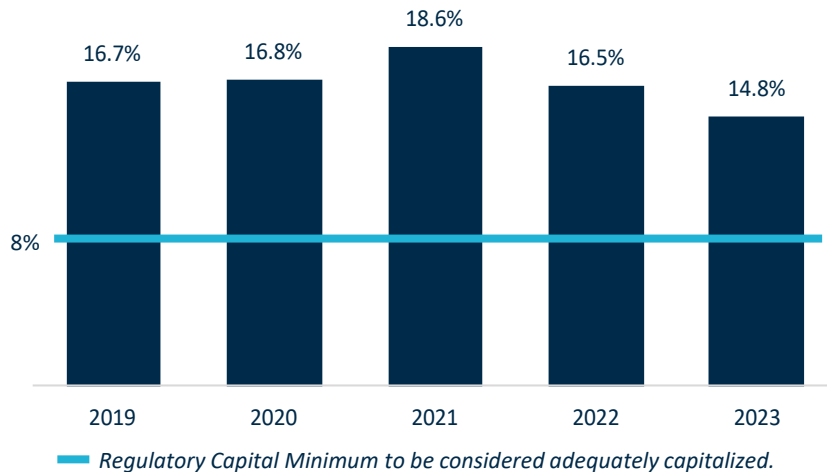
## COMMON EQUITY TIER 1



## TIER 1 CAPITAL/TIER 1 LEVERAGE RATIOS



## TOTAL RISK BASED CAPITAL



## SOURCES OF LIQUIDITY

(\$ in thousands)

Total Assets	\$ 3,896,811
Cash and cash equivalents	122,485
Unencumbered Securities (at Market Value)	527,892
<b>Total On Balance Sheet Liquidity</b>	<b>650,377</b>
FHLB Borrowing Capacity	706,574
Fed Funds Lines	107,000
Brokered CD Capacity	779,362
<b>Total Off Balance Sheet Liquidity</b>	<b>1,592,936</b>
<b>Total Liquidity as of 12/31/2023</b>	<b>\$ 2,243,313</b>

# KEY TAKEAWAYS

## ALERUS HAS ESTABLISHED A STRONG FOUNDATION HEADING INTO 2024

- Loan and deposit growth was robust in the fourth quarter, putting Alerus in a strong position to start 2024
- Net interest margin increased 10 basis points from 2.27% in the third quarter to 2.37% in the fourth quarter of 2023
- Noninterest income, excluding net losses on investment securities of \$24.6 million, was 54.1%<sup>(1)</sup> of total revenues for the quarter, highlighting our durable and differentiated business model
- Total assets under administration/management were \$40.7 billion, a 6.3% increase from third quarter of 2023
- Credit quality remains strong as nonperforming assets are 0.22% of total assets and the quarter had net recoveries of 0.04%
- Returned \$5.8 million to shareholders through dividends and share repurchases during the quarter
- Capital levels remain strong and continue to far exceed the minimum levels required to be well capitalized

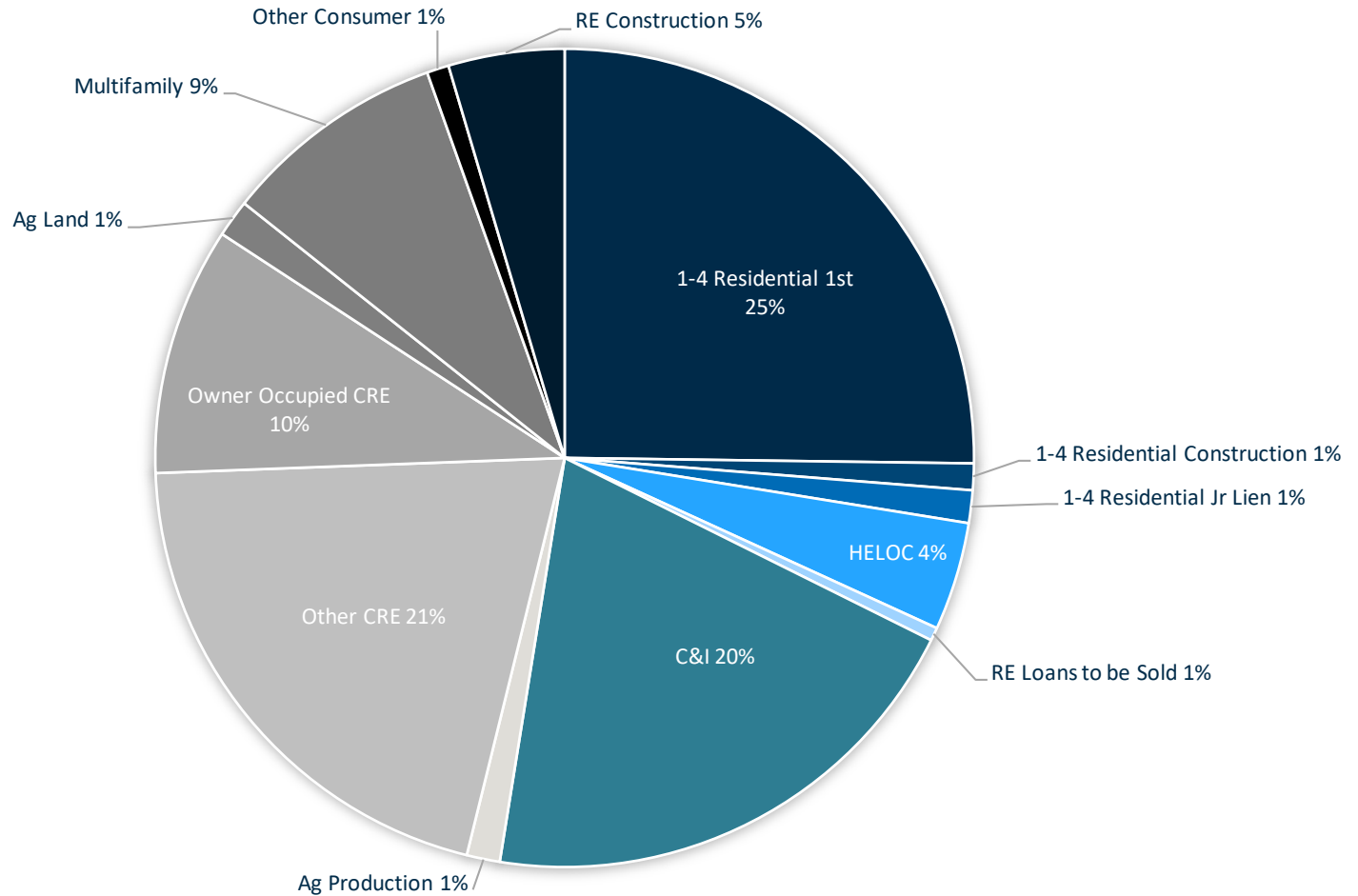
<sup>1</sup> - Excludes net losses on investment securities of \$24.6 million in 4Q23 which represents a non-GAAP Financial measure. See "Non-GAAP Disclosure Reconciliation."

# APPENDIX



# WELL DIVERSIFIED LOAN PORTFOLIO

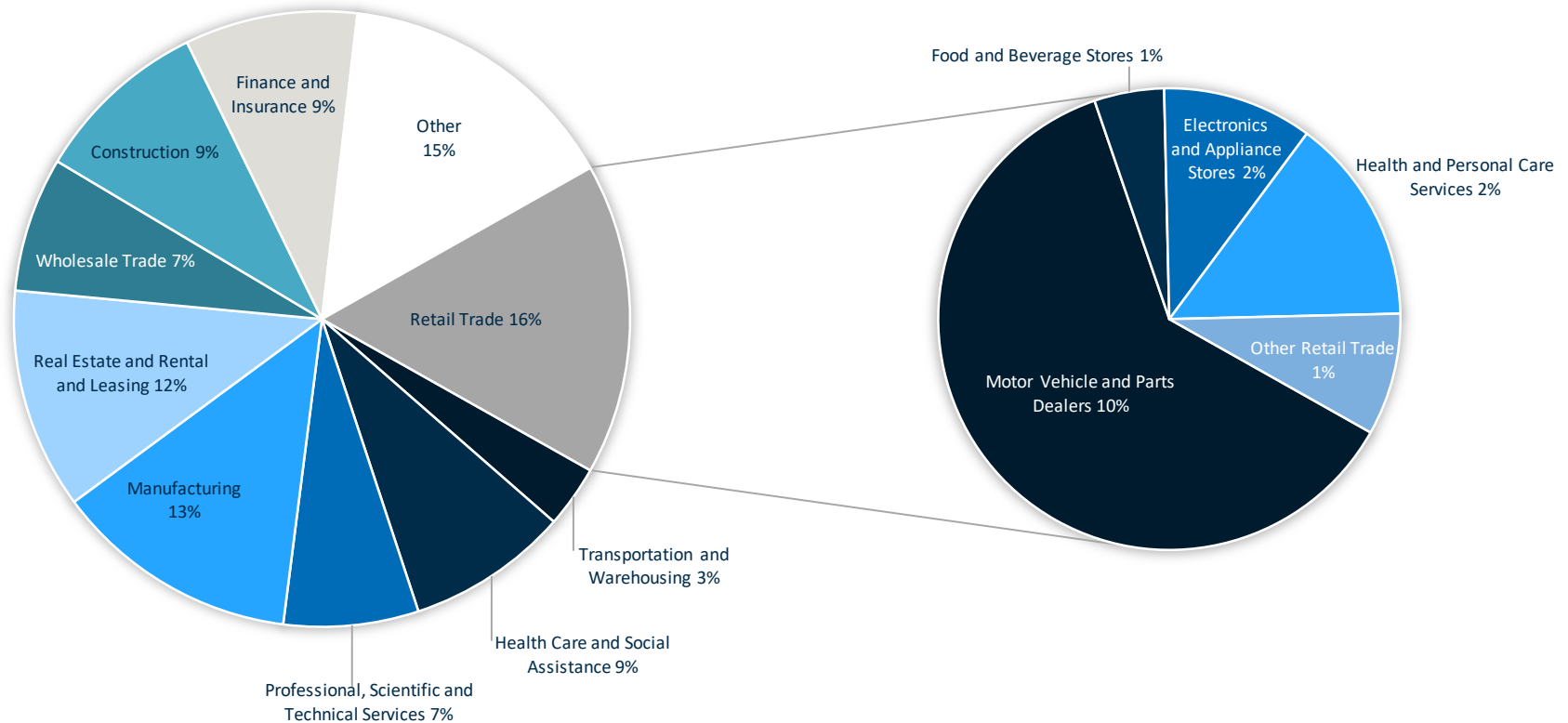
## BY OUTSTANDING BALANCES



Data as of 12/31/2023.

# SUMMARY BY INDUSTRY TYPE

## TOTAL COMMITMENT COMMERCIAL & INDUSTRIAL<sup>1</sup>



<sup>1</sup> – Commercial and industrial loans includes C & I, loans to public entities, and other loans. It excludes ag production loans.

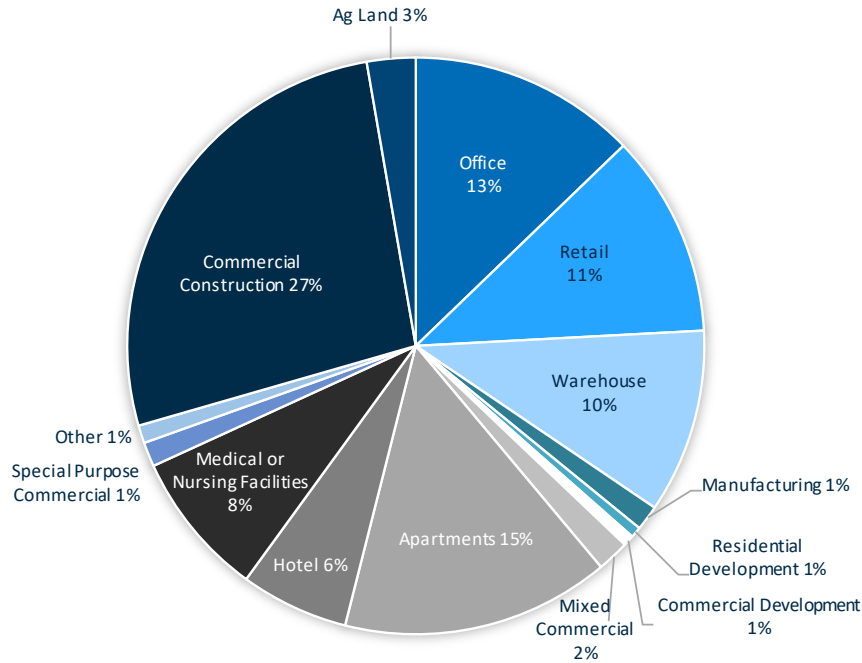
“Other” includes to the following industries (1) Nonclassifiable establishments, (2) Management of Companies and Enterprises, (3) Administrative and Support and Waste Management and Remediation Services, (4) Accommodation and Food Services, (5) Educational Services, (6) Other Services (except Public 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 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.

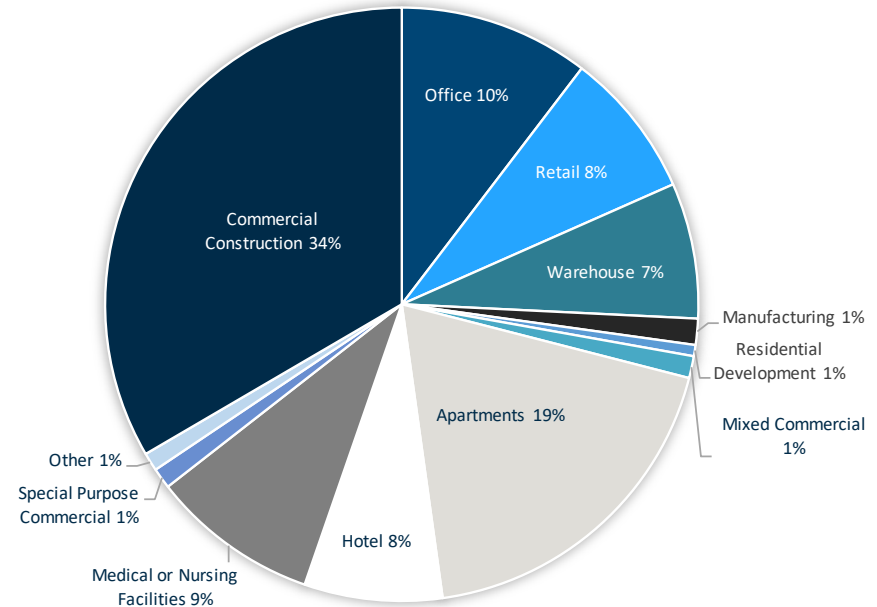
Data as of 12/31/2023.

# LOANS SECURED BY REAL ESTATE

## TOTAL COMMITMENT COMMERCIAL REAL ESTATE<sup>1</sup>



## TOTAL COMMITMENT INVESTOR REAL ESTATE<sup>2</sup>



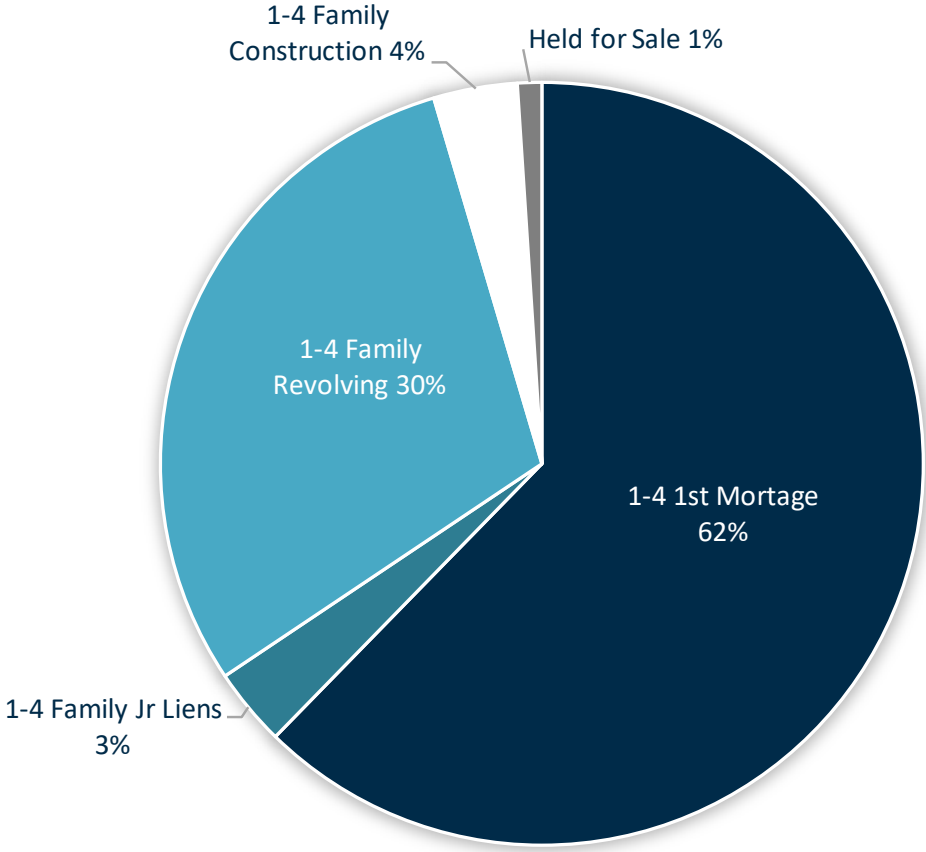
1 – Total commitment commercial real estate loans include multifamily loans, ag land, other CRE, owner occupied CRE, real estate construction and ag production.

2 – Total commitment investor real estate loans include multifamily loans, other CRE and real estate construction loans.

Data as of 12/31/2023.

# LOANS SECURED BY REAL ESTATE

## TOTAL COMMITMENT RESIDENTIAL REAL ESTATE

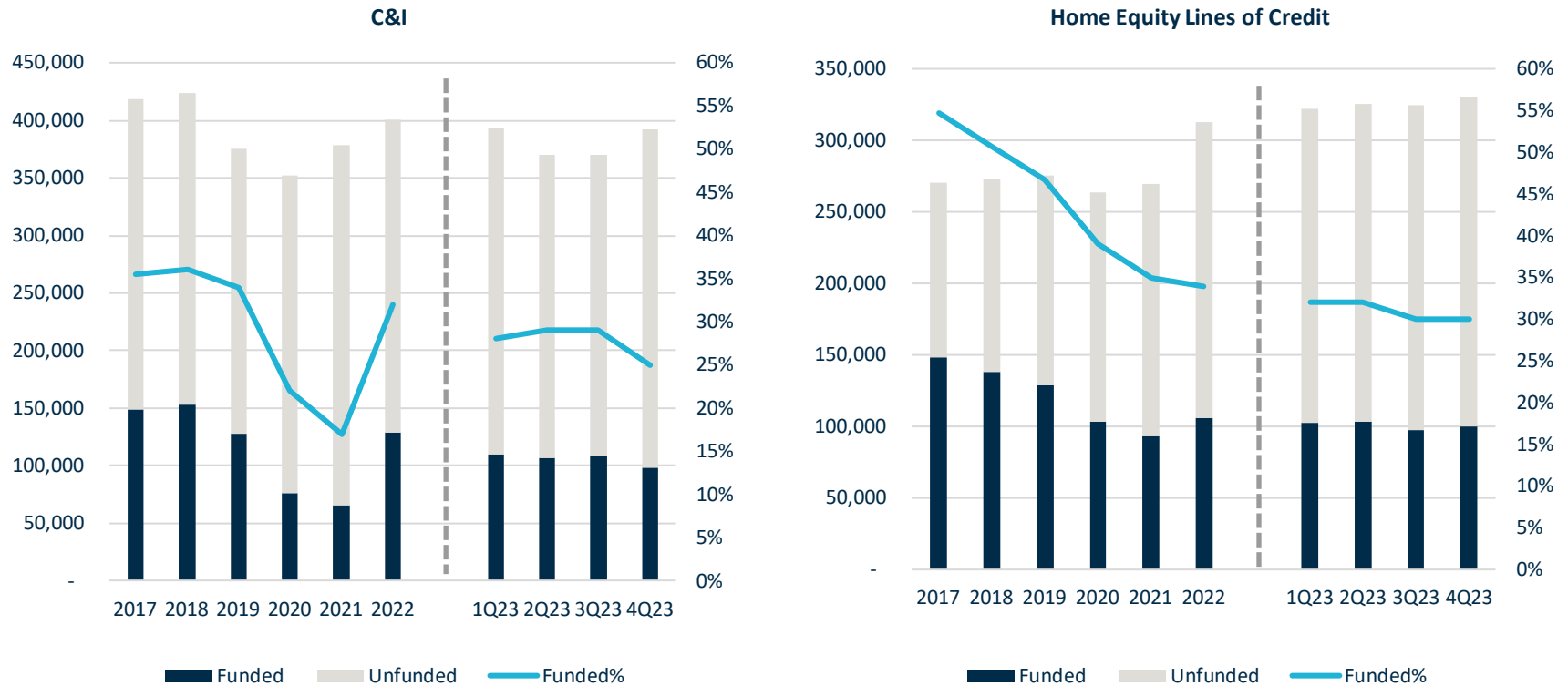


Portfolio	Avg FICO	Avg LTV
1 <sup>st</sup> Mortgage	774	53%
Junior	765	74%
HELOC	796	73%

Data as of 12/31/2023.

# LINE OF CREDIT UTILIZATION

## C&I AND HOME EQUITY LINES OF CREDIT<sup>1</sup>

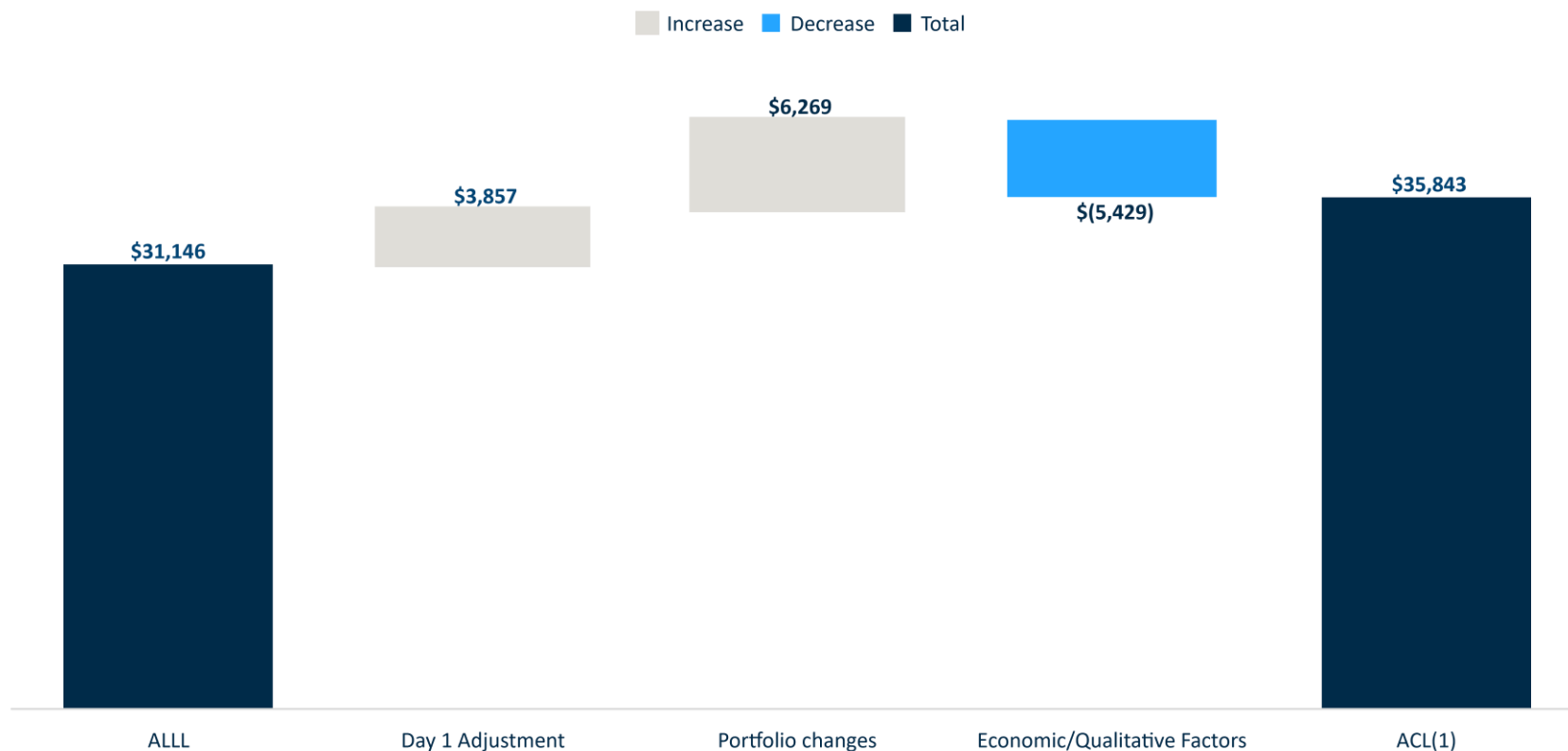


1 – Commercial and industrial loans includes revolving C & I loans and other loans. It excludes non-revolving C&I loans, ag production, and loans to public entities.

# ALLOWANCE FOR CREDIT LOSSES ON LOANS

## CECL ADOPTION – DRIVERS OF CHANGE FROM ALLL

(\$ in Thousands)



1 – ACL is the allowance for credit losses on loans and excludes the allowance for investment securities held-for-maturity, and the allowance for unfunded commitments. Portfolio changes primarily represent the impact of increases/decreases in loan balances, age and mix due to new originations, as well as credit quality and net charge-off activity. Economic/Qualitative factors primarily represent our evaluation and determination of an economic forecast applied to our loan portfolio, as well as updates to qualitative factors.

Data as of 12/31/2023.

# ALLOWANCE FOR CREDIT LOSSES ON LOANS

## CHANGES IN THE ACL FOR LOANS BY PORTFOLIO SEGMENT

	Year ended December 31, 2023					
	Beginning Balance	Adoption of ASC 326 <sup>(1)</sup>	Provision for Credit Losses <sup>(1)</sup>	Loan Charge-offs	Loan Recoveries	Ending Balance
<i>(\$ in thousands)</i>						
<b>Commercial</b>						
Commercial and industrial	\$ 9,233	\$ (707)	\$ 645	\$ (436)	\$ 1,158	\$ 9,893
Real estate construction	1,437	2,550	2,125	—	—	6,112
Commercial real estate	12,761	(131)	(778)	—	45	11,897
Total commercial	23,431	1,712	1,992	(436)	1,203	27,902
<b>Consumer</b>						
Residential real estate first mortgage	5,857	2,269	(1,829)	(49)	330	6,578
Residential real estate junior lien	1,318	(27)	(115)	(77)	52	1,151
Other revolving and installment	540	(96)	(273)	(51)	92	212
Total consumer	7,715	2,146	(2,217)	(177)	474	7,941
Total	\$ 31,146	\$ 3,858	\$ (225)	\$ (613)	\$ 1,677	\$ 35,843

1 – The difference in the credit loss expense reported herein compared to the consolidated statements of income is associated with the credit loss expense of \$2.2 million related to off-balance sheet credit exposure and \$40 thousand related to investment securities held-to-maturity.

# ALLOWANCE FOR CREDIT LOSSES ON LOANS

## ALLOCATION BY LOAN PORTFOLIO SEGMENT

	December 31, 2023		December 31, 2022 <sup>(1)</sup>	
	Allocated Allowance	Percentage of loans to total loans	Allocated Allowance	Percentage of loans to total loans
<i>(\$ in thousands)</i>				
Commercial and industrial	\$ 9,893	21.6%	\$ 9,233	23.9%
Real estate construction	6,112	4.5%	1,437	4.0%
Commercial real estate	11,897	40.8%	12,761	36.0%
Residential real estate first mortgage	6,578	26.4%	5,857	27.8%
Residential real estate junior lien	1,151	5.6%	1,318	6.2%
Other revolving and installment	212	1.1%	540	2.1%
<b>Total loans</b>	<b>\$ 35,843</b>	<b>100.0%</b>	<b>\$ 31,146</b>	<b>100.0%</b>

1 – Pre-ASC 326 adoption allowance for loan losses.

# FINANCIAL HIGHLIGHTS

(\$ in thousands, except where otherwise noted)	Quarterly					Year ended	
	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	December 31, 2023	December 31, 2022
Total Assets	\$ 3,779,637	\$ 3,886,773	\$ 3,832,978	\$ 3,869,138	\$ 3,896,811	\$ 3,896,810	\$ 3,779,637
Total Loans	2,443,994	2,486,625	2,533,522	2,606,430	2,756,088	2,756,088	2,443,994
Total Deposits	2,915,484	3,031,978	2,852,855	2,872,184	3,095,611	3,095,611	2,915,484
Tangible Common Equity <sup>1</sup>	287,330	290,900	290,792	284,137	305,186	305,186	287,330
Net Income	\$ 10,909	\$ 8,186	\$ 9,104	\$ 9,161	\$ (14,754)	\$ 11,696	\$ 40,005
ROAA (%)	1.17	0.88	0.96	0.95	(1.51)	0.31	1.14
ROATCE(%) <sup>1</sup>	16.63	12.58	13.71	13.51	(18.85)	5.37	15.09
Net Interest Margin (FTE) (%)	3.09	2.70	2.52	2.27	2.37	2.46	3.04
Efficiency Ratio (FTE) (%) <sup>1</sup>	69.62	74.53	72.79	73.37	165.40	85.85	72.86
Non-Int. Income/Op. Rev. (%)	48.62	51.63	53.69	58.21	3.54	47.74	52.72
Earnings per common share - diluted	\$ 0.53	\$ 0.40	\$ 0.45	\$ 0.45	\$ (0.73)	\$ 0.58	\$ 2.10
Total Equity/Total Assets (%)	9.44	9.24	9.33	9.03	9.47	9.47	9.44
Tang. Cmn. Equity/Tang. Assets (%) <sup>1</sup>	7.74	7.62	7.72	7.47	7.96	7.96	7.74
Loans/Deposits (%)	83.83	82.01	88.81	90.75	89.03	89.03	83.83
NPLs/Loans (%)	0.16	0.09	0.10	0.35	0.32	0.32	0.16
NPAs/Assets (%)	0.10	0.05	0.07	0.23	0.22	0.22	0.10
Allowance/NPLs (%)	820.93	1,657.32	1,383.57	402.91	410.34	410.34	820.93
Allowance/Loans (%)	1.27	1.41	1.41	1.39	1.30	1.30	1.27
NCOs/Average Loans (%)	(0.03)	0.03	(0.07)	(0.09)	(0.04)	(0.04)	0.02

<sup>1</sup> – Represents a non-GAAP financial measure. See “Non-GAAP Disclosure Reconciliation”.

# FINANCIAL HIGHLIGHTS

(\$ in thousands, except where otherwise noted)	Annual					19-'23
	2019	2020	2021	2022	2023	CAGR
Total Assets	\$ 2,356,878	\$ 3,013,771	\$ 3,392,691	\$ 3,779,637	\$ 3,896,811	13.4%
Total Loans	1,721,279	1,979,375	1,758,020	2,443,994	2,756,088	12.5%
Total Deposits	1,971,316	2,571,993	2,920,551	2,915,484	3,095,611	11.9%
Tangible Common Equity <sup>1</sup>	240,008	274,043	307,663	287,330	305,186	6.2%
Net Income	\$ 29,540	\$ 44,675	\$ 52,681	\$ 40,005	\$ 11,696	
ROAA (%)	1.34	1.61	1.66	1.14	0.31	
ROATCE(%) <sup>1</sup>	17.46	17.74	18.89	15.09	5.37	
Net Interest Margin (FTE) (%)	3.65	3.22	2.90	3.04	2.46	
Efficiency Ratio (FTE) (%) <sup>1</sup>	73.22	68.40	70.02	72.86	85.85	
Non-Int. Income/Op. Rev. (%)	60.50	64.05	62.86	52.72	47.74	
Earnings per common share - diluted	1.91	2.52	2.97	2.10	0.58	
Total Equity/Total Assets (%)	12.12	10.96	10.59	9.44	9.47	
Tang. Cmn. Equity/Tang. Assets (%) <sup>1</sup>	10.38	9.27	9.21	7.74	7.96	
Loans/Deposits (%)	87.32	76.96	60.19	83.83	89.03	
NPLs/Loans (%)	0.45	0.26	0.12	0.16	0.32	
NPAs/Assets (%)	0.33	0.17	0.09	0.10	0.22	
Allowance/NPLs (%)	305.66	674.13	1,437.05	820.93	410.34	
Allowance/Loans (%)	1.39	1.73	1.80	1.27	1.30	
NCOs/Average Loans (%)	0.33	0.03	(0.04)	0.02	(0.04)	

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

# NON-GAAP DISCLOSURE RECONCILIATION

(\$ in thousands, except where otherwise noted)	Quarterly					Year ended	
	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	December 31, 2023	December 31, 2022
<b>Tangible common equity to tangible assets</b>							
Total common stockholders' equity	\$ 356,872	\$ 359,118	\$ 357,685	\$ 349,402	\$ 369,127	\$ 369,127	\$ 356,872
Less: Goodwill	47,087	47,087	47,087	46,783	46,783	46,783	47,087
Less: Other intangible assets	22,455	21,131	19,806	18,482	17,158	17,158	22,455
Tangible common equity (a)	287,330	290,900	290,792	284,137	305,186	305,186	287,330
Total assets	3,779,637	3,886,773	3,832,978	3,869,138	3,896,811	3,896,811	3,779,637
Less: Goodwill	47,087	47,087	47,087	46,783	46,783	46,783	47,087
Less: Other intangible assets	22,455	21,131	19,806	18,482	17,158	17,158	22,455
Tangible assets (b)	3,710,095	3,818,555	3,766,085	3,803,873	3,832,870	3,832,870	3,710,095
Tangible common equity to tangible assets (a)/(b)	7.74%	7.62%	7.72%	7.47%	7.96%	7.96%	7.74%
<b>Tangible common equity per common share</b>							
Total stockholders' equity	\$ 356,872	\$ 359,118	\$ 357,685	\$ 349,402	\$ 369,127	\$ 369,127	\$ 356,872
Less: Goodwill	47,087	47,087	47,087	46,783	46,783	46,783	47,087
Less: Other intangible assets	22,455	21,131	19,806	18,482	17,158	17,158	22,455
Tangible common equity (c)	287,330	290,900	290,792	284,137	305,186	305,186	287,330
Common shares outstanding (d)	19,992	20,067	19,915	19,848	19,734	19,734	19,992
Tangible common equity per common share (c)/(d)	\$ 14.37	\$ 14.50	\$ 14.60	\$ 14.32	\$ 15.46	\$ 15.46	\$ 14.37
<b>Return on average tangible common equity</b>							
Net income	\$ 10,909	\$ 8,186	\$ 9,104	\$ 9,161	\$ (14,754)	\$ 11,696	\$ 40,005
Add: Intangible amortization expense (net of tax)	1,046	1,046	1,046	1,046	1,046	4,184	3,756
Net income, excluding intangible amortization (e)	11,955	9,232	10,150	10,207	(13,708)	15,880	43,761
Average total equity	349,812	361,857	360,216	361,735	349,382	358,267	346,355
Less: Average goodwill	46,283	47,087	47,087	46,882	46,783	46,959	39,415
Less: Average other intangible assets (net of tax)	18,243	17,209	16,153	15,109	14,067	15,624	17,018
Average tangible common equity (f)	285,286	297,561	296,976	299,744	288,532	295,684	289,922
Return on average tangible common equity (e)/(f)	16.63%	12.58%	13.71%	13.51%	(18.85)%	5.37%	15.09%
<b>Efficiency Ratio</b>							
Noninterest expense	\$ 37,948	\$ 37,869	\$ 36,373	\$ 37,260	\$ 38,654	\$ 150,157	\$ 158,770
Less: Intangible amortization expense	1,324	1,324	1,324	1,324	1,324	5,296	4,754
Adjusted noninterest expense (i)	36,624	36,545	35,049	35,936	37,330	144,861	154,016
Net interest income	26,964	23,658	22,234	20,395	21,552	87,839	99,729
Noninterest income	25,517	25,253	25,778	28,407	791	80,229	111,223
Tax-equivalent adjustment	124	124	140	180	226	671	429
Total tax-equivalent revenue(j)	52,605	49,035	48,152	48,982	22,569	168,739	211,381
Efficiency ratio (i)/(j)	69.62%	74.53%	72.79%	73.37%	165.40%	85.85%	72.86%

# NON-GAAP DISCLOSURE RECONCILIATION

(\$ in thousands, except where otherwise noted)

	2019	2020	Annual 2021	2022	2023
<b>Tangible common equity to tangible assets</b>					
Total common stockholders' equity	\$ 285,728	\$ 330,163	\$ 359,403	\$ 356,872	\$ 369,127
Less: Goodwill	27,329	30,201	31,490	47,087	46,783
Less: Other intangible assets	18,391	25,919	20,250	22,455	17,158
Tangible common equity (a)	240,008	274,043	307,663	287,330	305,186
Total assets	2,356,878	3,013,771	3,392,691	3,779,637	3,896,811
Less: Goodwill	27,329	30,201	31,490	47,087	46,783
Less: Other intangible assets	18,391	25,919	20,250	22,455	17,158
Tangible assets (b)	2,311,158	2,957,651	3,340,951	3,710,095	3,832,870
Tangible common equity to tangible assets (a)/(b)	10.38%	9.27%	9.21%	7.74%	7.96%
<b>Tangible common equity per common share</b>					
Total stockholders' equity	\$ 285,728	\$ 330,163	\$ 359,403	\$ 356,872	\$ 369,127
Less: Goodwill	27,329	30,201	31,490	47,087	46,783
Less: Other intangible assets	18,391	25,919	20,250	22,455	17,158
Tangible common equity (c)	240,008	274,043	307,663	287,330	305,186
Common shares outstanding (d)	17,050	17,125	17,213	19,992	19,734
Tangible common equity per common share (c)/(d)	\$ 14.08	\$ 16.00	\$ 17.87	\$ 14.37	\$ 15.46
<b>Return on average tangible common equity</b>					
Net income	\$ 29,540	\$ 44,675	\$ 52,681	\$ 40,005	\$ 11,696
Add: Intangible amortization expense (net of tax)	3,224	3,129	3,460	3,756	4,184
Net income, excluding intangible amortization (e)	32,764	47,804	56,141	43,761	15,880
Average total equity	231,084	310,208	346,059	346,355	358,267
Less: Average goodwill	27,329	27,439	30,385	39,415	46,959
Less: Average other intangible assets (net of tax)	16,101	13,309	18,548	17,018	15,624
Average tangible common equity (f)	187,654	269,460	297,126	289,922	295,684
Return on average tangible common equity (e)/(f)	17.46%	17.74%	18.89%	15.09%	5.37%
<b>Efficiency Ratio</b>					
Noninterest expense	\$ 142,537	\$ 163,799	\$ 168,909	\$ 158,770	\$ 150,157
Less: Intangible amortization expense	4,081	3,961	4,380	4,754	5,296
Adjusted noninterest expense (i)	138,456	159,838	164,529	154,016	144,861
Net interest income	74,551	83,846	87,099	99,729	87,839
Noninterest income	114,194	149,371	147,387	111,223	80,229
Tax-equivalent adjustment	347	455	492	429	671
Total tax-equivalent revenue(j)	189,092	233,672	234,978	211,381	168,739
Efficiency ratio (i)/(j)	73.22%	68.40%	70.02%	72.86%	85.85%

# NON-GAAP DISCLOSURE RECONCILIATION

(\$ in thousands, except for where otherwise noted)

	Quarterly			Year ended	
	Q4 2022	Q3 2023	Q4 2023	December 31, 2023	December 31, 2022
<b>Noninterest Income Excluding Net Losses on Investment Securities as a Percentage of Adjusted Revenue</b>					
Noninterest income	\$ 25,517	\$ 28,407	\$ 791	\$ 80,229	\$ 111,223
Less: Net gains (losses) on investment securities	—	—	(24,643)	(24,643)	—
Noninterest income excluding net losses on investment securities (a)	25,517	28,407	25,434	104,872	111,223
Net interest income (b)	26,964	20,395	21,552	87,839	99,729
Adjusted revenue (a) + (b) = (c)	52,481	48,802	46,986	192,711	210,952
Noninterest income excluding net losses on investment securities as a percentage of adjusted revenue (a) / (c)	48.62%	58.21%	54.13%	54.42%	52.72%
<b>Banking Revenue Excluding Net Losses on Investment Securities as a Percentage of Adjusted Revenue</b>					
Banking fees and other income <sup>(1)</sup>	\$ 1,604	\$ 2,021	\$ (21,745)	\$ (15,331)	\$ 6,297
Less: Net gains (losses) on investment securities	—	—	(24,643)	(24,643)	—
Banking fees and other income <sup>(1)</sup> excluding net losses on investment securities (d)	1,604	2,021	2,898	9,312	6,297
Adjusted banking revenue (d) + (b) = (e)	28,568	22,416	24,450	97,151	106,026
Banking revenue excluding net losses on investment securities as a percentage of adjusted revenue (e) / (c)	54.43%	45.93%	52.04%	50.41%	50.26%
<b>Banking Fees and Other Income<sup>(1)</sup> Excluding Net Losses on Investment Securities as a Percentage of Adjusted Revenue</b>					
Banking fees and other income <sup>(1)</sup> excluding net losses on investment securities as a percentage of adjusted revenue (d) / (c)	3.06%	4.14%	6.17%	4.83%	2.99%

1 – Banking fees and other income consists of service charges on deposit accounts, interchange income and other noninterest income.

# NON-GAAP DISCLOSURE RECONCILIATION

(\$ in thousands, except for per share data and where otherwise noted)	Quarterly			Year ended	
	Q4 2022	Q3 2023	Q4 2023	December 31, 2023	December 31, 2022
<b>Adjusted Net Income</b>					
Net Income	\$ 10,909	\$ 9,161	\$ (14,754)	\$ 11,696	\$ 40,005
Less: Net gains (losses) on investment securities	—	—	(19,222)	(19,222)	—
Less: BOLI mortality proceeds (not taxable)	—	—	—	1,196	—
Less: Gain on sale of ESOP business	—	2,165	—	2,165	—
Add: Minnesota Housing donation	—	—	195	195	—
Add: Severance and signing bonus expense	522	115	324	1,823	1,515
Adjusted Net Income <sup>1</sup> (a)	11,431	7,111	4,987	29,575	41,520
<b>Adjusted Earnings Per Share</b>					
Adjusted net income (a)	\$ 11,431	\$ 7,111	\$ 4,987	\$ 29,575	\$ 41,520
Dividends and undistributed earnings allocated to participating securities	42	67	(209)	(5)	416
Adjusted net income available to common (b)	11,389	7,044	5,196	29,580	41,104
Diluted average common shares outstanding (c)	20,232	20,095	19,996	20,143	18,884
Adjusted earnings per share (b) / (c)	0.56	0.35	0.26	1.47	2.18
<b>Adjusted Return on average assets</b>					
Average total assets (d)	3,706,722	3,821,601	3,868,206	3,816,927	3,500,655
Adjusted return on average assets (a)/(d)	1.22%	0.74%	0.51%	0.77%	1.19%
<b>Adjusted Return on average tangible common equity</b>					
Adjusted net income (a)	\$ 11,431	\$ 7,111	\$ 4,987	\$ 29,575	\$ 41,520
Add: Intangible amortization expense (net of tax)	1,046	1,046	1,046	4,184	3,756
Adjusted net income, excluding intangible amortization (f)	12,477	8,157	6,033	33,759	45,276
Average total equity	349,812	361,735	349,382	358,267	346,355
Less: Average goodwill	46,283	46,882	46,783	46,959	39,415
Less: Average other intangible assets (net of tax)	18,243	15,109	14,067	15,624	17,018
Average tangible common equity (g)	285,286	299,744	288,532	295,684	289,922
Adjusted return on average tangible common equity (f)/(g)	17.35%	10.80%	8.30%	11.42%	15.62%

1 – Adjusted items are shown after-tax using a 22% tax rate. BOLI mortality proceeds are not taxable.