NEWS RELEASE

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CORRECTED
ALERUS FINANCIAL CORPORATION REPORTS FOURTH QUARTER AND 2014 FULL YEAR RESULTS

ALERUS ACHIEVES CONTINUED STRONG FINANCIAL PERFORMANCE $20.2 MILLION FOR FULL YEAR 2014

GRAND FORKS, ND (April 10, 2015) – Alerus Financial Corporation (OTCQX: ALRS) reported net income of $5.5 million for the fourth quarter of 2014, or $0.39 per diluted common share, and $20.2 million of net income, or $1.44 per diluted share, for the full year (unaudited). The company's strong 2014 earnings performance includes the effect of $4.2 million or $0.18 per diluted share of intangible amortization expense relating to the acquisitions in its Alerus Retirement division. Per share data is adjusted for a 3 for 1 stock split completed in the third quarter.

Continued strong financial results:

- Full year 2014 (unaudited):
  - Net income of $20.2 million, down 0.2 percent from 2013
  - Diluted earnings per share of $1.44, down 1.4 percent from 2013
  - Return on average assets (ROA) of 1.42 percent, down 13 basis points from 2013
  - Return on average common equity (ROE) of 13.89 percent, down 151 basis points from 2013
  - Return on tangible common equity (ROTCE) of 16.7 percent, down 129 basis points from 2013[1]
  - Intangible Amortization Expense from acquisitions of $4.2 million or $0.18 per diluted share, up $0.9 million or, $0.04 from 2013.
  - Revenue of $129.6 million, up 2.8 percent from 2013
    - Banking division revenue of $56.5 million, up 10.3 percent from 2013
    - Alerus Retirement division revenue of $41.1 million, up 14.0 percent from 2013
    - Wealth Management division revenue of $8.3 million, up 12.2 percent from 2013
    - Mortgage division revenue of $23.8 million, down 24.4 percent from 2013
- Fourth quarter 2014:
  - Net income of $5.5 million, up 41.1 percent from fourth quarter of 2013
  - Diluted earnings per share of $0.39, up 39.3 percent from the fourth quarter of 2013
  - Revenue of $34.5 million, compared with $30.7 million from the fourth quarter of 2013
  - Noninterest expense of $28.3, million, up $4.6 million from the fourth quarter of 2013
  - Intangible Amortization Expense from acquisitions of $1.5 million or $0.07 per diluted share, up $0.6 million, or $0.03 per share from the fourth quarter of 2013.

Fourth quarter 2014 results included:

- Strong customer growth:
  - Total loans grew $34.6 million in the fourth quarter to $1,131 million, up $186.2 million from 2013
  - Total deposits grew $43.8 million in the fourth quarter to $1.3 billion, up $79.6 million from 2013

[1] 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. Please review the last table entitled Non GAAP Financial Measurements for a detailed calculation.

- Total asset under administration grew $2.9 billion in the fourth quarter to $15.5 billion, up $2.6 billion from 2013 and includes $621.7 million also included in assets under management that also generate asset management fees.
- Total assets under management grew $203.8 million in the fourth quarter to $1.9 billion, up $103.8 million from 2013.
- Total mortgage origination of $186 million in the fourth quarter contributed to total originations of $749.2 million, down $250 million from 2013

- Maintained strong credit quality:
  - Nonperforming assets decreased 40.6 percent from the fourth quarter of 2013
  - Allowance for loan losses to nonperforming loans (excluding covered loans) was 426.9 percent at December 31, 2014, compared with 917.1 percent at December 31, 2013
- Maintained strong capital ratios:
  - Tier 1 capital ratio of 11.8 percent
  - Total risk based capital ratio of 13.1 percent
  - Tangible common equity to tangible asset ratio of 8.8 percent

Earnings Summary

Net income was $5.5 million for the fourth quarter of 2014, 41.1 percent higher than the $3.9 million for the fourth quarter of 2013, and is $20.2 million for the year, 0.2 percent lower than the $20.3 million for 2013. Diluted earnings per common share of $0.39 in the fourth quarter of 2014 were $0.11 higher than the fourth quarter of 2013, and $1.44 for the year, 1.4 percent lower than the $1.46 diluted earnings per share reported for 2013. Per share data reflects a 3 for 1 stock split completed in the third quarter. Return on average assets and return on average common equity were 1.50 percent and 14.48 percent, respectively, for the fourth quarter of 2014, compared with 1.15 percent and 11.44 percent, respectively, for the fourth quarter of 2013. Earnings for 2014 included a number of non-reoccurring adjustments relating to the acquisitions of Private Bank Minnesota, Retirement Alliance, Inc. and Fiduciary Consulting Group, LLC, each as further described below, professional fees of $200,000, a review of revenue sourcing for state tax purposes that reduced current tax expense net of professional fees by $800,000, and the sale of $61.0 million in corporate securities that generated a gain of $2.2 million.

EARNINGS SUMMARY

(Dollars in thousands) (Unaudited)	4Q 2014	3Q 2014	4Q 2013	Percentage Change 4Q14 vs 3Q14	Percentage Change 4Q14 vs 4Q13	YTD 2014	YTD 2013	Percentage Change
Net income	$ 5,549	$ 6,163	$ 3,933	(10.0)	41.1	$ 20,231	$ 20,270	(0.2)
Net income applicable to common stock	$ 5,499	$ 6,113	$ 3,883	(10.0)	41.6	$ 20,031	$ 20,070	(0.2)
Earnings per share*	$ 0.39	$ 0.44	$ 0.28	(11.4)	39.3	$ 1.44	$ 1.46	(1.4)
Return on average assets	1.50%	1.66%	1.15%	(9.8)	30.2	1.42%	1.55%	(8.4)
Return on average common equity	14.48%	16.59%	11.44%	(12.7)	26.6	13.89%	15.40%	(9.8)
Net interest margin (tax equivalent)	4.06%	4.17%	3.84%	(2.6)	5.7	3.97%	3.94%	0.7
Efficiency ratio	82.48%	71.87%	77.24%	14.8	6.8	77.32%	73.70%	4.9
Dividends declared per common share*	$ 0.10	$ 0.10	$ 0.09	-	15.4	$ 0.38	$ 0.34	11.8
Book value per common share*	$ 10.85	$ 10.46	$ 9.65	3.7	12.4			

* Adjusted for 3 for 1 stock split

Restatement of 2012 and 2013 Financial Statements

During the first quarter of 2015, the Company determined that under the terms of the FDIC loss share agreement entered into as part of the Prosperan Bank acquisition, a Loss Share True-Up Liability should have been recorded in the year ended December 31, 2012. As a result, the financial statements as of and for the years ended December 31, 2012 and 2013, are being restated to reflect this liability. The Company determined a Loss Share True-Up Liability of $2.6 million should have been recorded as of December 31, 2012. The net effect of this liability on the Company's financial statements for the year ended December 31, 2012 was that Other Liabilities were understated by $2.6 million, Deferred Taxes were understated by $0.99 million, and as a result, net income and retained earnings were overstated by $1.6 million. The net effect of this liability on the 2013 financial statements was that Other Liabilities were understated by $2.6 million, Deferred Taxes were understated by $0.99 million and retained earnings were overstated by $1.6 million. There was no impact on net income in 2013 and 2014. All adjustments have been made and are reflected in the restated financial statements for the years ending 2014, 2013 and 2012.

Acquisition Activity

On June 25, 2014, the Company acquired Private Bancorporation, Inc. with one branch located in downtown Minneapolis. The purchased assets and assumed liabilities were recorded at their respective acquisition date fair values, and identifiable intangible assets were recorded at fair value. The Company assumed approximately $116,324,222 of deposits and other liabilities, and purchased approximately $130,239,360 in cash, securities, loans, and other assets. As part of the transaction, the Company allocated $1,200,000 to a core deposit intangible and $750,505 to goodwill, the core deposit intangible is being amortized over 5 years generating an amortization expense of $240 thousand per year, while the goodwill is not subject to amortization. The transaction also included a net operating loss tax asset valued at $943 thousand that will be utilized to offset taxable income as permitted by applicable tax laws. The transaction generated $2.0 million of one-time restructuring charges, all of which were incurred in 2014.

On October 1, 2014, the Company acquired Retirement Alliance, Inc. and its affiliate Fiduciary Consulting Group, LLC located in Manchester, NH. The purchased assets and assumed liabilities were recorded at their respective acquisition date fair values, and identified intangible assets were recorded at fair value. The purchase, consisting of approximately 700 retirement plans with more than 42,000 retirement participants, grew the Company's' wealth management division by $2.1 billion in retirement and individual asset managed accounts. As part of the transaction, $12.7 million was allocated to an identified customer intangible that the Company immediately began amortizing over a five year period, resulting in an annualized intangible amortization expense of $2.5 million. This resulted in earnings dilution in the fourth quarter of 2014 of $390 thousand, after giving effect to $600 thousand of intangible amortization expense. It is anticipated that planned post conversion and integration cost savings will be realized beginning in the first quarter of 2015 and the transaction will be accretive to earnings even after the related intangible amortization expense.

On January 2, 2015, the Company acquired Interactive Retirement Solutions, Ltd located in Bloomington, MN. The purchased assets and assumed liabilities were recorded at their respective acquisition date fair values, and identified intangible assets were recorded at fair value. The purchase, consisting of approximately 160 retirement plans with more than 16,200 retirement participants, grew the Company's' wealth management division by $1.25 billion in retirement and individual asset managed accounts. As part of the transaction, $4.5 million to an identified customer intangible that the Company immediately began amortizing over a five year period, resulting in an annualized intangible amortization expense of $899 thousand. It is anticipated that this will result in earnings dilution in the first quarter of 2015, after giving effect to $225 thousand of intangible amortization expense. It is further anticipated that planned post conversion and integration cost savings will be realized by the second quarter of 2015 and the transaction will be accretive to earnings even after the related intangible amortization expense.

CEO Comments

Alerus Financial Corporation Chairman, President, and Chief Executive Officer Randy Newman stated, "I am very proud of the performance achieved by Alerus in 2014, including continued strong financial performance of $20.2 million. In addition to our solid financial performance last year, we also invested in our infrastructure to support future organic and acquired growth opportunities."

"I'm very proud of what we do. I'm even more proud of how we do it. Alerus is a hybrid company unlike any other with a balanced and diverse revenue stream between non-interest income and net interest income. We have a relationship-focused business model and a professional staff that is committed to helping customers achieve their financial goals. We are spread across different regional banking and wealth management markets, as well as a national retirement services market. We continue to make investments in ourselves and are committed to growing the Alerus brand and building a regional franchise. We have laid an incredibly strong foundation and I look forward to sharing more detail regarding our continued progress in the 2014 Annual Report."

Alerus Financial Corporation

Consolidated Ending Balance Sheet

(Dollars and Shares in Thousands, Except Per Share Data)	December 31, 2014	September 30, 2014	December 31, 2013
Assets	(Unaudited)	(Unaudited)	(Unaudited)
Cash and due from banks	$ 45,526	$ 31,281	$ 72,545
Investment securities			
Trading	1,960	2,818	1,901
Held-to-maturity	0	27,186	54,892
Available-for-sale	204,141	179,485	222,879
Total Investment Securities	206,101	209,489	279,672
Loans held for sale	35,042	35,115	30,254
Loans and leases, excluding covered loans	1,090,027	1,043,253	894,542
Covered loans and leases	5,432	17,493	20,022
Allowance for loan losses	(17,063)	(16,892)	(16,838)
Net loans and leases	1,113,438	1,078,969	927,980
Premises and equipment	21,456	21,675	22,563
Goodwill	1,261	1,415	664
Other intangible assets, excluding servicing assets	20,764	9,540	11,009
Other assets	79,761	147,872	67,294
Total assets	$ 1,488,307	$ 1,500,241	$ 1,381,727
Liabilities and Shareholders' Equity			
Deposits			
Noninterest-bearing	$ 330,218	$ 296,971	$ 305,042
Interest-bearing	721,076	700,351	651,612
Time deposits	210,873	221,008	225,949
Total deposits	1,262,167	1,218,330	1,182,603
Short-term borrowings	10,532	74,031	7,875
Long-term debt	21,494	21,529	21,630
Other liabilities	23,028	20,732	16,308
Total liabilities	1,317,221	1,334,622	1,228,416
Shareholders' equity			
Preferred stock	20,000	20,000	20,000
Common stock	38,265	38,201	26,581
Retained earnings	111,451	107,076	106,521
Accumulated other comprehensive income (loss), net	1,370	342	209
Total shareholders' equity	171,086	165,619	153,311
Total liabilities and equity	$ 1,488,307	$ 1,500,241	$ 1,381,727
Common shares outstanding*	13,922	13,922	13,815
Book value per common share*	$ 10.85	$ 10.46	$ 9.65

* Adjusted for 3 for 1 stock split

Alerus Financial Corporation

Consolidated Statement of Income

(Dollars and Shares in Thousands, Except Per Share Data) (Unaudited)	Three months ended December 31, 2014	Three months ended December 31, 2013	Twelve months ended December 31, 2014	Twelve months ended December 31, 2013
Interest Income				
Loans and leases, including fees	$ 13,000	$ 10,990	$ 47,876	$ 43,750
Investment securities	1,328	1,674	6,466	6,612
Other interest income	13	35	52	148
Total interest income	14,341	12,699	54,394	50,510
Interest Expense				
Deposits	671	736	2,673	3,101
Short-term borrowings	5	7	22	30
Long-term debt	144	143	621	581
Total interest expense	820	886	3,316	3,712
Net interest income	13,521	11,813	51,078	46,798
Provision for loan losses	(400)	1,000	(400)	1,200
Net interest income after provision for loan losses	13,921	10,813	51,478	45,598
Noninterest Income				
Retirement services income	11,732	9,950	41,058	36,003
Wealth management income	2,278	2,043	8,249	7,352
Deposit service charges	415	409	1,626	1,638
Mortgage origination and loan servicing fees	4,605	4,495	18,435	27,177
Other income	1,774	2,000	6,859	7,168
Securities gains (losses)	18	(25)	2,179	(70)
Total noninterest income	20,822	18,872	78,406	79,268
Noninterest Expense				
Salaries	13,663	11,994	48,839	49,203
Employee benefits	2,843	2,177	11,580	10,621
Net occupancy expense	1,183	852	4,424	3,791
Furniture and equipment expense	1,232	1,249	4,660	4,687
Intangible amortization expense	1,492	868	4,196	3,321
Other expense	7,914	6,560	26,416	21,290
Total noninterest expense	28,327	23,700	100,115	92,913
Income before income taxes	6,416	5,985	29,769	31,953
Applicable income taxes	867	2,052	9,538	11,683
Net income	5,549	3,933	20,231	20,270
Less: Preferred dividends	50	50	200	200
Net income applicable to common stock	$ 5,499	$ 3,883	$ 20,031	$ 20,070
Earnings per common share*	$ 0.39	$ 0.28	$ 1.44	$ 1.46
Average common shares outstanding*	13,922	13,815	13,887	13,762

* Adjusted for 3 for 1 stock split

Alerus Financial Corporation

Statement of Cash Flows

Twelve months ending (Dollars in Thousands)	December 31, 2014
Operating Activities	(Unaudited)
Net income	$ 20,231
Provision for loan losses	400
Depreciation, amortization and other	8,160
Other adjustments to net income	(2,278)
Changes in liabilities	5,848
Changes in other operating activities	(11,529)
Total cash flow from operating activities	20,832
Investing Activities	
Purchases of bank premises and equipment	(2,101)
Investments	88,675
Loans	(88,094)
Cash paid for business combinations	(10,843)
Other cash flows from investing activities	3,344
Total cash flows from investing activities	(9,019)
Financing Activities	
Dividends paid	(5,532)
Sale (purchase) of stock	-
Deposits	(36,359)
Net borrowings	2,657
Other cash flows from financing activities	403
Total cash flows from financing activities	(38,831)
Change in cash and cash equivalents	(27,018)
Cash and cash equivalents at beginning of period	72,544
Cash and cash equivalents at end of period	$ 45,526

Revenue

Total net revenue for the fourth quarter of 2014 was $34.5 million, $3.8 million, or 12.4 percent, higher than the fourth quarter of 2013, reflecting a 14.5 percent increase in net interest income and an 11.2 percent increase in noninterest income. Total net revenue for the full year of 2014 was $129.6 million, $3.6 million, or 2.8 percent, higher than the full year of 2013. The increase in net interest income year-over-year was largely the result of an increase in average earning assets partially due to the Private Bank Minnesota acquisition, rebalancing the investment portfolio to reduce risk, and continued growth in lower cost core deposit funding. Noninterest income was $21.0 million, $2.1 million, or 11.2 percent, higher than the fourth quarter of 2014. The increase in noninterest income was primarily due to strong organic growth in the Retirement Services and Wealth Management Division along with the acquisition of Retirement Alliance, Inc. on October 1, 2014. The increase in total non-interest income was offset by a normalization of mortgage banking revenue from the record years of 2012 and 2013.

Net Interest Income

Net interest income in the fourth quarter of 2014 was $13.5 million, compared with $11.8 million in the fourth quarter of 2013, an increase of $1.7 million, or 14.5 percent. The primary reason for the increase in net interest income from the year ended December 31, 2013, was organic loan growth of $84.4 million and acquired loans of $98.0 million associated with the acquisition of Private Bank Minnesota offset by a $61.0 million restructuring of the investment portfolio to reduce price and credit exposure. During the quarter ended December 31, 2014, estimated cash flows on purchased loans were adjusted to reflect new information obtained during the measurement period (as defined by ASC Topic 805). The Company recognized $526.2 thousand in accretable yield on acquired loans during the fourth quarter of 2014, $48.2 thousand, or 8.4 percent, lower than the third quarter of 2014. Remaining accretable discounts as of December 31, 2014 are $1.3 million.

Earning assets were $1.3 billion as of December 31, 2014, compared with $1.2 billion as of December 31, 2013, an increase of $112.1 million, or 9.2 percent. The primary driver of the increase in earning assets was an increase in both consumer and business related loans. Net interest margin on a tax-equivalent basis in the fourth quarter of 2014 was 4.06 percent, compared with 3.84 percent in the fourth quarter of 2013, and 4.2 percent in the third quarter of 2014. Net interest margin on a tax-equivalent basis adjusted for discount accretion on the purchased loan portfolio in the fourth quarter of 2014 was 3.89 percent, compared with 3.93 percent in the fourth quarter of 2013, and 3.99 percent in the third quarter of 2014.

Total loans as of December 31, 2014, were $1,130.5 million, compared to $944.8 million as of December 31, 2013, an increase of $185.7 million, or 19.7 percent. The increases were driven by demand for loans and lines by new and existing credit-worthy borrowers, the acquisition of Private Bank Minnesota, and partially offset by a cyclical decrease in the real estate warehouse line utilized to fund residential mortgages awaiting sale in the secondary market along with

Total investment securities were $206.1 million on December 31, 2014, compared to $279.7 million as of December 31, 2013, a decrease of $73.6 million, or 26.3 percent. The investment portfolio was rebalanced during the third quarter of 2014 to reduce risk and duration. Corporate securities with a face amount of $61 million were liquidated for a gain of $1.8 million. Additional portfolio restructuring resulted in a gain of $357.3 thousand during the reporting period. The investment securities portfolio contains amortizing securities resulting in monthly cash flow of approximately $2.5 million.

Total deposits were $1,312.2 million on December 31, 2014, compared to $1,225.8 million as of December 31, 2013, an increase of $86.4 million, or 7.0 percent. The increase was the result of the Private Bank Minnesota acquisition that closed June 25, 2014, which added $116 million in deposit growth. Surge deposits associated with the financial crisis that began during the 4th quarter of 2008 are beginning to normalize. In response to this normalization, the company is taking prudent liquidity planning steps to maintain a constant loan to deposit ratio and utilizing the investment portfolio as a liquidity source. Total time deposits were $210.9 million as of December 31, 2014, compared to $226.0 million as of December 31, 2013, a decrease of $15.1 million, or 6.7 percent. Time deposit rates were adjusted to reflect current market conditions resulting in rate sensitive customers seeking alternative investments.

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. The carrying amount of those loans was $10.7 million as of December 31, 2014. 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.

Noninterest Income

Fourth quarter noninterest income was $20.1 million, $2.0 million, or 10.3 percent, higher than the fourth quarter of 2013, and $0.7 million, or 3.1 percent, lower than the third quarter of 2014. The year-over-year increase in noninterest income was principally due to a solid organic growth model in the Retirement Services and Wealth Management departments, the acquisition of Retirement Alliance, Inc., and partially offset by a normalization mortgage origination income. Retirement Services income increased $5.1 million, or 14.0 percent year over year, while Wealth Management income increased $897.0 thousand, or 12.2 percent year over year. The acquisition of Retirement Alliance, Inc. added 700 plans, 42,000 participants, and increased assets under administration by $2.1 billion. Mortgage origination and loan servicing fees declined $8.7 million, or 32.2 percent, to $18.4 million during 2014. Mortgage origination volume year to date 2014 is $749.2 million, compared to year to date 2013 volume of $1.0 billion. This level of mortgage production may or may not continue into the future since it is dependent on the current level of interest rates and general economic conditions.

NONINTEREST INCOME

(Dollars in thousands) (Unaudited)	4Q 2014	3Q 2014	4Q 2013	Percentage Change 4Q14 vs 3Q14	Percentage Change 4Q14 vs 4Q13	YTD 2014	YTD 2013	Percentage Change
Retirement services income	$ 11,732	$ 9,678	$ 9,950	21.2	17.9	$ 41,058	$ 36,003	14.0
Wealth management income	$ 2,278	$ 2,097	$ 2,043	8.6	11.5	$ 8,249	$ 7,352	12.2
Deposit service charges	415	444	409	(6.5)	1.5	1,626	1,638	(0.7)
Mortgage origination and loan servicing fees	4,605	5,692	4,495	(19.1)	2.4	18,435	27,177	(32.2)
Fees, commissions and other	1,774	1,756	2,000	1.0	(11.3)	6,859	7,168	(4.3)
Securities gains (losses)	18	1,823	(25)	(1.0)	-	2,179	(70)	-
Total noninterest income	$ 20,822	$ 21,490	$ 18,872	(3.1)	10.3	$ 78,406	$ 79,268	(1.1)

Noninterest Expense

Total noninterest expense in the fourth quarter of 2014 was $28.3 million, $4.6 million, or 19.5 percent, higher than the fourth quarter of 2013, and $2.7 million, or 10.7 percent, higher than the third quarter of 2014. The increase in total noninterest expense year-over-year was primarily due to one-time acquisition restructuring charges of $2.0 million resulting from the acquisition of Private Bank Minnesota, non-reoccurring professional fees of $200 thousand, and amortization of $600 thousand of the identified intangible incurred on the Retirement Alliance, Inc. The increase in total noninterest expense on a linked quarter basis was primarily driven by increased expenses assumed with the Private Bank Minnesota and Retirement Alliance, Inc.

Salaries expense in the fourth quarter of 2014 was $13.7 million, $1.7 million, or 13.9 percent higher than the fourth quarter of 2013, and $283 thousand, or 2.1 percent, higher than the fourth quarter of 2014. Salary expense for year end 2014 was $48.9 million, $364 thousand, or 0.7 percent lower, than the $49.2 million reported in 2013. The increase in salary expense on a link quarter basis was primarily the result of the Private Bank Minnesota and Retirement Alliance, Inc. transaction along with the continuous addition of talent to assist the company in its continual growth initiatives. On a pro-forma basis, the historical salary expense for both of these companies decreased following closing of the acquisition generating cost savings relative to their historical performance. The reduction in year over year salary expense is primarily due to mortgage production based incentive compensation. These commissions are variable and tied directly to mortgage production and are not a permanent decrease in compensation expense.

Other noninterest expense in the fourth quarter of 2014 was $3.9 million, $568 thousand, or 16.8 percent, higher than the fourth quarter of 2013, and $1.2 million, or 44.1 percent, higher than the third quarter of 2014. The increase in other noninterest expense year-over-year is the result of a $2 million acquisition restructuring charge associated with the Private Bank Minnesota transaction and amortization expense associated with an identified intangible associated with the Retirement Alliance, Inc. transaction. The company has acquired sixteen companies since 2002 for an unamortized premium of $26.5 million in excess of adjusted book value creating identified intangible assets of $25.0 million and $1.5 million of good will on the balance sheet. The identified intangible assets amortize and the resulting amortization expense is reported in other noninterest expense. The amortization schedules vary based on the attributes of the identified intangibles. The aggregate unamortized intangible balance as of December 31, 2014, is $25.0 million and will fully amortize by January 2, 2019. The aggregate unamortized intangible balance was $13.7 million as of December 31, 2013. The intangible amortization expense for 2014 was $4.1 million, compared to $3.3 million for 2013. The acquisition of Interactive Retirement Solutions, Ltd on January 2, 2015 created an additional identified intangible of $4.5 million which will be amortized over five years, beginning in 2015.

NONINTEREST EXPENSE

(Dollars in thousands) (Unaudited)	4Q 2014	3Q 2014	4Q 2013	Percentage Change 4Q14 vs 3Q14	Percentage Change 4Q14 vs 4Q13	YTD 2014	YTD 2013	Percentage Change
Salaries	$ 13,663	$ 13,380	$ 11,994	2.1	13.9	$ 48,839	$ 49,203	(0.7)
Employee benefits	2,843	2,918	2,177	(2.6)	30.6	11,580	10,621	9.0
Net occupancy expense	1,183	1,105	852	7.1	38.8	4,424	3,791	16.7
Furniture and equipment expense	1,232	1,118	1,249	10.2	(1.4)	4,660	4,687	(0.6)
Marketing and business development	772	674	1,025	14.5	(24.7)	2,745	2,613	5.1
Supplies, telephone and postage	1,326	879	828	50.9	60.1	3,839	3,032	26.6
FDIC insurance	288	207	238	39.1	21.0	1,040	960	8.3
Professional fees- legal, audit and consulting	930	885	603	5.1	54.2	2,675	2,042	31.0
Correspondent and other contracted services	2,149	1,684	1,363	27.6	57.7	6,984	5,547	25.9
Other noninterest expense	3,941	2,734	3,373	44.1	16.8	13,329	10,417	28.0
Total noninterest expense	$ 28,327	$ 25,584	$ 23,702	10.7	19.5	$100,115	$ 92,913	7.8

Income Taxes

During the fourth quarter of 2014, the Company completed an analysis of revenue apportionment across all filed states applying an alternative method of allocation utilized by other financial institutions. As a result of that analysis, the Company determined that use of an alternative method of allocating revenue was permitted. The principal effect of this change is to reduce the revenues allocated to North Dakota and Minnesota in a manner that in turn reduces aggregate state income tax expense based on currently applicable rates. In addition, the Company filed amended tax returns for the 2011 through 2013 tax years seeking refunds based on this alternative method of allocating revenue. As a result, the Company increased its current income taxes receivable by $1.2 million and recognized a current tax benefit of approximately $1.2 million to reflect expected cash flow from anticipated refunds. Of this amount, refunds have already been received in the aggregate amount of $287 thousand from the State of North Dakota, however, the State of North Dakota currently has the ability to review since all tax years are open.

Capital

Total common shareholder equity was $151.1 million at December 31, 2014, compared to $145.6 million at September 30, 2014, and $133.3 million at December 31, 2013. Total equity was $171.1 million at December 31, 2014, compared to $165.6 million at September 30, 2014, and $153.3 million at December 31, 2013. 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 will be assessed based on the cost of alternative sources of capital.

The Tier 1 capital ratio was 11.8 percent at December 31, 2014, compared with 12.2 percent at September 30, 2014, and 12.8 percent at December 31, 2013. The tangible common equity to tangible assets ratio was 8.8 percent on December 31, 2014, compared with 9.0 percent on September 30, 2014, and 8.9 percent on December 31, 2013. The tangible common equity to risk-based assets was 10.4 percent at December 31, 2014, compared with 10.7 percent at September 30, 2014, and 11.1 percent at December 31, 2013. All regulatory ratios continue to be in excess of "well-capitalized" requirements. Dividends on common shares year-to-date 2014 were $0.38 per share, or $5.3 million, compared to year-to-date 2013 dividends of $0.34, or $4.7 million, an increase of $0.6 million, or 12.8 percent.

CAPITAL POSITION					
(Dollars in thousands)					
(Unaudited)	Dec 31 2014	Sept 30 2014	Jun 30 2014	Mar 31 2014	Dec 31 2013
Total shareholders' equity	$ 171,086	$ 165,619	$ 161,844	$ 157,299	$ 153,311
Common shareholders' equity	151,086	145,619	141,844	137,299	133,311
Preferred shareholders' equity	20,000	20,000	20,000	20,000	20,000
*Tier 1 capital	147,192	153,855	146,760	144,945	141,011
*Total risk-based capital	162,778	169,563	162,235	158,651	154,756
*Tier 1 capital ratio	11.8%	12.2%	11.9%	13.3%	12.8%
*Total risk-based capital ratio	13.1%	13.5%	13.1%	14.5%	14.1%
*Leverage ratio	10.1%	10.4%	10.8%	9.7%	10.6%
Tangible common equity to tangible assets	8.8%	9.0%	8.5%	9.3%	8.9%
Tangible common equity to risk-weighted assets	10.4%	10.7%	10.4%	11.6%	11.1%

*Preliminary data. Subject to change prior to filings with applicable regulatory agencies.

Credit Quality

Credit quality trends continue to show improvement in the fourth quarter, with reductions in net losses and nonperforming assets. The allowance for credit losses was $17.1 million at December 31, 2014, compared with $16.9 million at September 30, 2014, and $16.8 million at December 31, 2013. Total net recoveries in the fourth quarter of 2014 were $580.1 thousand, compared with a net recovery of $94.1 thousand in the third quarter of 2014, and net charge-offs of $237.3 thousand in the fourth quarter of 2013. The stabilization of net charge-offs in the quarters presented are principally due to improvement in commercial real estate. The company's provision for credit losses decreased from a year ago and on a linked quarter basis. The provision for credit losses was a negative $400,000 due to improvement in a loan warehoused at the holding company, which exposure was substantially reduced during the holding period, $0.0 for the third quarter of 2014, and a positive $1.0 million for the fourth quarter of 2013. Year to date provision for credit losses for 2014 was a negative $0.4 million, compared to $1.2 million in 2013.

Nonperforming assets at December 31, 2014, totaled $6.1 million, compared with $10.2 million at September 30, 2014, and $10.3 million at December 31, 2013. Total nonperforming assets at December 31, 2014, included $0.0 million of assets covered under loss sharing agreements with the FDIC since our commercial loan loss share agreement associated with Prosperan Bank expired on December 31, 2014. Historically, the loss share agreement substantially reduced the risk of credit losses of assumed FDIC assets to the company. The ratio of nonperforming assets to loans and other real estate was 0.5 percent at December 31, 2014, compared with 0.9 percent (0.5 percent excluding covered assets) at September 30, 2014, and 1.1 percent (0.4 percent excluding covered assets) at December 31, 2013. The decrease in nonperforming assets compared with a year ago was driven primarily by the improvement in the commercial real estate portfolio. The ratio of the allowance for credit losses to period-end nonperforming loans was 426.9 percent at December 31, 2014, compared with 269.5 percent (492.2 percent excluding covered loans) at September 30, 2014, and 313.1 percent (917.1 percent excluding covered loans) at December 31, 2013.

ASSET QUALITY

(Dollars in thousands)

(Unaudited)

Non Performing Loans	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
Commercial:					
Commercial	$ 573	$ 992	$ 939	$ 1,049	$ 1,317
Commercial real estate	1,844	352	421	242	242
Total commercial	2,417	1,344	1,360	1,291	1,559
Consumer:					
Residential mortgages	1,168	1,745	1,475	308	268
Other consumer	20	315	66	22	9
Total consumer	1,188	2,060	1,541	330	277
Total nonperforming loans, excluding covered loans	$ 3,605	$ 3,404	$ 2,901	$ 1,621	$ 1,836
Covered loans	-	2,836	2,979	3,201	3,541
Total nonperforming loans	$ 3,605	$ 6,240	$ 5,880	$ 4,822	$ 5,377
Other real estate	2,478	2,239	3,233	1,509	1,558
Covered other real estate	0	1,690	2,112	2,080	3,319
Other nonperforming assets	11	8	3	7	11
Total nonperforming assets	$ 6,094	$ 10,177	$ 11,228	$ 8,418	$ 10,265
Total nonperforming assets, excluding covered assets	$ 6,094	$ 5,651	$ 6,136	$ 3,137	$ 3,405
Accruing loans 90 days or more past due, excluding covered loans	$ 392	$ 28	$ 230	$ -	$ -
Accruing loans 90 days or more past due	$ 392	$ 28	$ 230	$ -	$ -
Nonperforming assets to loans plus ORE, excluding covered assets	0.5%	0.5%	0.6%	0.3%	0.4%
Nonperforming assets to loans plus ORE	0.5%	0.9%	1.0%	0.9%	1.1%
Allowance for loan losses	$ 17,063	$ 16,892	$ 16,905	$ 16,788	$ 16,838
Allowance for loan losses to total nonperforming loans, excluding covered loans	426.9%	492.2%	539.9%	1035.7%	917.1%
Allowance for loan losses to total nonperforming loans	426.9%	269.5%	276.7%	348.2%	313.1%

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)	4Q 2014	3Q 2014	4Q 2013	Percentage Change 4Q14 vs 3Q14	Percentage Change 4Q14 vs 4Q13	YTD 2014	YTD 2013	Percentage Change
Average common shareholders' equity	$150,650	$146,225	$134,620			$144,203	$130,300	
Less: average goodwill	(1,415)	(1,415)	(664)			(1,090)	(664)	
Less: average other intangibles, net of tax benefit	(13,143)	(6,097)	(6,896)			(7,869)	(6,797)	
Average tangible common equity	$136,092	$138,713	$127,060	(1.9)	7.1	$135,244	$122,839	10.1
Net income applicable to common stock	$ 5,499	$ 6,113	$ 3,883			$ 20,031	$ 20,070	
Add: Intangible amortization, net of tax benefits	895	550	521			2,518	1,993	
Net cash available to common shareholders	$ 6,394	$ 6,663	$ 4,404			$ 22,549	$ 22,063	2.2
Return on average tangible common equity								
Return on average common equity (U.S. GAAP basis)	14.48%	16.59%	11.44%			13.89%	15.40%	
Effect of excluding average intangibles	1.55%	0.89%	0.68%			0.92%	0.94%	
Effect of excluding intangible amortization, net of tax benefits	2.61%	1.57%	1.63%			1.86%	1.63%	
Return on average tangible common equity	18.64%	19.06%	13.75%	(2.2)	35.6	16.67%	17.96%	(7.2)
Adjusted cash earnings per share								
Earnings per share* (U.S. GAAP basis)	$ 0.39	$ 0.44	$ 0.28			$ 1.44	$ 1.46	
Effect of excluding intangible amortization, net of tax benefits	0.07	0.04	0.04			0.18	0.14	
Adjusted cash earnings per share*	$ 0.46	$ 0.48	$ 0.32	(4.0)	44.1	$ 1.62	$ 1.60	1.4

About Alerus Financial Corporation

Alerus Financial Corporation, through its subsidiaries Alerus Financial, N.A., Alerus Securities Corporation, and Alerus Investment Advisors, Inc., 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 Financial 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.