

Alerus Financial Corporation
(NASDAQ: ALRS)



ALERUS TO SIGNIFICANTLY EXPAND ARIZONA
PRESENCE WITH STRATEGIC ACQUISITION OF



METRO PHOENIX BANK

DECEMBER 2021

ALERUS

DISCLAIMERS

Forward-Looking Statements

This presentation contains “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, statements concerning plans, estimates, calculations, forecasts and projections with respect to the anticipated future performance of Alerus Financial Corporation (“Alerus”) and certain plans, expectations, goals projections and benefits relating to the proposed merger between Alerus and MPB BHC, Inc. (“MPHX”), all of which are subject to numerous assumptions, risks and uncertainties. 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, MPHX and the combined company.

Forward-looking statements are not historical facts but instead express only management’s beliefs regarding future results or events, many of which, by their nature, are inherently uncertain and outside of management’s control. It is possible that actual results and outcomes may differ, possibly materially, from the anticipated results or outcomes indicated in these forward-looking statements. In addition to factors disclosed in reports filed by Alerus with the Securities and Exchange Commission (the “SEC”), risks and uncertainties for Alerus, MPHX and the combined company that may cause actual results or outcomes to differ materially from those anticipated include, but are not limited to: (1) the possibility that any of the anticipated benefits of the proposed merger will not be realized or will not be realized within the expected time period; (2) the risk that integration of MPHX’s operations with those of Alerus will be materially delayed or will be more costly or difficult than expected; (3) the parties’ inability to meet expectations regarding the timing of the proposed merger; (4) changes to tax legislation and their potential effects on the accounting for the merger; (5) the inability to complete the proposed merger due to the failure of MPHX’s shareholders to adopt the agreement and plan of merger; (6) the failure to satisfy other conditions to completion of the proposed merger, including receipt of required regulatory and other approvals; (7) the failure of the proposed merger to close for any other reason; (8) diversion of management’s attention from ongoing business operations and opportunities due to the proposed merger; (9) the challenges of integrating and retaining key employees; (10) the effect of the announcement of the proposed merger on Alerus’s, MPHX’s or the combined company’s respective customer and employee relationships and operating results; (11) the possibility that the proposed merger may be more expensive to complete than anticipated, including as a result of unexpected factors or events; (12) the dilution caused by Alerus’ issuance of additional shares of Alerus common stock in connection with the merger; and (13) the continuing COVID-19 pandemic and its impact on the global economy and financial market conditions and the business, results of operations and financial condition of Alerus, MPHX and the combined company. Please refer to Alerus’ Annual Report on Form 10-K for the year ended December 31, 2020, as well as its other filings with the SEC, for a more detailed discussion of risks, uncertainties and factors that could cause actual results to differ from those discussed in the forward-looking statements.

Any forward-looking statement included in this presentation is based only on information currently available to management and speaks only as of the date on which it is made. Neither Alerus nor MPHX undertakes any 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.

Important Information and Where to Find It

This presentation relates to the proposed merger transaction involving Alerus and MPHX. In connection with the proposed merger, Alerus and MPHX will file with the SEC a joint proxy statement/prospectus on Form S-4 and other relevant documents concerning the merger. **BEFORE MAKING ANY VOTING OR INVESTMENT DECISION, INVESTORS ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS AND ANY OTHER DOCUMENTS FILED WITH THE SEC IN CONNECTION WITH THE PROPOSED MERGER OR INCORPORATED BY REFERENCE IN THE JOINT PROXY STATEMENT/PROSPECTUS BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT ALERUS, MPHX AND THE PROPOSED MERGER.** When available, the joint proxy statement/prospectus will be delivered to shareholders of MPHX. Investors may obtain copies of the joint proxy statement/prospectus and other relevant documents (as they become available) free of charge at the SEC’s website (www.sec.gov). Copies of the documents filed with the SEC by Alerus will be available free of charge on Alerus’ website at www.alerus.com.

Participants in this Transaction

Alerus, MPHX, and certain of their directors, executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies from the shareholders of MPHX in connection with the proposed merger. Information about the directors and executive officers of Alerus and MPHX will be included in the joint proxy statement/prospectus for the proposed transaction filed with the SEC. Information about the directors and executive officers of Alerus is also included in the proxy statement for its 2021 annual meeting of shareholders, which was filed with the SEC on April 1, 2021. Additional information regarding the interests of such participants and other persons who may be deemed participants in the transaction will be included in the joint proxy statement/prospectus and the other relevant documents filed with the SEC when they become available.

No Offer or Solicitation

This presentation shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

TRANSACTION HIGHLIGHTS

STRATEGIC EXPANSION OF THE ALRS FRANCHISE

STRATEGIC EXPANSION

- ALRS has agreed to acquire MPB BHC, INC. (OTCPK: MPHX), the bank holding company for Metro Phoenix Bank
- Metro Phoenix Bank is the largest community bank headquartered in the Phoenix MSA with over \$400 million in total assets

ARIZONA OPPORTUNITY

- Complementary combination, which enhances scale in Phoenix and presents attractive growth opportunity for ALRS
- Phoenix is the fastest growing and 5th largest city in the U.S. – a business friendly market with positive demographic and economic trends
- Pro forma ALRS will have \$439 million of loans and \$483 million of deposits in the Phoenix MSA

COMPLEMENTARY FRANCHISE

- MPHX has a history of strong profitability and quality growth
- Core business banking franchise with 77% of loans in CRE and C&I
- CEO Steve Haggard to assume role as Arizona Market President for ALRS

FINANCIALLY ATTRACTIVE

- Approximately 5.0% and 8.5% accretive to EPS in 2022E and 2023E, respectively
- 25%+ internal rate of return
- Tangible book value dilution payback of ~2.8 years

Source: S&P Capital IQ Pro, earnings release data as of 9/30/2021
Note: Community bank defined by total assets under \$10 billion

OVERVIEW OF METRO PHOENIX BANK



METRO PHOENIX BANK

COMPANY OVERVIEW

- High performing business bank with 1 branch location in Phoenix
- 48 FTE employees
- Established in 2007
- CAGR since 2015 of 21.6% for loans, 23.0% for deposits
- Full service commercial bank with niche business lines including outdoor media lending, HOA depository services and SBA lending



MPHX FINANCIAL INFORMATION

Balance Sheet (as of 9/30/2021)

Total Assets	\$ 411,408
Total Equity	\$ 41,370
Gross Loans (Held for Investment)	\$ 282,910
Total Deposits	\$ 366,369
Loans / Deposits	77.2%
Non-CDs (% of Deposits)	84.1%
NPAs / Total Assets	0.00%

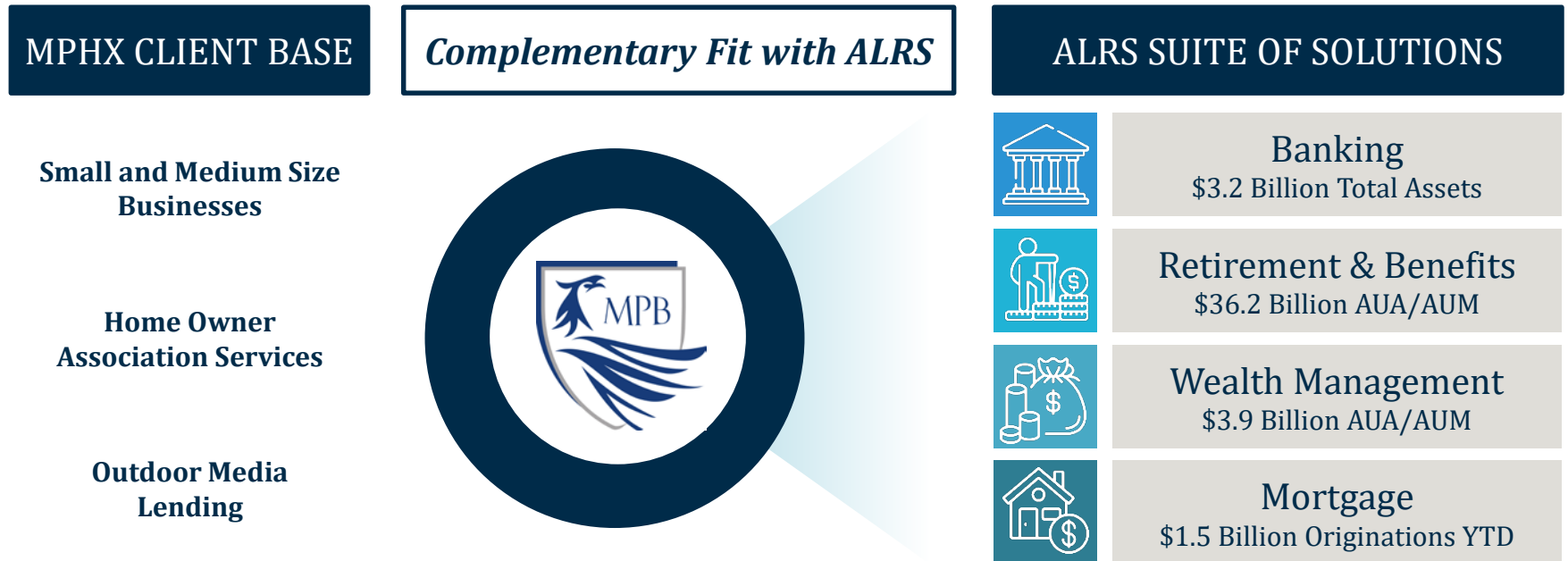
Income Statement (Q3 2021)

Net Income	\$ 1,927
ROAA	1.85%
ROAE	18.96%
Net Interest Margin	3.72%
Efficiency Ratio	50.27%
Non-Int. Income / Operating Revenue	22.25%

Source: S&P Capital IQ Pro, earnings release data as of 9/30/2021
Note: All dollars in thousands

METRO PHOENIX BANK CLIENT BASE

- Phoenix MSA is a huge banking market with attractive demographic and economic trends – together, the combined company will have the resources, capital and a currency to execute on this growth opportunity

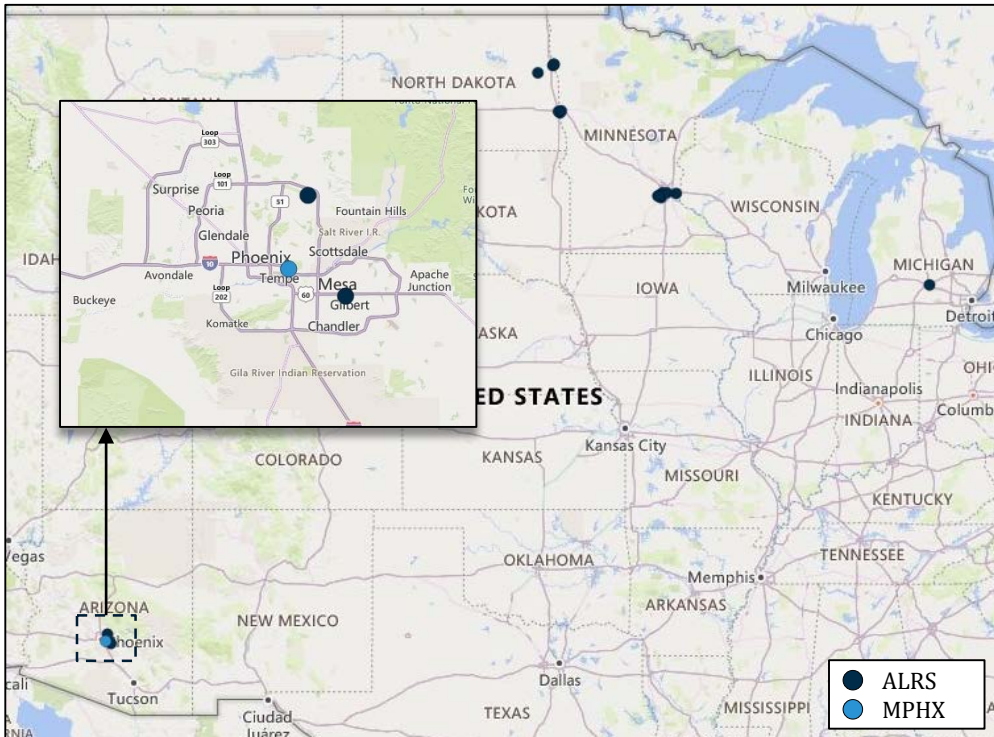


Source: ALRS financial information as of 9/30/2021

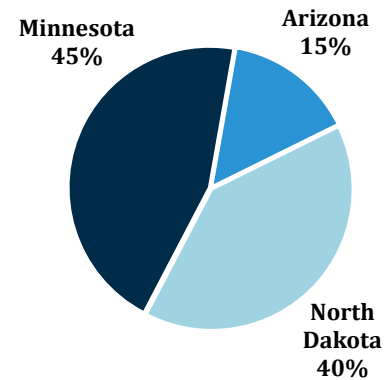
LOGICAL GEOGRAPHIC FIT

- Expands the Alerus footprint to 16 full-service branches in Minnesota, North Dakota, and Arizona

PRO FORMA BRANCH FOOTPRINT



PRO FORMA DEPOSIT MIX



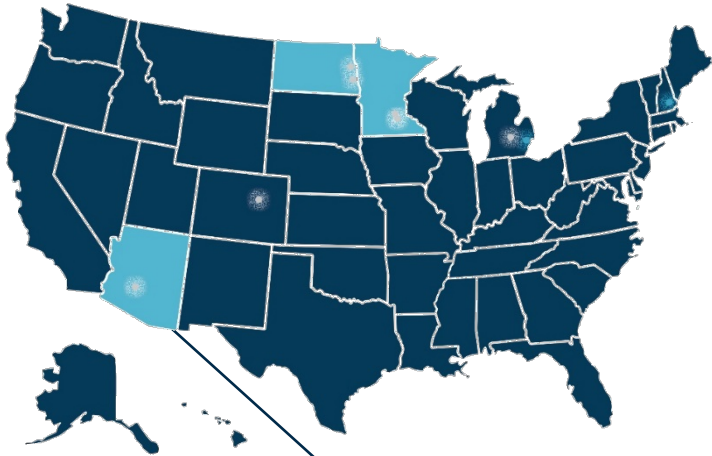
	Deposits (\$MM)*	% of Total
Arizona	\$ 469	15%
North Dakota	\$ 1,256	40%
Minnesota	\$ 1,417	45%
Total	\$ 3,142	100%

- Increases ALRS Arizona footprint to 15% of total deposits
- Average deposits per branch of ~\$196 million*
- 10 branches with deposits greater than \$100 million*

Source: S&P Capital IQ Pro

*Deposit data as of 6/30/2021, excludes non-depository branches from average calculation

BANKING OPPORTUNITY IN PHOENIX



- Phoenix MSA still has over 75% of the deposit market share in the hands of large money center banks
- Pro forma ALRS will have approximately \$470 million of deposits in the Phoenix MSA
- Meaningful opportunities to further leverage the One Alerus platform with both current and new customers in Arizona
- Metro Phoenix Bank was ranked 12th for SBA loan production in Arizona

PHOENIX MSA – PRO FORMA DEPOSIT MARKET SHARE

Rank						
Total Market	Community Banks	Institution (State)	Number of Branches	Deposits in Market	Deposit Growth (1-Year)	Market Share
1		JPMorgan Chase & Co. (NY)	144	\$ 41,532,094	+21.6%	25.88%
2		Wells Fargo & Co. (CA)	116	\$ 34,186,966	+27.0%	21.30%
3		Bank of America Corporation (NC)	97	\$ 28,834,719	+10.8%	17.97%
4		Western Alliance Bancorp (AZ)	6	\$ 17,868,062	+53.2%	11.13%
5		Bank of Montreal	39	\$ 4,375,261	+4.7%	2.73%
6		Mitsubishi UFJ Financial	1	\$ 3,706,941	-34.1%	2.31%
7		The PNC Fin Svcs Grp (PA)	44	\$ 3,542,803	-7.7%	2.21%
8		Midland Financial Co. (OK)	22	\$ 3,466,871	+30.4%	2.16%
9		U.S. Bancorp (MN)	50	\$ 3,062,173	+28.4%	1.91%
10		Zions Bancorp. NA (UT)	17	\$ 2,666,454	+18.1%	1.66%
11		BOK Financial Corp. (OK)	5	\$ 1,803,893	-1.0%	1.12%
12		UMB Financial Corp. (MO)	7	\$ 1,604,056	+46.9%	1.00%
13		Heartland Financial USA Inc. (IA)	10	\$ 1,450,248	+13.2%	0.90%
14		New York Community Bancorp (NY)	11	\$ 1,074,665	-6.9%	0.67%
15		FirstBank Holding Co. (CO)	14	\$ 989,847	+43.1%	0.62%
16		Northern Trust Corp. (IL)	2	\$ 800,225	+24.7%	0.50%
17	1	First Fidelity Bancorp Inc. (OK)	6	\$ 756,130	+45.5%	0.47%
18	2	Western State Agency Inc. (ND)	7	\$ 677,841	+7.2%	0.42%
19		Comerica Inc. (TX)	17	\$ 603,581	+28.0%	0.38%
20		Washington Federal Inc. (WA)	11	\$ 547,896	+5.1%	0.34%
21	3	Manhattan Banking Corp. (KS)	1	\$ 514,547	-2.5%	0.32%
22	4	BTC Financial Corp. (IA)	3	\$ 479,407	+8.8%	0.30%
23		Great Western Bancorp (SD)	7	\$ 473,845	+10.6%	0.30%
24	5	Pro Forma ALRS	3	\$ 468,687	+18.9%	0.29%
24		BNP Paribas	5	\$ 433,717	+40.2%	0.27%
25	5	Watford City Bancshares Inc. (ND)	4	\$ 415,351	+25.7%	0.26%
26	6	MPB BHC INC. (AZ)	1	\$ 351,824	+24.5%	0.22%
41	15	Alerus Financial Corp. (ND)	2	\$ 116,863	+4.8%	0.07%
<i>Total Phoenix MSA</i>			725	\$ 160,500,713	+19.6%	

Source: S&P Capital IQ Pro, deposit data as of 6/30/2021

Source: SBA.gov, loan volume data as of last twelve months ending 9/30/2021

Note: All dollars in thousands

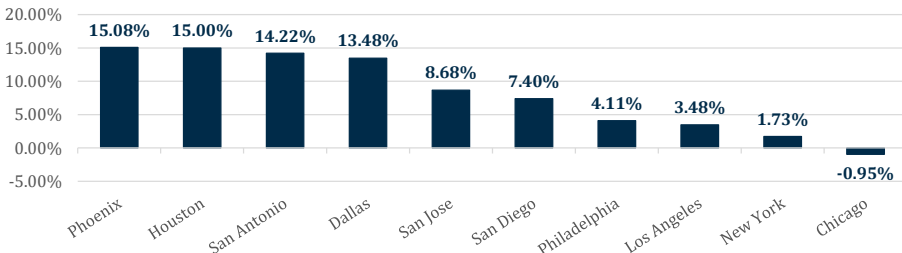
Note: Community bank defined by total assets under \$10 billion

OVERVIEW OF PHOENIX MARKET

FASTEST GROWING CITY FOR 5 CONSECUTIVE YEARS

TOP 10 U.S. CITIES BY POPULATION INCREASE

Population Change 2010-2021



PHOENIX BY THE NUMBERS

- Phoenix is the 5th largest city in the United States
- Phoenix has been the fastest growing large city⁽¹⁾ in the United States for 5 consecutive years
- Median sale price of homes in Phoenix was \$394,000 in September 2021, up 24% YOY
- Phoenix ranked 3rd in the U.S. for small business growth in metropolitan areas as of June 2021
- Greater Phoenix region has gained 45 companies through expansion or relocation, creating approximately 10,000 jobs and generating \$13 billion in capital investment
 - Chosen by Taiwan Semiconductor Manufacturing Company (TSMC) for its new advanced fabrication plant – projected \$6.1 billion in direct economic output to Arizona within first 10 years

2010-2021 2021-2026

Rank	City	State	2021	Change	Change	Region
1	Phoenix	AZ	1,663,692	15.08%	6.11%	West
2	Houston	TX	2,414,313	15.00%	6.29%	South
3	San Antonio	TX	1,516,119	14.22%	6.93%	South
4	Dallas	TX	1,359,296	13.48%	6.28%	South
5	San Jose	CA	1,028,081	8.68%	3.03%	West
6	San Diego	CA	1,404,098	7.40%	2.59%	West
7	Philadelphia	PA	1,588,749	4.11%	1.10%	North East
8	Los Angeles	CA	3,924,435	3.48%	1.68%	West
9	New York	NY	8,316,548	1.73%	-0.04%	North East
10	Chicago	IL	2,670,086	-0.95%	-0.68%	Mid West

LARGEST EMPLOYERS (PRIVATE SECTOR)



TOP UNIVERSITIES

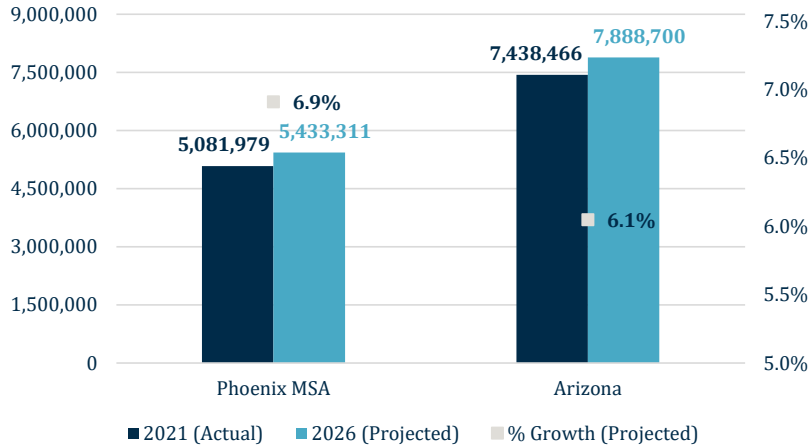


Source: S&P Capital IQ Pro, U.S. Census Bureau, U.S. Bureau of Labor Statistics, City of Phoenix, Greater Phoenix Economic Council, Phoenix Relocation Guide, Redfin, 2021 Economic and Business Research Center

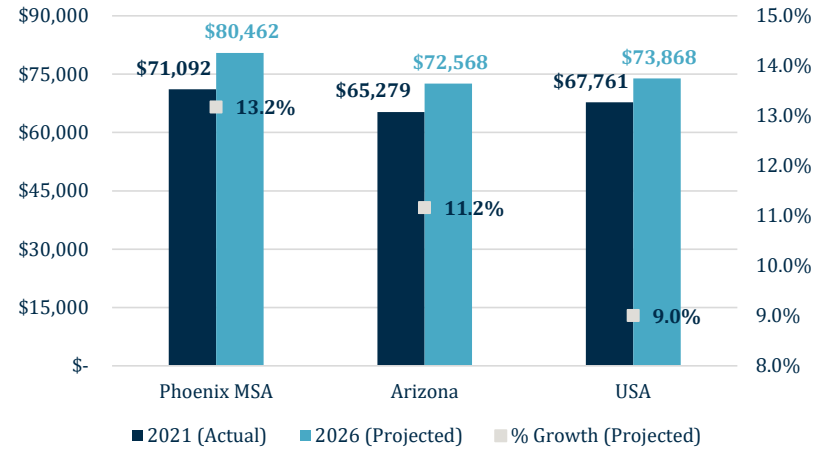
(1) Populations greater than 50,000

OVERVIEW OF PHOENIX DEMOGRAPHICS

TOTAL POPULATION



MEDIAN HOUSEHOLD INCOME



POPULATION AND INCOME PROJECTIONS BY REGION

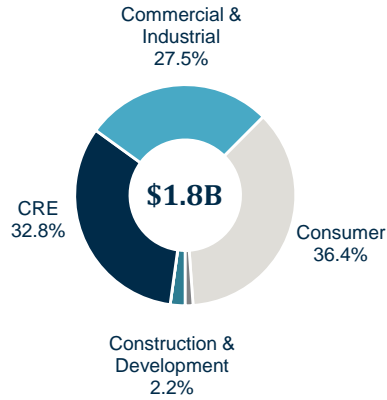
	2021 Total Population (Actual)	2010-2021 Population Change (Actual)	2021-2026 Population Change (Projected)	2026 Total Population (Projected)	2021 Median HH Income (Actual)	2021-2026 HH Income Change (Projected)	2026 Median HH Income (Projected)
Phoenix MSA	5,081,979	21.2%	6.9%	5,433,311	\$ 71,092	13.2%	\$ 80,462
Arizona	7,438,466	16.4%	6.1%	7,888,700	\$ 65,279	11.2%	\$ 72,568
USA	330,946,040	7.2%	2.9%	340,574,349	\$ 67,761	9.0%	\$ 73,868

Source: S&P Capital IQ Pro

PRO FORMA LOANS AND DEPOSITS

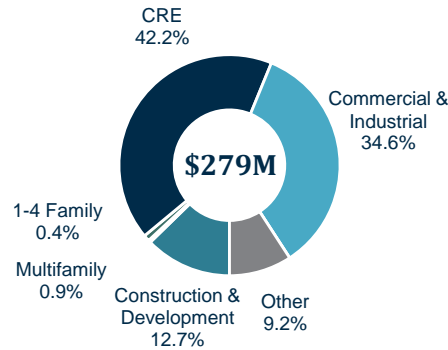
LOANS

ALERUS



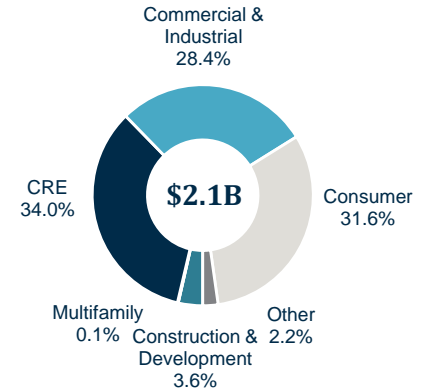
Loan Yield: 4.05%
NPAs/Assets: 0.22%

METRO PHOENIX BANK



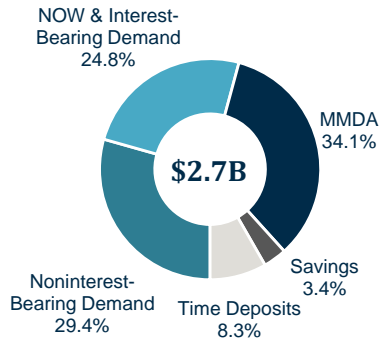
Loan Yield: 5.50%
NPAs/Assets: 0.00%

ALERUS
PRO FORMA

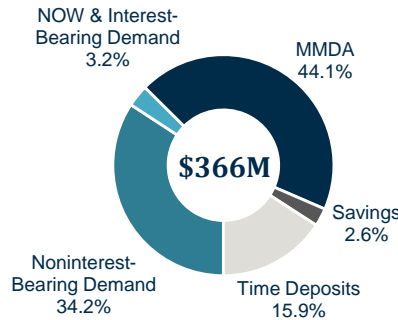


Loan Yield: 4.26%
NPAs/Assets: 0.20%

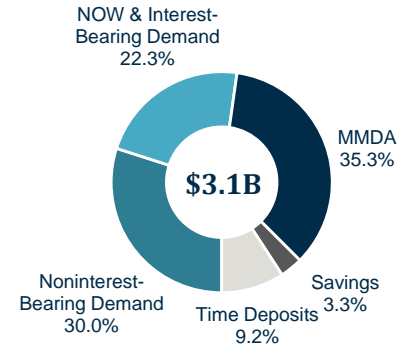
DEPOSITS



Cost of Deposits: 0.13%



Cost of Deposits: 0.32%



Cost of Deposits: 0.15%

Source: S&P Capital IQ Pro, earnings release data as of 9/30/2021

TRANSACTION OVERVIEW

TRANSACTION VALUE⁽¹⁾	<ul style="list-style-type: none"> ▪ \$85.3 million total transaction value including \$4.3 million to option holders ▪ \$81.0 million to common shareholders, or \$23.26 per share – a 20.2% premium to MPHX's current stock price
CONSIDERATION MIX	<ul style="list-style-type: none"> ▪ 100% stock consideration to MPHX shareholders ▪ Fixed exchange ratio of 0.74 shares of ALRS stock for each MPHX share, approximately 2.58 million ALRS shares in aggregate ▪ Unexercised MPHX options will be cashed out based on the in-the-money value
EARNINGS ESTIMATES	<ul style="list-style-type: none"> ▪ Consensus Street estimates for ALRS and management projections for MPHX
LOAN MARK	<ul style="list-style-type: none"> ▪ Total credit discount of \$3.7 million, or 1.35% of MPHX's gross loan portfolio excluding PPP loans <ul style="list-style-type: none"> ▪ No accretable yield income assumed ▪ Total interest rate premium of \$1.7 million, amortized over 3.8 years on an accelerated basis
OTHER FAIR VALUE MARKS	<ul style="list-style-type: none"> ▪ Fair value adjustment of \$91k, or 0.64% on investment securities and \$154k, or 0.26% on CDs ▪ Core deposit intangible of \$2.1 million, or 0.79% of non-core deposits; amortized over 5 years on a straight line basis
COST SAVINGS	<ul style="list-style-type: none"> ▪ Cost savings of 29% of MPHX's non-interest expense, or \$2.5 million, fully phased-in by 2023 ▪ Estimated cost savings of approximately 16%, or \$1.3 million, in 2022
TRANSACTION EXPENSES	<ul style="list-style-type: none"> ▪ One-time transaction related expenses of \$5.2 million, pre-tax
MINIMUM EQUITY	<ul style="list-style-type: none"> ▪ \$43.1 million at December 31, 2021, increased \$596k per month thereafter through closing
EXPECTED CLOSING	<ul style="list-style-type: none"> ▪ First Quarter 2022

TRANSACTION MULTIPLES

TRANSACTION VALUE / TANGIBLE BOOK VALUE PER SHARE (MIN. EQUITY AT CLOSE)⁽²⁾	▪ 180.5%
TRANSACTION VALUE / TANGIBLE BOOK VALUE PER SHARE (9/30/2021)	▪ 195.8%
TRANSACTION VALUE / LTM EARNINGS	▪ 13.1x
TRANSACTION VALUE / 2022E EARNINGS⁽³⁾	▪ 11.4x

(1) Based on ALRS closing price of \$31.43 and MPHX closing price of \$19.35 as of December 7, 2021

(2) Minimum tangible common equity at closing of \$44.9 million assuming a March 31, 2022 closing. Refer to the Agreement and Plan of Merger for complete terms

(3) Based on management projections for MPHX

DUE DILIGENCE PROCESS

- Completed a comprehensive due diligence review with executives from ALRS and MPHX, along with advisors and consultants
- Conducted in-depth on-site loan review led by senior ALRS credit team

LOAN REVIEW PROCESS

COMPREHENSIVE LOAN REVIEW ANALYSIS

58 commercial loans*
for \$216 million or 63%
of total

- All credits >\$2.5 million
- All credits with a risk rating of watch, special mention, substandard, or doubtful
- Random sample of loans between \$500k and \$2.5 million
- 18 outdoor media loans for \$67 million or 82% of that portfolio

15 SBA loans for \$6.8 million or 52% of total

- Sample focused on loans >\$1.0 million and recently closed loans
- Review focused on quality of the guarantee

DILLIGENCE FOCUS AREAS

- | | |
|----------------------------|------------------------------------|
| ✓ Asset Quality | ✓ Commercial Lending |
| ✓ Outdoor Media Lending | ✓ SBA |
| ✓ HOA | ✓ Financial Reporting and Analysis |
| ✓ Financial and Accounting | ✓ Operations |
| ✓ Compliance | ✓ Systems |
| ✓ Information Technology | ✓ Human Resources |

*Commercial loans include C&I and CRE loans

ALRS STRATEGIC GROWTH

Transaction represents the 25th acquisition for Alerus and is a continuation of the long-term plan to supplement our strong organic growth and continually expand 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

EXPANDED TO NEW HAMPSHIRE

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

2015

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

2016

Acquired Beacon Bank (Shorewood, Excelsior, Eden Prairie and Duluth, MN)
Acquired Alliance Benefit Group North Central States, Inc. (Albert Lea and Eden Prairie, MN)

2017

LAUNCHED ONE ALERUS STRATEGIC GROWTH PLAN

2019

**LAUNCHED FINANCIAL WELLNESS TECHNOLOGY
COMPLETED INITIAL PUBLIC OFFERING (IPO)**

2020

EXPANDED TO COLORADO

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

2021

SIGNIFICANT ARIZONA EXPANSION

Announced acquisition of Metro Phoenix Bank (Phoenix, AZ)

SUMMARY

STRATEGIC EXPANSION OF THE ALRS FRANCHISE

- Opportunity to acquire a high-quality business bank which is the largest community bank in Phoenix, AZ
- Significantly expands ALRS presence in Phoenix, which is the fastest growing market in the U.S.
- Pro forma company will have the balance sheet and resources necessary to compete with larger national competitors, but will remain nimble and customer focused with local leadership and decision making
- Low execution risk – similar cultures and approach to banking paired with ALRS' long history of successful M&A integration
- Financially attractive with conservative assumptions and approximately 8.5% annual EPS accretion