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ALERUS FINANCIAL CORPORATION REPORTS THIRD QUARTER 2015 RESULTS

FINANCIAL PERFORMANCE - $4.3 MILLION NET INCOME THIRD QUARTER

GRAND FORKS, ND (October 16, 2015) – Alerus Financial Corporation (OTCQX: ALRS) reported third quarter net income of $4.3 million, or $0.31 per common share, compared to $5.4 million, or $0.38 per common share, for the second quarter of 2015, and $6.1 million, or $0.44 per common share, for the third quarter of 2014.

For the nine months ended September 30, 2015, net income attributable to Alerus common shareholders was $13.6 million, or $0.98 per common share, compared to $14.5 million, or $1.05 per common share, for the same period one year ago.

On a non-GAAP basis, adjusted cash earnings per share for the third quarter of 2015, was $0.36 per common share, compared to $0.41 per common share, for the second quarter of 2015. For the nine months ended September 30, 2015, adjusted cash earnings per share was $1.13 per common share, compared to $1.16 per common share, for the same period one year ago. Management believes these non-GAAP measures are important in evaluating the Company's performance given the significant amount of intangible amortization expense recognized. A reconciliation of non-GAAP to GAAP performance measures is included with this release.

"Alerus is focused on building long-term franchise value for our shareholders, as evident by our recent announcement to acquire Beacon Bank, the rebranding of the company, and continued investments in our infrastructure," stated Chairman, President, and Chief Executive Officer Randy Newman. "In the third quarter, our earnings were strong, but lower than the previous quarter due to a number of these investments. We continue to build our franchise to enhance the earnings power of the company, consistent with our business model and long-term strategy," added Newman.

Financial Highlights:

- Third quarter 2015:
  - Revenue of $36.7 million
    - Banking division revenue of $15.3 million
    - Retirement division revenue of $12.0 million
    - Wealth Management division revenue of $2.2 million
    - Mortgage division revenue of $7.2 million
  - Return on average assets (ROA) of 1.11 percent
  - Return on average common equity (ROE) of 10.40 percent
  - Return on tangible common equity (ROTCE) of 13.61 percent
  - Net interest margin 3.81 percent

Third Quarter 2015 Results Included:

- Balance sheet:
  - Loans declined $54.5 million in the third quarter to $1.2 billion, up $90.1 million from the third quarter of 2014
  - Deposits grew $39.1 million in the third quarter to $1.3 billion, up $126.3 million from the third quarter of 2014
  - Assets under administration declined 4.7% from the prior quarter to $17.0 billion
  - Assets under management remained flat at $2.7 billion
  - Mortgage originations totaled $257.9 million for the third quarter, a decrease of $54.6 million from the second quarter

EARNINGS SUMMARY

(Dollars in thousands) (Unaudited)	3Q 2015	2Q 2015	3Q 2014	Percentage Change 3Q15 vs 2Q15	Percentage Change 3Q15 vs 3Q14	YTD 2015	YTD 2014	Percentage Change
Net income	$ 4,323	$ 5,409	$ 6,163	(20.1)	(29.9)	$ 13,765	$ 14,682	(6.2)
Net income applicable to common stock	$ 4,273	$ 5,359	$ 6,113	(20.3)	(30.1)	$ 13,615	$ 14,532	(6.3)
Earnings per share [1]	$ 0.31	$ 0.38	$ 0.44	(18.4)	(29.5)	$ 0.98	$ 1.05	(6.7)
Return on average assets	1.11%	1.44%	1.66%	(22.9)	(33.1)	1.22%	1.40%	(12.9)
Return on average common equity [2]	10.40%	13.43%	16.54%	(22.5)	(37.1)	11.40%	13.68%	(16.7)
Net interest margin (tax equivalent)	3.81%	3.89%	4.17%	(2.1)	(8.6)	3.89%	3.94%	(1.5)
Efficiency ratio	84.19%	76.19%	71.87%	10.5	17.2	80.05%	75.45%	6.1
Dividends declared per common share [1]	$ 0.11	$ 0.10	$ 0.10	10.0	10.0	$ 0.31	$ 0.28	10.9
Book value per common share [1] [2]	$ 11.62	$ 11.37	$ 10.46	2.2	11.1			

(1) Adjusted for 3 for 1 stock split

(2) Adjusted for restatement of 2012 earnings. Refer to 4/10/2015 news release.

Acquisition Activity

On September 22, 2015, the Company announced it had entered into a definitive agreement to acquire Beacon Bank, a community-focused bank with three locations in the Twin Cities and two locations in Duluth, MN. The acquisition will consist of approximately $352 million in banking assets for which the aggregate purchase price will be $56 million including the assumption of $10 million trust preferred securities. The acquisition, which is scheduled to close in early 2016, will strengthen the company's market position in the Twin Cities and provide an entry into the Duluth market.

On January 2, 2015, the Company acquired Interactive Retirement Systems, Ltd. located in Bloomington, MN. The purchased assets and assumed liabilities were recorded at their respective acquisition date fair values. The purchase, consisting of approximately 160 retirement plans and 16,200 retirement participants, grew the retirement services division by $1.25 billion in retirement and individual asset managed accounts. As part of the transaction, $4.5 million was allocated to an identified customer intangible that the Company immediately began amortizing over a five year period, resulting in annualized intangible amortization expense of $899 thousand. A valuation of the customer intangible will be performed that may result in changes to these estimates.

Balance Sheet Highlights

Total assets as of September 30, 2015, were $1.57 billion compared to $1.50 billion as of September 30, 2014, an increase of 5.0%.

Strong loan demand has allowed Alerus to reinvest cash flows from investment securities into loans. Total investment securities as of September 30, 2015, were $175.5 million, compared to $209.5 million as of September 30, 2014, a decrease of $34.0 million. Total gross loans as of September 30, 2015, were $1.19 billion, compared to $1.10 billion as of September 30, 2014, an increase of $90.1 million. For the nine months ended September 30, 2015, net interest margin was 3.89 percent, compared to 3.94 percent for the same period one year ago.

During the second quarter of 2015, a valuation of the intangible assets acquired with the acquisition of Retirement Alliance, Inc., on October 1, 2014, was completed. As a result of this valuation, $2.6 million was allocated to goodwill with a corresponding reduction in other intangible assets. A useful life analysis was completed and it was determined the amortization period for the customer intangible related to this acquisition should be 10 years. This change in accounting estimate positively impacted second quarter earnings by $600 thousand, net of taxes, and will have an annual positive impact to earnings going forward of $900 thousand, net of taxes.

Alerus Financial Corporation

Consolidated Ending Balance Sheet

(Dollars and Shares in Thousands, Except Per Share Data)	September 30, 2015	June 30, 2015	September 30, 2014
Assets	(Unaudited)	(Unaudited)	(Unaudited)
Cash and due from banks	$ 106,033	$ 38,620	$ 31,281
Investment securities			
Trading	2,594	2,445	2,818
Held-to-maturity	-	-	27,186
Available-for-sale	172,906	176,448	179,485
Total Investment Securities	175,500	178,893	209,489
Loans held for sale	44,006	83,875	35,115
Loans and leases, excluding covered loans	1,137,552	1,151,853	1,043,253
Covered loans and leases	4,435	4,734	17,493
Allowance for loan losses	(13,976)	(18,414)	(16,892)
Net loans and leases	1,172,017	1,222,048	1,078,969
Premises and equipment	21,216	21,043	21,675
Goodwill	3,264	3,837	1,415
Other intangible assets, excluding servicing assets	19,116	20,433	9,713
Other assets	77,655	78,266	147,699
Total assets	$ 1,574,801	$ 1,563,140	$ 1,500,241
Liabilities and Shareholders' Equity			
Deposits			
Noninterest-bearing	$ 402,672	$ 340,883	$ 296,971
Interest-bearing	714,870	711,550	700,351
Time deposits	227,058	253,116	221,008
Total deposits	1,344,600	1,305,549	1,218,330
Short-term borrowings	9,834	39,055	74,031
Long-term debt	21,406	21,443	21,529
Other liabilities	16,929	18,666	20,732
Total liabilities	1,392,769	1,384,713	1,334,622
Shareholders' equity			
Preferred stock and related surplus	20,000	20,000	20,000
Common stock and related surplus [1]	40,026	39,714	38,201
Retained earnings [1] [2]	120,196	117,436	107,076
Accumulated other comprehensive income (loss), net	1,810	1,277	342
Total shareholders' equity	182,032	178,427	165,619
Total liabilities and equity	$ 1,574,801	$ 1,563,140	$ 1,500,241
Common shares outstanding [1]	13,945	13,933	13,922
Book value per common share [1] [2]	$ 11.62	$ 11.37	$ 10.46

(1) Adjusted for 3 for 1 stock split

(2) Adjusted for restatement of 2012 earnings. Refer to 4/10/2015 news release.

Alerus Financial Corporation

Consolidated Statement of Income

(Dollars and Shares in Thousands, Except Per Share Data)	Three months ended September 30,		Nine months ended September 30,	
(Unaudited)	2015	2014	2015	2014
Interest Income				
Loans and leases, including fees	$ 13,213	$ 13,244	$ 38,852	$ 34,876
Investment securities	1,094	1,724	3,377	5,138
Other interest income	26	6	49	39
Total interest income	14,333	14,974	42,278	40,053
Interest Expense				
Deposits	708	680	2,043	2,002
Short-term borrowings	5	5	17	17
Long-term debt	138	179	426	477
Total interest expense	851	864	2,486	2,496
Net interest income	13,482	14,110	39,792	37,557
Provision for loan losses	675	-	2,025	-
Net interest income after provision for loan losses	12,807	14,110	37,767	37,557
Noninterest Income				
Retirement services income	12,026	9,678	38,316	29,325
Wealth management income	2,230	2,097	6,598	5,972
Deposit service charges	436	444	1,207	1,211
Mortgage origination and loan servicing fees	7,167	5,692	19,187	13,830
Other income	1,390	1,756	4,872	5,085
Securities gains (losses)	16	1,823	11	2,161
Total noninterest income	23,265	21,490	70,191	57,584
Noninterest Expense				
Salaries	15,752	13,380	45,118	35,176
Employee benefits	3,254	2,918	9,868	8,737
Net occupancy expense	1,417	1,105	3,929	3,241
Furniture and equipment expense	1,154	1,118	3,678	3,428
Intangible amortization expense	1,316	917	3,566	2,705
Other expense	8,045	6,146	21,883	18,501
Total noninterest expense	30,938	25,584	88,042	71,788
Income before income taxes	5,134	10,016	19,916	23,353
Applicable income taxes	811	3,853	6,151	8,671
Net income	4,323	6,163	13,765	14,682
Less: Preferred dividends	50	50	150	150
Net income applicable to common stock	$ 4,273	$ 6,113	$ 13,615	$ 14,532
Earnings per common share [(1)]	$ 0.31	$ 0.44	$ 0.98	$ 1.05
Average common shares outstanding [(1)]	13,937	13,922	13,946	13,881

(1) Adjusted for 3 for 1 stock split

Alerus Financial Corporation

Statement of Cash Flows

(Dollars in Thousands)	Nine months ended September 30, 2015	2014
Operating Activities	(Unaudited)	(Unaudited)
Net income	$ 13,765	$ 14,682
Provision for loan losses	2,025	-
Depreciation, amortization and other	4,526	5,098
Other adjustments to net income	1,682	2,763
Changes in liabilities	(6,099)	4,006
Changes in other operating activities	(3,601)	(77,294)
Total cash flow from operating activities	12,298	(50,745)
Investing Activities		
Purchases of bank premises and equipment	(2,049)	(1,492)
Investments	30,601	82,641
Loans	(55,492)	(56,894)
Cash paid for business combinations	(3,722)	1,485
Other cash flows from investing activities	1,045	1,303
Total cash flows from investing activities	(29,617)	27,043
Financing Activities		
Dividends paid	(4,332)	(3,895)
Sale (purchase) of stock	-	-
Deposits	82,433	(80,197)
Net borrowings	(786)	66,055
Other cash flows from financing activities	511	475
Total cash flows from financing activities	77,826	(17,562)
Change in cash and cash equivalents	60,507	(41,264)
Cash and cash equivalents at beginning of period	45,526	72,545
Cash and cash equivalents at end of period	$ 106,033	$ 31,281

Revenue

Alerus continues to execute on our strategy to achieve high quality, diverse revenue streams by maintaining a balance of net interest income and noninterest income sources. Total net revenue for the third quarter of 2015 was $36.7 million, $1.9 million, or 4.9 percent, lower than the second quarter of 2015, reflecting a 1.8 percent increase in net interest income and 8.1 percent decrease in noninterest income.

For the nine months ended September 30, 2015, total revenue was $110.0 million, $14.8 million, or 15.6 percent, higher than the same period one year ago, reflecting a 5.9 percent increase in net interest income and 21.9 percent increase in noninterest income. The increase in net interest income was largely the result of an increase in average earning assets due to the acquisition of Private Bank Minnesota, rebalancing the investment portfolio to reduce risk, and continued growth in lower cost core deposit funding. The increase in noninterest income was a combination of retirement services, wealth management, and mortgage origination income. Retirement services and wealth management realized strong organic growth, and were supplemented by the acquisitions of Retirement Alliance, Inc. and Interactive Retirement Systems, Ltd. Mortgage originations increased 39.3 percent over the prior year, to $773.0 million.

NONINTEREST INCOME

(Dollars in thousands) (Unaudited)	3Q 2015	2Q 2015	3Q 2014	Percentage Change 3Q15 vs 2Q15	Percentage Change 3Q15 vs 3Q14	YTD 2015	YTD 2014	Percentage Change
Retirement services income	$ 12,026	$ 13,618	$ 9,678	(11.7)	24.3	$ 38,316	$ 29,325	30.7
Wealth management income	2,230	2,178	2,097	2.4	6.3	6,598	5,972	10.5
Deposit service charges	436	393	444	10.9	(1.8)	1,207	1,211	(0.3)
Mortgage origination and loan servicing fees	7,167	7,439	5,692	(3.7)	25.9	19,187	13,830	38.7
Fees, commissions and other	1,390	1,729	1,756	(19.6)	(20.8)	4,872	5,085	(4.2)
Securities gains (losses)	16	(31)	1,823	(1.5)	(99.1)	11	2,161	(99.5)
Total noninterest income	$ 23,265	$ 25,326	$ 21,490	(8.1)	8.3	$ 70,191	$ 57,584	21.9

Noninterest Expense

Total noninterest expense in the third quarter of 2015 was $30.9 million, $1.6 million, or 5.3 percent, higher than the second quarter of 2015, and $5.4 million, or 20.9 percent, higher than the third quarter of 2014. The increase in total noninterest expense on a linked quarter basis was driven by increased salaries, employee benefits, occupancy, intangible amortization, marketing, and contracted service expenses. Marketing and business development expenses were higher and state income tax expenses were lower by $1 million as a result of donations to North Dakota Housing Projects, which provide dollar for dollar tax credits against North Dakota state income taxes.

The increase in salary expense on a linked quarter basis was primarily the result of the acquisitions of Private Bank Minnesota, Retirement Alliance, Inc., and Interactive Retirement Solutions, Ltd., along with adding additional resources to assist the Company with its continued growth initiatives. On a pro-forma basis, the historical salary expense for these acquisitions decreased following the closing, generating cost savings relative to their historical performance. The increase in salary expense is also as a result of mortgage production based incentive compensation; these commissions are variable and tied directly to mortgage production.

Intangible amortization expense in the third quarter of 2015 was $1.3 million, $765 thousand higher than the second quarter of 2015, as a result of the intangible valuation and change in accounting estimate associated with our acquisition of Retirement Alliance, Inc. The Company has completed sixteen acquisitions since 2002 and as a result has $3.3 million of goodwill and $19.1 million of other intangible assets on the balance sheet. The other intangible assets will amortize and be expensed based on the useful life of the assets. The amortization of these assets will vary based on the underlying attributes of each asset and will all be fully amortized by September 2024.

Other noninterest expense in the third quarter of 2015 was $2.2 million, a $791 thousand decrease from the second quarter of 2015. The decrease was the primarily impacted by two non-recurring adjustments made in the second quarter. An independent valuation of the commercial servicing portfolio was performed and resulted in a write-down of $545 thousand; an analysis of the liability associated with unfunded commitments was also completed and a liability in the amount of $548 thousand was recognized.

NONINTEREST EXPENSE

(Dollars in thousands) (Unaudited)	3Q 2015	2Q 2015	3Q 2014	Percentage Change 3Q15 vs 2Q15	Percentage Change 3Q15 vs 3Q14	YTD 2015	YTD 2014	Percentage Change
Salaries	$ 15,752	$ 15,997	$ 13,380	(1.5)	17.7	$ 45,118	$ 35,176	28.3
Employee benefits	3,254	2,806	2,918	16.0	11.5	9,868	8,737	12.9
Net occupancy expense	1,417	1,200	1,105	18.1	28.2	3,929	3,241	21.2
Furniture and equipment expense	1,154	1,227	1,118	(5.9)	3.2	3,678	3,428	7.3
Intangible amortization expense	1,316	551	917	138.8	43.5	3,566	2,705	31.9
Marketing and business development	1,953	613	674	218.6	189.8	3,004	1,973	52.3
Supplies, telephone and postage	1,057	964	879	9.6	20.3	2,980	2,513	18.6
FDIC insurance	312	264	207	18.2	50.7	841	752	11.8
Professional fees- legal, audit and consulting	558	449	885	24.3	(36.9)	1,649	1,745	(5.5)
Correspondent and other contracted services	1,955	2,309	1,684	(15.3)	16.1	6,574	4,835	36.0
Other noninterest expense	2,211	3,002	1,817	(26.3)	21.7	6,835	6,683	2.3
Total noninterest expense	$ 30,939	$ 29,382	$ 25,584	5.3	20.9	$ 88,042	$ 71,788	22.6

Capital

Alerus continues to maintain a disciplined capital management philosophy that allows management to execute on its strategic priorities and maximize shareholder value. The capital priorities include investing in the franchise infrastructure to support organic growth and execution of the relationship strategy, strategic and opportunistic acquisitions, and maintaining a minimum 10 percent increase in common share dividends.

Total common shareholder equity was $162.0 million at September 30, 2015, compared to $158.4 million at June 30, 2015, and $145.6 million at September 30, 2014. Total equity was $182.0 million at September 30, 2015, compared to $178.4 million at June 30, 2015, and $165.6 million at September 30, 2014. Included in total shareholder equity is $20 million in preferred stock, representing funds received from the Small Business Lending Fund (SBLF) during August 2011. The SBLF funds have an initial rate of 1 percent for five years and were provided by the Treasury to stimulate small business lending. The interest rate on the SBLF resets to 9.0 percent on March 31, 2016. Retaining or replacing the SBLF funds will be assessed based on the cost of alternative sources of capital.

After an extended rulemaking process, the U.S. federal banking agencies approved the implementation of the Basel III regulatory capital reforms and, at the same time, promulgated rules effecting certain changes required by the Dodd-Frank Act (the “Basel III Rule”). The Basel III Rule was effective on January 1, 2015, subject to phase-in periods for certain of its components and other provisions. Phase-in provisions apply to the minimum regulatory capital ratios; regulatory capital adjustments and deductions; and non-qualifying capital instruments. Phase-in provisions for the regulatory capital adjustments and deductions will change the amount deducted from capital each calendar year until the transition period ends.

As of September 30, 2015, Alerus' regulatory capital adjustments and deductions were primarily impacted by the phase-in of deductions of intangible assets other than goodwill, and mortgage servicing assets. Specifically, intangible assets were fully deducted from regulatory capital as of December 31, 2014; only 40 percent of the intangible balance is deductible from regulatory capital in 2015. Although 100 percent of the customer account intangible will be deducted in 2018, amortization of the existing intangible balance over the same time period will substantially reduce the net deduction from capital. This phase-in adjustment only affects regulatory capital calculations and not the calculation of tangible common equity to tangible assets, tangible common equity to risk weighted assets, and ROTCE, all of which exclude the entire identified customer account intangible and other intangibles consistent with prior periods.

The Tier 1 capital ratio was 11.87 percent at September 30, 2015, compared with 11.52 percent at June 30, 2015. The tangible common equity to tangible assets ratio was 9.0 percent on September 30, 2015, compared with 8.7 percent on

June 30, 2015. The tangible common equity to risk-based assets ratio was 9.8 percent at September 30, 2015, compared with 9.4 percent at June 30, 2015.

A new regulatory capital ratio, common equity tier 1 capital ratio, is required under the Basel III Rule. Alerus' common equity tier 1 capital ratio at September 30, 2015, was 10.50 percent, compared with 10.12 percent at June 30, 2015. All regulatory ratios continue to be in excess of "well-capitalized" requirements.

Dividends on common shares for the third quarter of 2015 were $0.11 per share, and for the nine months ending September 30, 2015, were $0.31 per share, compared to the same period one year ago of $0.28 per share, an increase of 10.9 percent.

CAPITAL POSITION

(Dollars in thousands)
(Unaudited)

	Sept 30 2015	June 30 2015	Mar 31 2015	Dec 31 2014	Sept 30 2014
Total shareholders' equity	$ 182,032	$ 178,427	$ 175,249	$ 171,086	$ 165,619
Common shareholders' equity	162,032	158,427	155,249	151,086	145,619
Preferred shareholders' equity	20,000	20,000	20,000	20,000	20,000
Tangible common equity to tangible assets	9.0%	8.7%	8.8%	8.8%	9.0%
Tangible common equity to risk-weighted assets [2]	9.8%	9.4%	9.6%	10.4%	10.7%

	Basel III Transitional [2]			Basel I [3]	
Regulatory Capital: [1]					
Common equity tier 1 capital	148,995	144,946	141,548	N/A	N/A
Tier 1 capital	168,430	164,946	161,548	147,192	153,855
Total risk-based capital	182,406	182,852	178,572	162,778	169,563
Regulatory Capital Ratios: [1]					
Common equity tier 1 capital ratio	10.50%	10.12%	10.40%	N/A	N/A
Tier 1 capital ratio	11.87%	11.52%	11.87%	11.80%	12.20%
Total risk-based capital ratio	12.86%	12.77%	13.13%	13.10%	13.50%
Leverage ratio	11.28%	11.05%	10.97%	10.10%	10.40%

(1) Estimates. Subject to change prior to filings with applicable regulatory agencies.
(2) Under the banking agencies Basel III Final Rule, assets and credit equivalent amounts of off-balance sheet exposures are calculated based upon the standardized approach for risk-weighted assets. The resulting values are added together resulting in total risk-weighted assets.
(3) These capital ratios were calculated under the Supervisory Agencies general risk-based capital rules, Basel I, which was in effect prior to January 1, 2015
The equity and capital ratios have been updated to reflect the restatement of 2012 earnings. Refer to 4/10/2015 news release.

Credit Quality

During the third quarter of 2015, total nonperforming assets decreased by $5.3 million to $8.4 million from $13.7 million as of the end of the second quarter of 2015. Nonperforming assets have increased to $8.4 million from $5.6 million at the same time a year ago. The ratio of nonperforming assets to loans and other real estate was 0.7 percent at September 30, 2015, compared with 1.1 percent at June 30, 2015.

The allowance for credit losses was $14.0 million at September 30, 2015. The ratio of the allowance for credit losses to nonperforming loans was 203.3 percent at September 30, 2015, compared with 159.5 percent at June 30, 2015. Provision expense for the third quarter of 2015 was $675 thousand and is expected to continue at this amount to support future loan growth.

ASSET QUALITY

(Dollars in thousands)

(Unaudited)	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
Non Performing Loans					
Commercial:					
Commercial	$ 2,526	$ 6,766	$ 679	$ 573	$ 992
Commercial real estate	2,598	3,654	2,171	1,844	352
Total commercial	5,124	10,420	2,850	2,417	1,344
Consumer:					
Residential mortgages	1,053	849	1,086	1,168	1,745
Other consumer	32	90	16	20	315
Total consumer	1,085	939	1,102	1,188	2,060
Total nonperforming loans, excluding covered loans	$ 6,209	$ 11,359	$ 3,952	$ 3,605	$ 3,404
Covered loans	-	-	-	-	2,836
Total nonperforming loans	$ 6,209	$ 11,359	$ 3,952	$ 3,605	$ 6,240
Other real estate	2,128	2,322	2,444	2,478	2,239
Covered other real estate	0	0	0	0	1,690
Other nonperforming assets	89	42	16	11	8
Total nonperforming assets	$ 8,426	$ 13,723	$ 6,412	$ 6,094	$ 10,177
Total nonperforming assets, excluding covered assets	$ 8,426	$ 13,723	$ 6,412	$ 6,094	$ 5,651
Accruing loans 90 days or more past due, excluding covered loans	$ 666	$ 184	$ 350	$ 392	$ 28
Accruing loans 90 days or more past due	$ 666	$ 184	$ 350	$ 392	$ 28
Nonperforming assets to loans plus ORE, excluding covered assets	0.7%	1.1%	0.5%	0.5%	0.6%
Nonperforming assets to loans plus ORE	0.7%	1.1%	0.6%	0.5%	0.9%
Allowance for loan losses	$ 13,976	$ 18,414	$ 18,492	$ 17,063	$ 16,892
Allowance for loan losses to total nonperforming loans, excluding covered loans	203.3%	159.5%	429.8%	426.9%	492.2%
Allowance for loan losses to total nonperforming loans	203.3%	159.5%	429.8%	426.9%	269.5%

Covered Asset and Related FDIC Loss Share Indemnification Asset

Effective January 1, 2015, the losses on commercial related loans (commercial, commercial real estate, and construction real estate) acquired in the FDIC-assisted transaction ceased being covered under the loss-share agreement. Any recoveries, net of expenses, received on commercial related loans on which losses were incurred prior to January 1, 2015, will continue to be covered (and any such net recoveries must be shared with the FDIC in accordance with the loss-share agreement) through December 31, 2018. Any losses on single family related loans acquired in connection with the FDIC-assisted transaction will continue to be covered under the loss-share agreement through December 31, 2019.

Non-GAAP Financial Measures

Non-GAAP financial measures disclosed by management are meant to provide additional information and insight relative to trends in the business to investors and, in certain cases, to present financial information as measured by rating agencies and other users of financial information. These measures are not in accordance with, or a substitute for GAAP, and may be different from, or inconsistent with, non-GAAP financial measures used by other companies.

NON-GAAP FINANCIAL MEASURES

(Dollars in thousands) (Unaudited)	3Q 2015	2Q 2015	3Q 2014	Percentage Change 3Q15 vs 2Q15	Percentage Change 3Q15 vs 3Q14	YTD 2015	YTD 2014	Percentage Change
Average common shareholders' equity	$ 162,970	$ 160,069	$ 146,225			$ 159,727	$ 142,054	
Less: average goodwill	(3,517)	(1,317)	(1,415)			(2,041)	(980)	
Less: average other intangibles, net of tax benefit	(11,911)	(13,766)	(6,064)			(13,500)	(10,238)	
Average tangible common equity	$ 147,542	$ 144,986	$ 138,746	1.8	6.3	$ 144,186	$ 130,836	10.2
Net income applicable to common stock	$ 4,273	$ 5,359	$ 6,113			$ 13,615	$ 14,532	
Add: Intangible amortization, net of tax benefits	790	331	550			2,140	1,623	
Net cash available to common shareholders	$ 5,063	$ 5,690	$ 6,663			$ 15,755	$ 16,155	(2.5)
Return on average tangible common equity								
Return on average common equity (U.S. GAAP basis)	10.40%	13.43%	16.54%			11.40%	13.68%	
Effect of excluding average intangibles	1.09%	1.40%	0.94%			1.23%	1.17%	
Effect of excluding intangible amortization, net of tax benefits	2.12%	0.92%	1.57%			1.98%	1.66%	
Return on average tangible common equity	13.61%	15.74%	19.05%	(13.5)	(28.5)	14.61%	16.51%	(11.5)
Adjusted cash earnings per share								
Earnings per share* (U.S. GAAP basis)	$ 0.31	$ 0.38	$ 0.44			$ 0.98	$ 1.05	
Effect of excluding intangible amortization, net of tax benefits	0.05	0.03	0.04			0.15	0.11	
Adjusted cash earnings per share*	$ 0.36	$ 0.41	$ 0.48	(11.1)	(24.1)	$ 1.13	$ 1.16	(2.6)

About Alerus Financial Corporation

Alerus Financial Corporation, through its subsidiaries Alerus Financial, N.A., Alerus Securities Corporation, and Alerus Investment Advisors Corporation, offers business and consumer banking products and services, residential mortgage financing, employer-sponsored retirement plan administration, and wealth management including trust, brokerage, insurance, and asset management. Alerus banking and wealth management offices are located in Grand Forks and Fargo, North Dakota; the Minneapolis-St. Paul, Minnesota metropolitan area; and Scottsdale, Arizona. Alerus Retirement Solutions plan administration offices are located in St. Paul, Minnesota; East Lansing and Troy, Michigan; and Manchester, New Hampshire.

Forward-Looking Statements

The following information appears in accordance with the Private Securities Litigation Reform Act of 1995:
This press release contains forward-looking statements about Alerus Financial Corporation. Statements that are not historical or current facts, including statements about beliefs and expectations, are forward-looking statements and are based on the information available to, and assumptions and estimates made by, management as of the date made. These forward-looking statements may cover, among other things, anticipated future revenue and expenses and the future plans and prospects of Alerus Financial Corporation. Forward-looking statements involve inherent risks and uncertainties, and important factors could cause actual results to differ materially from those anticipated. Global and domestic economies could fail to recover from the recent economic downturn or could experience another severe contraction, which could adversely affect Alerus Financial Corporation's revenues and the values of its assets and liabilities. Global financial markets could experience a recurrence of significant turbulence, which could reduce the availability of funding to certain financial institutions and lead to a tightening of credit, a reduction of business activity, and increased market volatility. Stress in the commercial real estate markets, as well as a delay or failure of recovery in the residential real estate markets, could cause additional credit losses and deterioration in asset values. In addition, Alerus Financial Corporation's business and financial performance is likely to be negatively impacted by effects of recently enacted and future legislation and regulation. Alerus Financial Corporation's results could also be adversely affected by continued deterioration in general business and economic conditions; changes in interest rates; deterioration in the credit quality of its loan portfolios or in the value of the collateral securing those loans; deterioration in the value of securities held in its investment securities portfolio; legal and regulatory developments; increased competition from both banks and non-banks; cyber-attacks; 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.