NEWS RELEASE

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ALERUS FINANCIAL CORPORATION REPORTS FOURTH QUARTER AND 2012 FULL YEAR RESULTS

RESULTS DRIVEN BY RECORD TOTAL NET REVENUE AND EARNINGS

GRAND FORKS, ND (January 25, 2013) – Alerus Financial Corporation (OTCQB: ALRS) today reported net income of $4.8 million for the fourth quarter of 2012, or $1.05 per diluted common share, and $17.9 million of net income or $3.94 per diluted share, for the full year. Earnings for the fourth quarter of 2012 were driven by year-over-year growth in total net revenue and a reduction in the provision for credit losses.

- Continued strong financial results:
  - Full Year 2012:
    - Record net income of $17.9 million, up 66.9 percent from 2011
    - Record diluted earnings per share of $3.94, up 63.5 percent from 2011
    - Record net revenue of $127.4 million, up 30.9 percent from 2011
    - Record mortgage origination of $1.2 billion, up 81.3 percent from 2011
    - Record assets under management and administration of $11.2 billion, up 14.9 percent from 2011
    - Record bank balance sheet size of $1.3 billion, up 14.3 percent from 2011
    - Positive operating leverage (revenue growth of 30.9 percent exceeded expense growth of 28.0 percent)
    - Return on average assets (ROA) of 1.49 percent, up 55 basis points from 2011
    - Return on equity (ROE) of 15.32 percent, up 486 basis points from 2011
  - Fourth Quarter of 2012:
    - Record net income of $4.8 million, up 51.1 percent from fourth quarter of 2011
    - Record diluted EPS of $1.05, up 50.0 percent from fourth quarter of 2011
    - Record net revenue of $39.1 million, up 43.3 percent from fourth quarter of 2011
    - Total core checking and savings deposits of $862.5 million, up 19.0 percent from fourth quarter of 2011
    - Total loans of $848.2 million, up 17.4 percent from fourth quarter of 2011
- Fourth Quarter 2012 results included:
  - $693 thousand impairment write-down of SBIC investment
  - $5.1 million impairment write-down on FDIC indemnification asset
  - $4.2 million of accelerated discount accretion due to a change in cash flow estimates.
- Maintained strong capital ratios:
  - Tier 1 capital ratio of 13.0 percent
  - Total risk based capital ratio of 14.2 percent
  - Tangible common equity to tangible asset ratio of 8.2 percent

Earnings Summary

Net income was $4.8 million for the fourth quarter of 2012, 51.1 percent higher than the $3.1 million for the fourth quarter of 2011 and is $17.9 million for the year, 66.9 percent higher than the $10.7 million for 2011. Diluted earnings per common share of $1.05 in the fourth quarter of 2012 were $0.35 higher than the fourth quarter of 2011 and is $3.94 for the year, 63.5 percent higher than the $2.41 diluted earnings per share reported for 2011. Return on average assets and return on average common equity were 1.56 percent and 15.33 percent, respectively, for the fourth quarter of 2012, compared with 1.09 percent and 12.02 percent, respectively, for the fourth quarter of 2011. The increase in net income year-over-year was principally the result of growth in total net revenue, driven by increases in both net interest income and fee-based revenue, and a lower provision for credit losses. These positive variances were partially offset by an increase in total noninterest expense.

EARNINGS SUMMARY

(Dollars in thousands)
(Unaudited)

	4Q 2012	3Q 2012	4Q 2011	Percentage Change 4Q12 vs 3Q12	Percentage Change 4Q12 vs 4Q11	YTD 2012	YTD 2011	Percentage Change
Net income	$ 4,756	4,738	$ 3,147	0.4	51.1	$ 17,869	$ 10,709	66.9
Earnings per share	$ 1.05	$ 1.04	$ 0.70	0.6	50.0	$ 3.94	$ 2.41	63.5
Return on average assets	1.56%	1.58%	1.09%	(1.3)	42.3	1.49%	0.94%	58.4
Return on average common equity	15.33%	15.85%	12.02%	(3.3)	27.5	15.32%	10.46%	46.4
Net interest margin (tax equivalent)	5.87%	4.10%	4.35%	43.3	35.1	4.60%	4.22%	8.9
Efficiency ratio	80.00%	76.71%	79.98%	4.3	0.0	77.11%	78.83%	(2.2)
Dividends declared per common share	$ 0.24	$ 0.24	$ 0.23	-	4.3	$ 0.94	$ 0.89	5.6
Book value per common share	$ 27.05	$ 26.24	$ 23.92	3.1	13.1			

Alerus Financial Corporation Chairman, President, and Chief Executive Officer Randy Newman stated, “I am exceptionally proud of the performance achieved by Alerus Financial in 2012, including record earnings of $17.9 million. These results would be remarkable in the best of times, but given the ongoing challenges of our national economy and industry, this performance is only magnified.”

“In 2012, we felt the financial benefit of strategic decisions that were made in the past 3-5 years. As we look forward, our leadership team continues to be focused on disciplined planning, maintaining a strict adherence to sound banking principles, supporting outstanding customer service, and creating a culture that both exemplifies our company’s mission/vision statements and embodies our corporate values.”

“Throughout last year, we engaged in many non-financial initiatives that proved successful as well. The execution of these distinct projects helped to transform and enhance our organization. I look forward to sharing more detail regarding our continued progress in the 2012 Annual Report.”

Alerus Financial Corporation

Consolidated Ending Balance Sheet

(Dollars and Shares in Thousands, Except Per Share Data)	December 31, 2012	September 30, 2012	December 31, 2011
Assets	(Unaudited)	(Unaudited)	
Cash and due from banks	$ 123,679	$ 42,825	$ 59,143
Investment securities			
Trading	1,745	1,952	1,287
Held-to-maturity	46,976	48,691	71,413
Available-for-sale	214,938	198,245	205,162
Total Investment Securities	263,659	248,888	277,862
Loans held for sale	77,432	88,486	48,910
Loans and leases, excluding covered loans	738,085	707,751	625,380
Covered loans and leases	32,692	33,405	48,050
Allowance for loan losses	(15,101)	(15,066)	(12,826)
Net loans and leases	833,108	814,576	709,514
Premises and equipment	22,075	21,606	22,958
Goodwill	664	664	664
Other intangible assets	15,251	15,579	11,316
Other assets	63,508	72,504	75,152
Total assets	$ 1,321,944	$ 1,216,642	$ 1,156,609
Liabilities and Shareholders' Equity			
Deposits			
Noninterest-bearing	$ 267,208	$ 237,821	$ 188,630
Interest-bearing	595,252	541,552	536,009
Time deposits	253,290	246,226	260,471
Total deposits	1,115,750	1,025,599	985,110
Short-term borrowings	12,603	12,297	6,194
Long-term debt	21,755	21,790	21,871
Other liabilities	28,942	17,861	16,184
Total liabilities	1,179,050	1,077,547	1,029,359
Shareholders' equity			
Preferred stock	20,000	20,000	20,000
Common stock	24,167	23,662	22,258
Retained earnings	93,874	90,157	81,210
Accumulated other comprehensive income (loss), net	4,853	5,276	3,782
Total shareholders' equity	142,894	139,095	127,250
Total liabilities and equity	$ 1,321,944	$ 1,216,642	$ 1,156,609
Common shares outstanding	4,543	4,539	4,484
Book value per common share	$ 27.05	$ 26.24	$ 23.92

Alerus Financial Corporation

Consolidated Statement of Income

(Dollars and Shares in Thousands, Except Per Share Data) (Unaudited)	Three months Ended December 31, 2012	Three months Ended December 31, 2011	Twelve months Ended December 31, 2012	Twelve months Ended December 31, 2011
Interest Income				
Loans and leases, including fees	$ 14,612	$ 9,947	$ 44,178	$ 38,278
Investment securities	1,696	1,985	7,552	8,455
Other interest income	35	42	103	154
Total interest income	16,343	11,974	51,833	46,887
Interest Expense				
Deposits	838	1,303	3,874	6,070
Short-term borrowings	9	8	62	39
Long-term debt	163	167	650	712
Total interest expense	1,010	1,478	4,586	6,821
Net interest income	15,333	10,496	47,247	40,066
Provision for loan losses	-	1,050	833	4,418
Net interest income after provision for loan losses	15,333	9,446	46,414	35,648
Noninterest Income				
Trust income	10,891	7,077	39,393	32,157
Deposit service charges	430	414	1,626	1,655
Other income	12,221	9,293	38,899	23,477
Securities gains (losses)	218	(1)	217	(11)
Total noninterest income	23,760	16,783	80,135	57,278
Noninterest Expense				
Salaries	14,820	10,740	49,072	36,359
Employee benefits	2,346	2,026	10,302	8,805
Net occupancy expense	1,010	951	4,189	4,112
Furniture and equipment expense	959	833	4,147	3,698
Other expense	12,140	7,268	30,519	23,765
Total noninterest expense	31,275	21,819	98,229	76,740
Income before income taxes	7,818	4,411	28,320	16,186
Applicable income taxes	3,062	1,263	10,451	5,477
Net income	$ 4,756	$ 3,147	$ 17,869	$ 10,709
Earnings per common share	$ 1.05	$ 0.70	$ 3.94	$ 2.41
Average common shares outstanding	4,540	4,483	4,530	4,440

Alerus Financial Corporation

Statement of Cash Flows

Year Ending (Dollars in Thousands)	December 31, 2012	December 31, 2011
Operating Activities	(Unaudited)	
Net income	$ 17,869	$ 10,709
Provision for loan losses	833	4,418
Depreciation, amortization and other	14,765	10,186
Other adjustments to net income	(1,995)	(860)
Changes in liabilities	12,810	(18,339)
Changes in other operating activities	(17,761)	(14,150)
Total cash flow from operating activities	26,521	(8,036)
Investing Activities		
Purchases of bank premises and equipment	(2,240)	(1,888)
Investments	13,812	(35,102)
Loans	(98,863)	(18,026)
Other cash flows from investing activities	(7,372)	9,706
Total cash flows from investing activities	(94,663)	(45,310)
Financing Activities		
Dividends paid	(4,605)	(4,035)
Sale purchase of stock	-	21,150
Deposits	130,640	(42,324)
Net borrowings	6,293	(4,554)
Other cash flows from financing activities	350	160
Total cash flows from financing activities	132,678	(29,603)
Change in cash and cash equivalents	64,536	(82,949)
Cash and cash equivalents at beginning of period	59,143	142,092
Cash and cash equivalents at end of period	$ 123,679	$ 59,143

Revenue

Total net revenue for the fourth quarter of 2012 was $39.1 million, $11.8 million, or 43.3 percent, higher than the fourth quarter of 2011, reflecting a 46.1 percent increase in net interest income and a 41.6 percent increase in noninterest income. Total net revenue for the full year of 2012 was $127.4 million, $30.0 million, or 30.9 percent, higher than the full year of 2011. The increase in net interest income year-over-year was largely the result of an increase in average earning assets, a change in estimated fair values of the covered loan portfolio, and continued growth in lower cost core deposit funding. Noninterest income increased year-over-year, primarily due to higher mortgage origination revenue, asset management revenue, and retirement recordkeeping revenue.

Net Interest Income

Net interest income in the fourth quarter of 2012 was $15.3 million, compared with $10.5 million in the fourth quarter of 2011, an increase of $4.8 million, or 46.1 percent. During the quarter ended December 31, 2012, 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 reclassified $32.4 million from the non-accretable loan balance to accretable loan balance for purchased non-impaired loans. These reclassifications were primarily the result of increased cash flow estimates resulting from improved loss expectations. This amount recorded in the current quarter reflects an increase of accretable yield of $4.2 million. Remaining accretable discounts on purchased loans after the reclassification is $5.5 million.

Earning assets were $1.1 billion as of December 31, 2012, compared with $1.0 billion as of December 31, 2011, an increase of $111.7 million, or 11.2 percent. The primary driver of the increase in earning assets was an increase in loans, which was offset by a decrease in the investment portfolio. Net interest margin on a tax-equivalent basis in the fourth quarter of 2012 was 5.9 percent, compared with 4.4 percent in the fourth quarter of 2011, and 4.1 percent in the third quarter of 2012. The net effect to fourth quarter 2012 net interest margin on a tax-equivalent basis associated with the change in estimated cash flows on the purchased loan portfolio was 1.6 percent.

Total loans as of December 31, 2012, were $848.2 million, compared to $722.3 million as of December 31, 2011, an increase of $125.9 million, or 17.4 percent. The increases were driven by demand for loans and lines by new and existing credit-worthy borrowers. A cyclical increase in our real estate warehouse line utilized to fund residential mortgages awaiting sale in the secondary market also contributed to the increase in total loans at levels which may vary in the future.

Total investment securities were $263.7 million on December 31, 2012, compared to $277.9 million as of December 31, 2011, a decrease of $14.2 million, or 5.1 percent. The investment securities portfolio contains a concentration of amortizing securities resulting in monthly cash flow of approximately $3.5 million that is currently being rebalanced into the loan portfolio.

Total deposits were $1,115.8 million on December 31, 2012, compared to $985.1 million as of December 31, 2011, an increase of $130.6 million, or 13.3 percent. The growth was the result of growth in Consumer and Small Business Banking deposits along with seasonal increases in public fund deposits. Total time deposits were $253.3 million as of December 31, 2012, compared to $260.5 million as of December 31, 2011, a decrease of $7.2 million, or 2.8 percent. Time deposit rates were adjusted to reflect current market conditions resulting in rate sensitive customers to seek alternative investments.

Covered Asset and Related FDIC Loss Share Indemnification Asset

Assets subject to loss sharing agreements with the FDIC are labeled "covered" on the balance sheet and include certain loans, securities, and other assets. The fair value of the reimbursement the company expected to receive from the FDIC under those agreements was recorded in the FDIC loss share indemnification asset at the date of acquisition on the Consolidated Balance Sheets. The fair value of the FDIC loss share indemnification asset is estimated using a discounted cash flow methodology. The discount rate used in this calculation is determined using a risk-free yield curve plus a premium reflecting the uncertainty related to the timing of cash flows.

Management makes various assumptions and judgments about the collectability of acquired loan portfolios, including the creditworthiness of borrowers and the value of the real estate and other assets serving as collateral for the repayment of secured loans. In an FDIC-assisted transaction, we record a loss share indemnification asset that we consider adequate to absorb future losses which may occur in the acquired loan portfolio. In determining the size of the loss share indemnification asset, we analyze the loan portfolio based on historical loss experience, volume and classification of loans, volume and trends in delinquencies and nonaccruals, local economic conditions, and other pertinent information. If our assumptions are incorrect, our actual losses could be higher than estimated and increased loss reserves may be needed to respond to different economic conditions or adverse developments in the acquired loan portfolio. Any increase in future loan losses could have a negative effect on our operating results. However, in the event expected losses from the covered portfolio were to increase more than originally expected, the related increase in loss reserves would be largely offset by higher than expected indemnity payments from the FDIC.

A change in estimate affected the cash flows on covered loans and the corresponding FDIC indemnification asset. During the quarter ended December 31, 2012, the company impaired the FDIC indemnification asset by $5.1 million. The reason for the impairment was a change in estimate of the cash flows expected to be received from the FDIC.

Noninterest Income

Fourth quarter noninterest income was $23.8 million, $6.2 million, or 35.3 percent, higher than the fourth quarter of 2011, and $3.0 million, or 14.5 percent higher than the third quarter of 2012. Year-over-year noninterest income benefited from a $4.4 million, or 73.7 percent, increase in mortgage origination and loan servicing fees and a $3.0 million, or 38.6 percent, increase in trust income. Mortgage origination volume year to date 2012 is $1.2 billion compared to year to date 2011 volume of $647.7 million. Trust income benefited from the acquisition of PensionTrend, Inc and PensionTrend Investment Advisors on February 1, 2012, which added $720 million to assets under management and administration.

NONINTEREST INCOME

(Dollars in thousands) (Unaudited)	4Q 2012	3Q 2012	4Q 2011	Percentage Change 4Q12 vs 3Q12	Percentage Change 4Q12 vs 4Q11	YTD 2012	YTD 2011	Percentage Change
Trust income	$ 10,891	$ 9,599	$ 8,311	13.5	31.0	$ 39,393	$ 32,157	22.5
Deposit service charges	430	429	414	0.2	3.9	1,626	1,655	(1.8)
Mortgage origination and loan servicing fees	10,268	9,195	5,910	11.7	73.7	32,080	16,240	97.5
Fees, commissions and other	1,953	1,524	3,382	28.1	(42.2)	6,819	7,237	(5.8)
Securities gains (losses)	218	-	-	2,180.0	2,180.0	217	(11)	(2,136.2)
Total noninterest income	$ 23,760	$ 20,747	$ 18,017	14.5	31.9	$ 80,135	$ 57,278	39.9

Noninterest Expense

Total noninterest expense in the fourth quarter of 2012 was $31.3 million, $8.7 million, or 38.4 percent, higher than the fourth quarter of 2011 and $7.0 million, or 28.9 percent, higher than the third quarter of 2012. The increase in total noninterest expense year-over-year was primarily due to higher compensation expense, employee benefits costs, and contracted services. The increase in total noninterest expense on a linked quarter basis was driven by increased compensation expense, employee benefit expense, and other non-interest expense.

Salaries expense in the fourth quarter of 2012 was $14.8 million, $4.1 million, or 38.0 percent, higher than the fourth quarter of 2011, and $1.9 million, or 14.7 percent, higher than the third quarter of 2012. The increase in salary expense was primarily the result of growth in staffing to support business initiatives and mortgage production based commission. Mortgage production based commissions accounted for a substantial portion of this increase. These commissions are variable and tied directly to mortgage production and are not a permanent increase in compensation expense.

Other noninterest expense in the fourth quarter of 2012 was $7.9 million, $5.1 million, or 183.1 percent, higher than the fourth quarter of 2011, and $4.6 million, or 136.3 percent, higher than the third quarter of 2012. The increase in other noninterest expense is the result of higher mortgage origination expenses due to the increased volume of originations, the additional intangible amortization associated with the acquisition of PensionTrend, Inc. and PensionTrend Investment Advisors, and the $5.1 million impairment of FDIC indemnification asset associated with a change in estimated cash flows expected to be received from the FDIC as described above under the section titled "Covered Asset and Related FDIC Loss Share Indemnification."

The company acquired ten companies since 2002 for an aggregate purchase price of $23.5 million in excess of book value creating identified intangible assets on the balance sheet. These identified intangible assets amortize and are reporting in other noninterest expense. The amortization schedules vary based on the type and quality of the acquisition. The unamortized balance sheet value as of December 31, 2012 is $12.6 million and will fully amortize by September 30, 2017. The amortization expense for 2012 was $3.3 million, $1.3 million, or 65.0 percent, higher than 2011.

NONINTEREST EXPENSE

(Dollars in thousands) (Unaudited)	4Q 2012	3Q 2012	4Q 2011	Percentage Change 4Q12 vs 3Q12	Percentage Change 4Q12 vs 4Q11	YTD 2012	YTD 2011	Percentage Change
Salaries	$ 14,820	$ 12,916	$ 10,740	14.7	38.0	$ 49,072	$ 36,359	35.0
Employee benefits	2,346	2,638	2,026	(11.1)	15.8	10,302	8,805	17.0
Net occupancy expense	1,010	1,090	951	(7.3)	6.2	4,189	4,112	1.9
Furniture and equipment expense	959	779	833	23.1	15.1	4,147	3,698	12.1
Marketing and business development	965	715	1,601	35.0	(39.7)	3,051	5,623	(45.7)
Supplies, telephone and postage	907	683	680	32.8	33.4	3,148	2,809	12.1
FDIC insurance	196	302	214	(35.1)	(8.4)	893	1,264	(29.3)
Professional fees- legal, audit and consulting	597	281	1,347	112.5	(55.7)	1,894	2,889	(34.4)
Correspondent and other contracted services	1,563	1,512	1,416	3.3	10.4	5,668	5,323	6.5
Other noninterest expenses	7,912	3,348	2,794	136.3	183.2	15,865	5,858	170.8
Total noninterest expenses	$ 31,275	$ 24,265	$ 22,602	28.9	38.4	$ 98,229	$ 76,740	28.0

Capital

Total common shareholder equity was $122.9 million at December 31, 2012, compared to $119.1 million at September 30, 2012, and $107.3 million at December 31, 2011. Total equity was $142.9 at December 31, 2012, compared to $139.1 million at September 30, 2012, and $127.3 million at December 31, 2011. Included in total 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 Tier 1 capital ratio was 13.0 percent at December 31, 2012, compared with 13.1 percent at September 30, 2012, and 13.7 percent at December 31, 2011. The tangible common equity to tangible assets ratio was 8.2 percent on December 31, 2012, compared with 8.6 percent on September 30, 2012, and 8.3 percent on December 31, 2011. The tangible common equity to risk-based assets was 11.2 percent at December 31, 2012, compared with 11.2 percent at September 30, 2012, and 11.5 percent at December 31, 2011. All regulatory ratios continue to be in excess of "well-capitalized" requirements. Dividends on common shares year-to-date 2012 were $0.94 per share or $4.2 million, compared to year-to-date 2011 dividends of $0.89, or $3.9 million, an increase of 0.3 million, or 7.7 percent.

On November 5, 2012, the company successfully completed the purchase of 36,129 shares (0.8 percent) of its common stock through a tender offer to all of its shareholders. Pursuant to the terms of the tender offer, the final price per share was $31.14, resulting in an aggregate purchase price of $1.1 million. As provided for in the tender offer, the company assigned the right to purchase the tendered shares to the company's employee stock ownership plan (ESOP). As a result, the company was able to provide an opportunity for shareholders to sell their shares without reducing its total capital or number of outstanding shares, preserving capital to support the company's operations and strategic objectives.

CAPITAL POSITION

(Dollars in thousands) (Unaudited)	Dec 31 2012	Sept 30 2012	Jun 30 2012	Mar 31 2011	Dec 31 2011
Total shareholders' equity	$ 142,894	$ 139,095	$ 134,139	$ 129,722	$ 127,250
Common shareholders' equity	122,894	119,095	114,139	109,722	107,250
Preferred shareholders' equity	20,000	20,000	20,000	20,000	20,000
*Tier 1 capital	124,456	119,312	114,055	109,245	113,442
*Total risk-based capital	136,470	130,774	125,762	119,968	123,839
*Tier 1 capital ratio	13.0%	13.1%	12.2%	12.8%	13.7%
*Total risk-based capital ratio	14.2%	14.3%	13.5%	14.1%	14.9%
*Leverage ratio	10.1%	10.1%	9.9%	9.4%	9.9%
Tangible common equity to tangible assets	8.2%	8.6%	8.2%	7.7%	8.3%
Tangible common equity to risk-weighted assets	11.2%	11.2%	10.3%	10.7%	11.5%

*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 $15.1 million at December 31, 2012, compared with $15.1 million at September 30, 2012, and $12.8 million at December 31, 2011. Total net charge-offs in the fourth quarter of 2012 were a net recovery of $28.1 thousand, compared with a net recovery of $166.8 thousand in the third quarter of 2012, and net charge-offs of $98.0 thousand in the fourth quarter of 2011. 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 declined from a year ago and was stable on a linked quarter basis. The provision for credit losses was $0.0 for the fourth quarter of 2012, $0.0 for the third quarter of 2012, and $1.1 million for the fourth quarter of 2011. Year to date provision for credit losses for 2012 was 833 thousand compared to $4.4 million in 2011.

Nonperforming assets at December 31, 2012 totaled $17.0 million, compared with $18.3 million at September 30, 2012, and $25.0 million at December 31, 2011. Total nonperforming assets at December 31, 2012 included $11.5 million of assets covered under loss sharing agreements with the FDIC that substantially reduce the risk of credit losses to the company. The ratio of nonperforming assets to loans and other real estate was 2.0 percent (0.7 percent excluding covered assets) at December 31, 2012, compared with 2.3 percent (0.9 percent excluding covered assets) at September 30, 2012, and 3.4 percent (1.3 percent excluding covered assets) at December 31, 2011. The decrease in nonperforming assets, excluding covered 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 197.6 percent (508.8 percent excluding covered loans) at December 31, 2012, compared with 176.9 percent (336.7 percent excluding covered loans) at September 30, 2012, and 98.3 percent (197.2 percent excluding covered loans) at December 31, 2011.

ASSET QUALITY

(Dollars in thousands)

(Unaudited) **Non Performing Loans**	Dec 31 2012	Sept 30 2012	Jun 30 2012	Mar 31 2011	Dec 31 2011
Commercial:					
Commercial	$ 1,742	$ 2,517	$ 2,766	$ 2,928	$ 3,021
Commercial real estate	1,025	1,593	1,938	3,342	3,277
Total commercial	2,767	4,110	4,704	6,271	6,298
Consumer:					
Residential mortgages	201	365	533	575	205
Other consumer	-	-	-	-	-
Total consumer	201	365	533	575	205
Total nonperforming loans, excluding covered loans	$ 2,968	$ 4,475	$ 5,237	$ 6,846	$ 6,503
Covered loans	4,675	4,042	4,263	7,129	6,542
Total nonperforming loans	$ 7,643	$ 8,517	$ 9,500	$ 13,975	$ 13,045
Other real estate	2,603	2,920	2,925	2,866	2,866
Covered other real estate	6,783	6,868	7,359	7,243	9,050
Other nonperforming assets	19	10	1	0	20
Total nonperforming assets	$ 17,049	$ 18,315	$ 19,784	$ 24,084	$ 24,980
Total nonperforming assets, excluding covered assets	$ 5,591	$ 7,405	$ 8,163	$ 9,712	$ 9,389
Accruing loans 90 days or more past due, excluding covered loans	$ 96	$ 140	$ 225	$ 267	$ 419
Accruing loans 90 days or more past due	$ 637	$ 140	$ 368	$ 2,175	$ 419
Nonperforming assets to loans plus ORE, excluding covered assets	0.7%	0.9%	1.0%	1.3%	1.3%
Nonperforming assets to loans plus ORE	2.0%	2.3%	2.7%	3.3%	3.4%
Allowance for loan losses	$ 15,101	$ 15,066	$ 14,914	$ 14,577	$ 12,826
Allowance for loan losses to total nonperforming loans, excluding covered loans	508.8%	336.7%	284.8%	212.9%	197.2%
Allowance for loan losses to total nonperforming loans	197.6%	176.9%	157.0%	104.3%	98.3%

About Alerus Financial Corporation

Alerus Financial Corporation is a diversified financial services company providing commercial and consumer banking, residential mortgage, insurance, trust, securities brokerage, investment advisory, and retirement plan administration, recordkeeping and advisory products and services, through its wholly owned subsidiary bank, Alerus Financial, N.A., and its affiliates Alerus Investment Advisors Corporation and Alerus Securities Corporation, with banking offices in North Dakota's Red River Valley, Minnesota's Twin Cities, and Scottsdale, Arizona.

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 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. Continued 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; 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, and liquidity risk.

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.