

**ALERUS FINANCIAL
CORPORATION**
INSIDER TRADING POLICY

Effective June 1, 2012
Revised November 14, 2016



This Insider Trading Policy provides the standards of Alerus Financial Corporation (the "**Company**") on trading and causing the trading of the Company's securities or securities of other publicly-traded companies while in possession of confidential information. This policy is divided into two parts. Part I prohibits trading in certain circumstances and applies to all directors, officers and employees of the Company, and other persons who are in a Special Relationship with the Company, as defined in Part I, Section 1 below ("**Other Special Persons**"). Part II imposes special additional trading restrictions and applies to all (i) directors of the Company and its subsidiaries, (ii) officers of the Company and its subsidiaries at the level of Senior Vice President and above and (iii) the employees listed on Appendix A (collectively, "**Covered Persons**").

One of the principal purposes of the federal securities laws is to prohibit so-called "insider trading." Simply stated, insider trading occurs when a person uses material non-public information obtained through involvement with the Company to make decisions to purchase, sell, give away or otherwise trade the Company's securities or the securities of customers, or to provide that information to others outside the Company. The prohibitions against insider trading apply to trades, tips and recommendations by virtually any person, including all persons associated with the Company, if the information involved is "material" and "non-public." These terms are defined in this Policy under Part I, Section 3 below. The prohibitions would apply to any director, officer or employee who buys or sells stock on the basis of material non-public information that he or she obtained about the Company, its customers, suppliers, or other companies with which the Company has contractual relationships or may be negotiating transactions.

PART I

1. APPLICABILITY

This Policy applies to all transactions in the Company's securities, including common stock, options and any other securities that the Company may issue, such as preferred stock, notes, bonds and convertible securities, as well as to derivative securities relating to any of the Company's securities, whether or not issued by the Company. Part I of this Policy also applies to all transactions in the securities of any customer of the Company or its subsidiaries. As further described below, entering into a transaction as well as a decision to terminate, rescind or amend a transaction may constitute a transaction in securities for purposes of this Policy.

This Policy applies to all employees of the Company and its subsidiaries, all officers of the Company and its subsidiaries and all members of the board of directors of the Company and its subsidiaries. This policy also applies to other persons who are in a Special Relationship with respect to the Company. Persons in a "**Special Relationship**" may include the Company's auditors, attorneys, investment bankers and consultants; former officers, directors or employees of the Company or its subsidiaries who acquired material non-public information while affiliated with the Company, and any person who acquires material non-public information from an officer, director or employee of the Company or its subsidiaries or from any other person in a Special Relationship with the Company, such as a partner, spouse, relative or anyone living under the same roof as one of the foregoing persons, if they knew or reasonably ought to have known of the relationship of the person providing the information to the Company. (The terms "material" and "non-public" are defined in Part I, Section 3(a) and (b) below.)



2. GENERAL POLICY: NO TRADING OR CAUSING TRADING DURING QUARTERLY BLACKOUT PERIODS OR WHILE IN POSSESSION OF MATERIAL NON-PUBLIC INFORMATION

(a) No director, officer, employee or Other Special Person may purchase or sell any Company security, whether or not issued by the Company, while in possession of material non-public information about the Company. No director, officer, employee or Other Special Person may terminate, rescind or amend an order to purchase or sell any Company security while in possession of material non-public information about the Company if such order to purchase or sell was entered into prior to receipt of such material non-public information and in accordance with this Policy.

(b) Trading in the Company's securities by directors, officers, or employees is prohibited during the period beginning at the close of the market on sixth trading day prior to the end of each fiscal quarter and ending at the close of business on second trading day following the date the Company's financial results are publicly disclosed pursuant to a written quarterly or annual earnings release (each a **"Quarterly Blackout Period"**). During these periods, directors and officers are presumed to possess and other Company employees have an increased likelihood of possessing material non-public information about the Company's financial results. Directors, officers, or employees are permitted to trade in the Company's securities when no Quarterly Blackout Period is in effect. Generally this means that these persons can trade during the period beginning on the day that a Quarterly Blackout Period ends and ending on the day that the next Quarterly Blackout Period begins. However, even during this trading window, a director, officer, or employee who is in possession of any material non-public information should not trade in the Company's securities until the information has been made publicly available or is no longer material. In addition, the Company may close this trading window for Covered Persons if a Special Blackout Period under Part II, Section 1(a) below is imposed and will re-open the trading window once the Special Blackout Period has ended. Directors, officers, or employees are further cautioned that, given the limited trading volume in the Company's stock, large orders to purchase or sell securities may remain outstanding for a significant period of time that may include a future blackout period or during which other material non-public information becomes available and that any termination, rescission or amendment of such an outstanding order may then be deemed a violation of insider trading laws. As a result, a director, officer, or employee may wish to consider adoption of an Approved 10b5-1 Plan for any large or long term securities transactions, as further described in Part II, Section 1(b) below.

(c) No director, officer, employee or Other Special Person who knows of any material non-public information about the Company may communicate that information to any other person, including family and friends.

(d) In addition, no director, officer, employee or Other Special Person may purchase or sell any security of any other company, whether or not issued by the company, while in possession of material non-public information about that company that was obtained in the course of his or her involvement with the Company or its subsidiaries. No director, officer, employee or Other Special Person who knows of any such material non-public information may communicate that information to any other person, including family and friends.

(e) For compliance purposes, you should never trade, tip or recommend securities (or otherwise cause the purchase or sale of securities) while in possession of information that you have reason to believe is material and non-public unless you first consult with, and obtain the advance approval of, the Compliance Officer (which is defined in Part I, Section 3(c) below).



(f) Covered Persons must "pre-clear" all trading in securities of the Company in accordance with the procedures set forth in Part II, Section 2 below.

(g) These restrictions apply to transactions for a person's own account as well as transactions where a person subject to this policy (i) provides investment advice to or (ii) has investment control or authority over securities held by or for the account of any company, trust, other entity or person.

3. DEFINITIONS

(a) Materiality. Insider trading restrictions come into play only if the information you possess is "material." Materiality, however, involves a relatively low threshold. Information is generally regarded as "material" if it has market significance, that is, if its public dissemination is likely to affect the market price of securities, or if it otherwise is information that a reasonable investor would want to know before making an investment decision.

Information dealing with the following subjects is reasonably likely to be found material in particular situations:

- (i) significant changes in the Company's prospects;
- (ii) significant charge-offs or write-downs in assets or increases in reserves;
- (iii) developments regarding significant litigation or government agency investigations;
- (iv) liquidity problems;
- (v) changes in earnings estimates or unusual gains or losses in major operations;
- (vi) major changes in management;
- (vii) changes in dividends;
- (viii) extraordinary borrowings;
- (ix) award or loss of a significant contract;
- (x) changes in debt ratings;
- (xi) proposals, plans or agreements, even if preliminary in nature, involving mergers, acquisitions, divestitures, recapitalizations, strategic alliances, licensing arrangements, or purchases or sales of substantial assets;
- (xii) public offerings, private placements, tender offers or share repurchase plans; and
- (xiii) pending statistical reports (such as, consumer price index, money supply and retail figures, or interest rate developments).

Material information is not limited to historical facts but may also include projections and forecasts. With respect to a future event, such as a merger, acquisition or introduction of a new product, the point at which negotiations or product development are determined to be material is determined by balancing the probability that the event will occur against the magnitude of the effect the event would have on a company's operations or stock price should it occur. Thus, information concerning an event that would have a large effect on stock price, such as a merger, may be material even if the possibility that the event will occur is relatively small. When in doubt about whether particular non-public information is material, presume it is material. **If you are unsure whether information is material, you should consult the Compliance Officer before making any decision to disclose such information (other than to persons who need to know it) or to trade in or recommend securities to which that information relates.**

(b) Non-public Information. Insider trading prohibitions come into play only when you possess information that is material and "non-public." The fact that information has been disclosed to a few



members of the public does not make it public for insider trading purposes. To be "public" the information must have been disseminated in a manner designed to reach investors generally, and the investors must be given the opportunity to absorb the information. Even after public disclosure of information about the Company, you must wait until the close of business on the second trading day after the information was publicly disclosed before you can treat the information as public.

Non-public information may include:

- (i) information available to a select group of analysts or brokers or institutional investors;
- (ii) (ii) undisclosed facts that are the subject of rumours, even if the rumours are widely circulated; and
- (iii) information that has been entrusted to the Company or its subsidiaries on a confidential basis, such as information provided in borrower loan applications, financial statements and covenant compliance certificates, until a public announcement of the information has been made and enough time has elapsed for the market to respond to a public announcement of the information (normally two or three days).

As with questions of materiality, if you are not sure whether information is considered public, you should either consult with the Compliance Officer or assume that the information is "non-public" and treat it as confidential.

(c) Compliance Officer. The Company has appointed the General Counsel as the Compliance Officer for this Policy. The duties of the Compliance Officer include, but are not limited to, the following:

- (i) assisting with implementation of this Policy;
- (ii) circulating this Policy to all officers, directors and employees and ensuring that this Policy is amended as necessary to remain up-to-date with insider trading laws;
- (iii) pre-clearing all trading in securities of the Company by Covered Persons in accordance with the procedures set forth in Part II, Section 3 below; and
- (iv) providing approval of any transactions under Part II, Section 2 below.

4. VIOLATIONS OF INSIDER TRADING LAWS

Penalties for trading on or communicating material non-public information can be severe, both for individuals involved in such unlawful conduct and their employers and supervisors, and may include jail terms, criminal fines, civil penalties and civil enforcement injunctions. Given the severity of the potential penalties, compliance with this Policy is absolutely mandatory.

(a) Legal Penalties. A person who violates insider trading laws by engaging in transactions in a company's securities when he or she has material non-public information can be sentenced to a substantial jail term and required to pay a penalty of several times the amount of profits gained or losses avoided.

In addition, a person who tips others may also be liable for transactions by the tippers to whom he or she has disclosed material non-public information. Tippers can be subject to the same penalties and sanctions as the tippers, and the SEC has imposed large penalties even when the tipper did not profit from the transaction.

The SEC can also seek substantial penalties from any person who, at the time of an insider trading violation, "directly or indirectly controlled the person who committed such violation," which would apply to the Company and/or management and supervisory personnel. These control persons may be held liable for up to the greater of \$1 million or three times the amount of the profits gained or



losses avoided. Even for violations that result in a small or no profit, the SEC can seek a minimum of \$1 million from a company and/or management and supervisory personnel as control persons.

(b) Company-imposed Penalties. Employees who violate this Policy may be subject to disciplinary action by the Company, including dismissal for cause. Any exceptions to the Policy, if permitted, may only be granted by the Compliance Officer and must be provided before any activity contrary to this Policy takes place.



PART II

1. SPECIAL BLACKOUT PERIODS AND 10b5-1 PLAN EXCEPTIONS

(a) Special Blackout Periods. In addition to Quarterly Blackout Periods, Covered Persons are also prohibited from trading in the Company's securities during other blackout periods that might be imposed from time to time (each a "Special Blackout Period"). From time to time, other types of material non-public information regarding the Company (such as negotiation of mergers, acquisitions or dispositions or new product developments) may be pending and not be publicly disclosed. While such material non-public information is pending, the Company may impose Special Blackout Periods during which Covered Persons are prohibited from trading in the Company's securities. If the Company imposes a Special Blackout Period, it will notify the Covered Persons affected.

(b) 10b5-1 Plan Exception. Quarterly Blackout and Special Blackout trading restrictions do not apply to transactions under a pre-existing written plan, contract, instruction, or arrangement under Rule 10b5-1 (an "**Approved 10b5-1 Plan**") that:

- (i) has been reviewed and approved at least one month in advance of any trades thereunder by the Compliance Officer (or, if revised or amended, such revisions or amendments have been reviewed and approved by the Compliance Officer at least one month in advance of any subsequent trades);
- (ii) was entered into in good faith at a time when the Covered Person or other Company employee was not in possession of material non-public information about the Company; and
- (iii) gives a third party the discretionary authority to execute such purchases and sales, outside the control of the Covered Person or other Company employee, so long as such third party does not possess any material non-public information about the Company; or explicitly specifies the security or securities to be purchased or sold, the number of shares, the prices and/or dates of transactions, or other formula(s) describing such transactions.

2. PRE-CLEARANCE OF SECURITIES TRANSACTIONS

(a) Because Covered Persons are likely to obtain material non-public information on a regular basis, the Company requires all such persons to refrain from trading, even during a trading window under Part II, Section 2 above, without first pre-clearing all transactions in the Company's securities.

(b) Subject to the exemption in subsection (d) below, no Covered Person may, directly or indirectly, purchase or sell (or otherwise make any transfer, gift, pledge or loan of) any Company security at any time without first obtaining prior approval from the Compliance Officer. These procedures also apply to transactions by such person's spouse, other persons living in such person's household and minor children and to transactions by entities over which such person exercises control.

(c) The Compliance Officer shall record the date each request is received and the date and time each request is approved or disapproved. Unless revoked, a grant of permission will normally remain valid until the close of trading two business days following the day on which it was granted. If the trade order is not placed during the two-day period, pre-clearance of the transaction must be re-requested.

(d) Pre-clearance is not required for purchases and sales of securities under an Approved 10b5-1 Plan. With respect to any purchase or sale under an Approved 10b5-1 Plan, the third party effecting



transactions on behalf of the Covered Person should be instructed to send duplicate confirmations of all such transactions to the Compliance Officer.

3. PROHIBITED TRANSACTIONS

(a) Directors and executive officers of the Company and its subsidiaries are prohibited from trading in the Company's equity securities during a blackout period imposed under an "individual account" retirement or pension plan of the Company, during which at least 50% of the plan participants are unable to purchase, sell or otherwise acquire or transfer an interest in equity securities of the Company, due to a temporary suspension of trading by the Company or the plan fiduciary.

(b) A Covered Person, including such person's spouse, other persons living in such person's household and minor children and entities over which such person exercises control, is prohibited from engaging in the following transactions in the Company's securities unless advance approval is obtained from the Compliance Officer:

- (i) Short-term trading. Covered Persons who purchase Company securities may not sell any Company securities of the same class for at least six months after the purchase;
- (ii) Short sales. Covered Persons may not sell the Company's securities short;
- (iii) Options trading. Covered Persons may not buy or sell puts or calls or other derivative securities on the Company's securities;
- (iv) Trading on margin. Covered Persons may not hold Company securities in a margin account or pledge Company securities as collateral for a loan; and
- (v) Hedging. Covered Persons may not enter into hedging or monetization transactions or similar arrangements with respect to Company securities.

4. ACKNOWLEDGMENT AND CERTIFICATION

All Covered Persons are required to sign the attached acknowledgment and certification.



ACKNOWLEDGMENT AND CERTIFICATION

The undersigned does hereby acknowledge receipt of the Company's Insider Trading Policy. The undersigned has read and understands (or has had explained) such Policy and agrees to be governed by such Policy at all times in connection with the purchase and sale of securities and the confidentiality of non-public information.

Date: _____

(Signature)

(Please print name)



APPENDIX A

ADDITIONAL COVERED PERSONS

Members of the Alerus Financial Leadership Council
Members of the Alerus Financial, N.A. ALCO Committee
Members of the Alerus Financial, N.A. SCS Committee
Members of the Alerus Financial, N.A. ERM Management Committee
Assistant Controller
Senior Financial Analysts
Controller, Alerus Mortgage
Staff Accountant