

CAPITAL MARKETS ANNOUNCEMENT

Alerus Financial Corporation (OTCQX: ALRS) Closes Private Placement of \$50.0 Million of Subordinated Notes due 2025

Sandler O'Neill + Partners, L.P. served as the lead placement agent for this offering.

This transaction is the 42nd subordinated note or senior note transaction for a community bank since January 1, 2014 in which Sandler O'Neill acted as a placement agent, sole underwriter, book-runner or initial purchaser, more than any other investment bank during that period.⁽¹⁾

About the Offering:

Grand Forks, ND – Alerus Financial Corporation (“Alerus”) (OTCQX: ALRS) announced that it has completed a private placement of \$50 million in aggregate principal amount of 5.75% fixed-to-floating rate subordinated notes (the “Notes”) which have been assigned an investment grade rating of BBB by Kroll Bond Rating Agency. The Notes are non-callable for 5 years and have a stated maturity of December 30, 2025. They will bear interest at a fixed rate of 5.75% until December 30, 2020, and thereafter will bear interest at a variable rate that will reset quarterly to a level equal to the then current 3-month LIBOR plus 412 basis points. The Notes were issued at the holding company level, and have been structured to qualify as Tier 2 capital under regulatory guidelines.

Alerus intends to use the proceeds from the sale to fund in part its previously announced acquisitions of Beacon Bank and Alliance Benefit Group North Central States, Inc., and for general corporate purposes, including the possible redemption of \$20 million of SBLF preferred stock.

This announcement is for informational purposes only and does not constitute an offer to sell or the solicitation of an offer to buy securities.

About the Company:

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.

⁽¹⁾ Includes all public offerings and private placements of subordinated notes or senior notes that have been announced since 1/1/14 for banks and thrifts with assets less than \$25 billion

⁽²⁾ Financial data is not pro forma for the offering or pending acquisitions
Source: SNL Financial

December 17, 2015

5.75% Fixed-to-Floating
Rate Subordinated Notes
due 2025

\$50.0 Million

ALERUS
FINANCIAL CORPORATION

Lead Placement Agent

SANDLER O'NEILL + PARTNERS

Financial Highlights (as of 9/30/2015)⁽²⁾

\$ in Millions

| | |
|--|---------|
| Total Assets | \$1,575 |
| Net Loans | \$1,172 |
| Total Deposits | \$1,345 |
| Total Equity | \$182 |
| Tangible Common Equity / Tangible Assets | 9.00% |
| Tier 1 Leverage Ratio | 10.98% |
| Tier 1 Risk-Based Capital Ratio | 11.89% |
| Total Risk-Based Capital Ratio | 12.87% |

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