

**ALERUS FINANCIAL
CORPORATION**
CODE OF ETHICS POLICY AND
CONFLICTS OF INTEREST POLICY

February 23, 2017



I. INTRODUCTION

This Code of Ethics and Conflicts of Interest Policy (this “Policy”) reflects the corporate policies relating to the business conduct of all employees, officers (collectively, “associates”) and directors, as indicated, of Alerus Financial Corporation (the “Company”) and Alerus Financial, N.A. (the “Bank”), including affiliates thereof (collectively, “Alerus Financial”).

Public confidence in Alerus Financial’s operations and condition is a key element in attracting and maintaining customers and shareholders. Abusive or self-serving insider transactions can deprive Alerus Financial of higher returns or gains that may have been achieved had the same transactions been conducted on an arms-length basis. Accordingly, Alerus Financial must have a reputation for honesty and integrity. These principles require that directors and associates of Alerus Financial act in a manner that will ensure:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- avoidance of conflicts of interest, including disclosure to an appropriate person or person identified in this Policy of any material transaction or relationship that reasonably could be expected to give rise to such a conflict;
- compliance with applicable governmental laws, rules and regulations; and
- prompt reporting of violations of this Policy to:
 - General Counsel: Scott Fenske 612.436.3517 or scott.fenske@alorus.com
 - Audit Committee Chairperson, Galen Vetter 612.222.8001 or galenvetter@gmail.com; or
 - Pursuant to the Company’s Whistle Blower Procedure,Unless another contact is specifically provided for in this Policy.

Violations requiring anonymity should be reported using one of the following Anonymous Reporting Hotline methods:

Toll Free – Telephone

- 844.640.0006 (English speaking, USA)
- 800.216.1288 (Spanish speaking, USA)
- 01.800.681.5340 (Spanish speaking, Mexico)
- 855.725.0002 (French speaking, Canada)

Website

- www.lighthouse-services.com/alorus

Email (include company name with report)

- reports@lighthouse-services.com

Fax (include company name with report)

- 215.689.3885

This Policy is designed to assist Alerus Financial in avoiding both the existence and the appearance of conflicts of interest and breaches of fiduciary duties with respect to directors and associates of Alerus Financial. Failure to comply with this Policy may result in disciplinary action, including termination of employment. It should be noted that this Policy does not summarize or address all ethical questions that may arise. Rather, it is designed to increase the awareness of Alerus Financial



directors and associates regarding their ethical obligations relating to business transactions conducted with customers or themselves. Further, this Policy will provide a mechanism for Alerus Financial directors and associates to seek guidance and/or provide disclosure of ethical or conflicts of interest matters.

II. CONFLICTS OF INTEREST

Alerus Financial directors and associates are expected to recognize and avoid situations in which a conflict of interest exists or may exist. Even the appearance of a legal or ethical impropriety may have an adverse effect on the business reputation of Alerus Financial. If there is reasonable doubt about what action may be appropriate, Alerus Financial directors and associates are encouraged to seek guidance in accordance with this Policy.

A “conflict of interest” exists whenever an individual’s private interests interfere or conflict in any way (or even appear to interfere or conflict) with the interests or duties of Alerus Financial. A conflict situation can arise when a director or associate takes actions or has interests that may make it difficult to perform his or her duties objectively and effectively. Conflicts of interest may also arise when a director or associate, or members of his or her family, receives improper personal benefits as a result of his or her position in Alerus Financial, whether received from Alerus Financial or a third party. For example, directors and associates are not permitted to make discretionary decisions (such as approve extensions of credit or overdrafts or waive service charges or late fees) on behalf of themselves, their relatives (spouses, siblings, ancestors and/or descendants), or organizations where they hold a material management or financial interest. A conflict of interest may also exist when directors and associates, including their relatives, have an ownership or managerial interest in an entity that does business or is solicited to do business with Alerus Financial that can influence their decision or cloud their judgment when exercising their respective responsibilities to Alerus Financial.

Other examples of conflicts of interest include:

- owning a material financial interest in a competitor of Alerus Financial or an entity that does business or seeks to do business with Alerus Financial;
- being employed by, performing services for, serving as an officer of, or serving on the board of directors of any such entity;
- making an investment that could compromise one’s ability to perform his or her duties to Alerus Financial; or
- having an immediate family member who engages in any of the activities identified above.

Trust & Fiduciary Relationships: Alerus Financial enters into customer relationships in which it has a fiduciary responsibility to a customer or others, such as benefit plan participants or trust beneficiaries. This occurs most often through activities of the trust department, Alerus Retirement and Benefits and Alerus Securities, but may also arise in other business areas. When such fiduciary relationships exist, Alerus Financial and its associates must not place themselves in a position where their judgment concerning the performance of such fiduciary duties may be influenced by the receipt of financial benefits based on the performance of those duties or advice given, such as selecting a particular investment.

Associates are prohibited from directly or indirectly receiving any financial benefits, including discounts or rebates on goods or services purchased, or other items of value from a third party, in exchange for making an investment decision on behalf of a customer. Examples of financial



incentives from investment management firms that sponsor mutual funds or their investment funds are: (i) discounts or rebates on fees paid for other products or services purchased by the Company from those same firms or from a third party pursuant to an agreement with the investment management firm (such as accounting and administrative services), (ii) computer goods or services, (iii) seminars and travel expenses for Company personnel in connection with programs offered by, or sponsored by the investment fund sponsors, or (iv) any other financial benefit in exchange for investing trust funds in particular money market or mutual funds. There are circumstances in which Alerus Financial may receive such financial incentives, such as instances where an independent fiduciary makes an investment decision after disclosure of the incentive or where incentives are used to offset or reduce fees otherwise payable by the customer to Alerus Financial or a third party service provider.

Customer Referrals: Associates may be requested by customers and the general public to provide a referral to professional services, such as attorneys, certified public accountants, and real estate agents. Associates may, when approved by management, recommend several qualified sources from which the customer can select. Associates should not make any adverse or negative comments regarding other outside professionals when making referrals. If an associate cannot give a positive recommendation regarding the outside professional, the associate should indicate to the customer that the associate has no recommendation to give regarding the particular professional. If an associate does make a positive referral, it should be limited to a statement that the employee or director has heard good comments regarding the professional, but cannot make any specific referrals or endorsements. If a referral is made to a professional that has a personal, professional or business relationship with Alerus Financial or the director or associate, the relationship should be disclosed when making the referral. If a director is asked to make a referral in his or her capacity as a director of Alerus Financial, the director should also comply with the policy described above.

General Disclosure: If you are a director or associate of Alerus Financial and you, or someone with whom you have a personal or business relationship, have an interest in a matter or transaction before the board of directors or any committee of directors or officers of Alerus Financial, you must disclose to the board or committee all material non-privileged information relevant to the decision on the matter or transaction, including the existence, nature and extent of your interests and the facts known to you regarding the matter or transaction under consideration. In addition, although in connection with your disclosure you should respond to any inquiries presented, you must otherwise refrain from participating in the discussion of the matter or transaction and refrain from any attempt to influence the decision of any individual with respect to the matter or transaction and, if you would generally participate in the decision making, you must recuse yourself from voting on the matter or transaction. The results of board deliberations on any matter involving a potential conflict of interest should be clearly noted in the meeting minutes.

Further, directors or associates who become aware that a conflict of interest exists or may exist should immediately report the circumstances involving the transaction or business activity to the General Counsel or Audit Committee Chair.

This Policy is not intended to prevent or restrict a director or associate from entering into an arms-length business transaction with any party or any other business transaction in which the director or associate is not acting on behalf of Alerus Financial. However, directors and associates should resolve doubt as to whether a proposed transaction is arms-length or whether it may involve a conflict or the appearance of a conflict of interest by disclosing the proposed transaction to the General Counsel or appropriate supervisor.



III. INSIDER LOANS AND OTHER TRANSACTIONS

Any Alerus Financial loan or other transaction in which an “insider” (an executive officer, director, principal stockholder, or any of their related interests) is involved will be scrutinized by the board of directors of the Company or the Bank, as applicable. Such loans or other transactions should not be preferential, especially with respect to interest rate and collateral terms, and should not involve more than a normal risk of repayment. In addition, such loans or other transactions should be sound in every respect and be in full compliance with applicable laws and regulations and Alerus Financial’s loan and compliance policies.

In addition, Alerus Financial and all directors and associates shall comply with Sections 23A and 23B of the Federal Reserve Act and Regulation W regarding affiliate transactions. These provisions impose individual and aggregate percentage of capital ceilings on the dollar amount of affiliate transactions, establish rules for ensuring arms-length dealings, preclude acquisitions of low-quality assets from affiliates, impose detailed collateralization requirements for affiliate credit transactions and prohibit certain types of activities.

IV. CORPORATE OPPORTUNITY

If you are a director or associate of Alerus Financial, or have the power to direct its management or policies, or otherwise owe a fiduciary duty to Alerus Financial, you must not take advantage of corporate opportunities belonging to Alerus Financial. A corporate opportunity belongs to Alerus Financial if the opportunity is within the corporate powers of Alerus Financial and the opportunity is of present or potential practical advantage to Alerus Financial. Alerus Financial may reject a corporate opportunity if, after receiving a full and fair presentation of the matter, a disinterested and independent majority of the board rejects the opportunity as a matter of sound business judgment.

V. BANK BRIBERY ACT

Because Alerus Financial’s reputation for integrity is one of its most valuable assets, Alerus Financial takes very seriously its requirements under the Bank Bribery Act. The Bank Bribery Act generally prohibits any employee, officer, director, agent or attorney of Alerus Financial: (i) from soliciting for themselves or for a third party (other than Alerus Financial itself) anything of value from anyone in return for any business, service or confidential information of Alerus Financial; and (ii) from accepting anything of value (other than bona fide salary, wages and fees as described in the Bank Bribery Act) from anyone in connection with the business of Alerus Financial, either before or after a transaction is discussed or consummated. In addition, Alerus Financial representatives may not self-deal or otherwise trade on their positions with Alerus Financial or accept from someone doing or seeking to do business with Alerus Financial a business opportunity not available to other persons or that is made available because of such representative’s position with Alerus Financial.

There are certain exceptions to the general rule, above, regarding the acceptance of gifts, which include, but are not limited to, the following:

- the acceptance of gifts that do not create a sense of obligation and the value of the gift does not exceed a nominal value (nominal value is considered to be anything below \$100 and which can be consumed within one day from any one person or entity);
- the gift is offered and accepted based on a family or personal relationship, independent of any business activity of Alerus Financial;
- the benefit is available to the general public under the same conditions; or



- the gift would be paid for by Alerus Financial as a reasonable business expense if another party did not pay.

Common examples of permissible exceptions include the acceptance of:

- meals, gratuities, amenities, or favors based on obvious family or personal relationships where it is clear that it was the relationship and not the business activity that was the motivating factor;
- meals, refreshments, travel arrangements, accommodations, or entertainment of a reasonable value during the course of a business meeting or other occasion in an effort to foster better business relations. In this example, the expense should be one that Alerus Financial would pay for as a reasonable business expense if not paid by another party;
- loans from other banks or financial institutions on customary terms to finance proper and usual personal or business investment activities of bank officials, such as home mortgages, educational loans, credit cards, investment lines of credit, and business loans, except where prohibited by law;
- advertising or promotional material, including pens, pencils, note pads, key chains, calendars and similar items;
- discounts or rebates from customers on merchandise or services that do not exceed those available to other customers under similar circumstances;
- gifts of reasonable value related to commonly recognized events or occasions such as a promotion, new job, wedding, retirement, Christmas, or bar or bat mitzvah;
- civic, charitable, educational, or religious organizational awards for the recognition of service and accomplishments; or
- other benefits or items approved by the Chief Compliance Officer or General Counsel.

In accordance with this Policy, directors and associates must report to the Chief Compliance Officer when they receive anything of value for their benefit that is reasonably beyond that permitted by this Policy. This may also include the acceptance of a gift or anything of value where the acceptance is clearly an attempt to improperly influence the performance of the individual's duties. Gifts that create a sense of obligation should be returned to the sender.

VI. CONFIDENTIAL INFORMATION

Corporate and Customer Information: Much of Alerus Financial's business activity is extremely confidential. Directors and associates must not disclose any confidential information entrusted to them by Alerus Financial, a customer of Alerus Financial or any other party with whom Alerus Financial does business, to any third party, except when disclosure is authorized by an appropriate officer of Alerus Financial or required by laws, regulations or legal proceedings. Such information includes, among other things, customer information, including the business activities of customers and/or former customers, which is not known to the general public and is learned as a result of the banking relationship, information relating to proposed, ongoing or completed transactions of Alerus Financial, trade secrets, confidential financial information of Alerus Financial and business plans. Unless otherwise directed, directors and associates should treat this information as confidential, privileged and proprietary at all times during and following their employment. Individuals in possession of confidential information must also act in accordance with Alerus Financial's Customer Information and Insider Trading Policies and applicable laws and regulations regarding the disclosure, use and protection of customer information.



Regulatory Examinations: The contents and results of federal and state bank regulatory examinations must be held in strict confidence. Such information may not be publicly divulged or discussed.

Use of Confidential Information: Associates may not use Alerus Financial confidential information for any private investment matter, personal gain, or for the benefit of a subsequent employer.

Release of Information: Requests received for information regarding current or former directors or associates must be referred to the Human Resources Director or General Counsel. Inquires received for information relating to customer or former customer accounts or in connection with a specific business transaction(s) must be forwarded to the Chief Compliance Officer or General Counsel. Associates authorized to release such information may do so upon the consent of the individual customer involved or as permitted by law. Frequently, tax authorities, law enforcement agencies or others involved in litigation will seek confidential information about a customer or former customer's account. Such information shall not be released unless it has first been approved by an individual designated by Alerus Financial to review such legal inquires (administrative subpoena/summons, search warrants, judicial subpoenas). The designated individual shall not release information or financial records of a customer or former customer's account(s) unless the appropriate legal process has been received and the release of information has been authorized in accordance with applicable laws.

Directors and associates may not respond to inquiries from outside media companies, consumer groups, or other organizations about the business activities of Alerus Financial. Any such inquiries shall be referred directly to designated individuals authorized to provide responses to such inquiries.

Restrictions on the Use of Information: Associates may access personal or financial information about a customer or former customer if a legitimate business need to know the information exists, and only then, in a prudent manner. The information may only be used for legitimate banking purposes, which include, but are not limited to, servicing a customer relationship or providing a product or service. Alerus Financial may share customer or former customer information between its affiliates in accordance with Alerus Financial policies, except to the extent prohibited by law.

VII. OUTSIDE ACTIVITIES

Community and Professional Activities: Alerus Financial encourages its employees to actively participate in and provide leadership to community and professional organizations. However, any activities that will significantly encroach upon working time or interfere or adversely affect the work performed, must be cleared with the employee's supervisor or the Human Resources Director. In no event shall such activities subject Alerus Financial to adverse publicity.

Outside Business Relationships: Directors and associates that serve in a managerial capacity with Alerus Financial shall not serve at the same time in a similar capacity of an unaffiliated depository institution if the institution has offices located in the same primary Metropolitan Statistical Area, city, town or village as an Alerus Financial office. Directors and associates shall not serve as a director or employee at the same time with any two corporations (other than banks, banking associations, and trust companies) that are competitors, if the service would be in violation of applicable laws. Outside business relationships, including employment, must not adversely affect



the performance of one's duties or cause conflict with confidentiality of customer information and should be reported to the General Counsel.

Fiduciary and Other Appointments: Any director or associate who is individually acting as an executor, administrator, trustee, guardian, custodian or in any other fiduciary capacity outside the normal scope of their duties on behalf of Alerus Financial shall disclose such activity in accordance with this Policy. Such persons shall not use the services, facilities, equipment, or associates of Alerus Financial in carrying out any fiduciary office unless Alerus Financial has been appointed a co-fiduciary and receives appropriate compensation. Alerus Financial may require a director or associate to resign a fiduciary appointment if there is a conflict of interest between their duties to Alerus Financial and their outside fiduciary obligations. Directors and associates may not accept an appointment from a customer under a power of attorney, or manage any or part of a customer's personal or business affairs, without disclosure in accordance with this Policy.

Political Activity: Alerus Financial supports the democratic political system as part of the environment in which it operates. This includes contributions where permitted by law. Directors and associates are encouraged to give of their own time and money to candidates and causes they choose to support, subject to any limitations imposed by applicable laws and regulations, including state and federal pay to play laws. Directors and associates participating in political activities do so as individuals and not as representatives of Alerus Financial. Under no circumstance is Alerus Financial letterhead to be used in any connection with a director or associate's role in political matters. Under no circumstances will an employee of Alerus Financial be asked or instructed to make a political contribution by Alerus Financial or its management.

Public Office: Alerus Financial must be advised whenever a director or employee is nominated for or appointed to any public office. Because of statutory requirements, such service may be improper.

Lobbying: Because of the complexity of the laws dealing with lobbying, all contacts with members of the local, state and federal legislatures on matters relating to Alerus Financial or any business that it is engaged in should be promptly reported to the General Counsel.

Borrowing: Directors and associates may not borrow from or lend personal funds to each other or their customers. However, such persons may borrow from banks or other companies normally engaged in the business of lending on like terms offered to other customers under similar circumstances and without special concessions.

Banking Relationship: Directors and associates must handle their banking relationships in a responsible manner. Intentional, repeated or excessive overdrafts or delinquencies must be avoided, as should any activity that resembles check kiting. All reimbursable business expenses shall be handled in accordance with applicable internal operating procedures.

VIII. BUSINESS CONDUCT

Reporting Accounting Errors or Improprieties: Directors and associates must comply with all applicable financial reporting and accounting regulations applicable to Alerus Financial. Directors and associates must also cooperate with and assist Alerus Financial's internal and independent auditors in the performance of their duties and comply with all internal controls procedures established by Alerus Financial for the safeguarding of assets and proper reporting of financial information. Depending on the individual's position with Alerus Financial, a director or associate



may be requested to provide necessary information to internal and/or independent auditors. In that case, the director or associate should provide prompt, accurate and complete information. If any director or associate has concerns or complaints regarding questionable accounting or auditing matters, including, but not limited to, any failure to comply with internal controls established by Alerus Financial, any failure to cooperate with Alerus Financial's internal or independent auditors, and any failure to provide timely, accurate and complete financial information, then he or she should contact the Audit Committee Chairperson, regarding those concerns.

Improper Payments: Alerus Financial shall not use its funds for any unlawful purpose. No bribes, kickbacks or similar remuneration or consideration of any kind shall be given or offered to any individual, organization, government, political party, or other entity or representative thereof, for any reason whatsoever. Any director or associate that has knowledge of such illegal payments, or any unrecorded funds or false entries maintained for the purpose of facilitating such payments, must immediately notify the General Counsel of the Audit Committee Chairperson.

Fair Competition: Alerus Financial shall engage in vigorous but fair and ethical competition in connection with the conduct of its business activities. All directors and associates must comply with the letter and spirit of the anti-trust laws in conducting Alerus Financial's business activities.

Bank Property: Directors and associates may not use Alerus Financial supplies, equipment or property for their own personal use without prior permission. Further, no equipment or property belonging to Alerus Financial shall be removed from the premises without prior approval.

Legal Advice: Associates should never provide an opinion, advice or statement to a customer about the legality of a particular transaction. Extreme care must be exercised in discussions with customers in order to avoid a statement being construed as legal advice, tax advice, or investment advice, with the exception of trust and investment advice given by properly qualified and licensed associates Alerus Financial's trust, insurance, retirement services, securities brokerage or investment advisory businesses. Providing a disclaimer such as "I cannot provide legal/tax advice, but..." is not an exception to the prohibition on providing such advice. These prohibitions apply even if the associate is a licensed attorney or certified public accountant in order to prevent any such advice from being attributed to Alerus Financial.

IX. TRAINING

Alerus Financial will establish a system to administer and monitor compliance with this Policy. That system will ensure that directors and associates are trained, kept aware of, and provided with interpretive advice and assistance dealing with insider issues. Training will address the need to avoid conflicts or even the appearance of conflicts of interests. In addition, Alerus Financial intends to establish communication channels outside the normal chain of command through which directors and associates may seek advice on ethics questions. Alerus Financial's management will monitor questions asked and responses provided to ensure that answers and interpretations are consistent and achieve the goals of this policy.

X. DISCLOSURES AND REPORTS

To ensure the proper implementation of this policy, Alerus Financial will: (i) require Alerus Financial directors and associates to verify that they have read and agreed to comply with this policy; (ii) maintain adequate contemporaneous written reports of any disclosures made by Alerus Financial directors and associates in connection with this policy; and (iii) require Alerus Financial



directors and associates to execute and authorize the Acknowledgement of Receipt in the form attached to this policy.

Associates shall also make annual disclosures of any relationship, receipt of gifts, compensation, or other situations leading to possible conflicts. The annual disclosure will be accomplished by using the Conflict of Interest Disclosure Form. The form will be completed annually by directors and senior staff employees and returned by a specified date to the Human Resources Director for compilation and summary to Senior Management and the Board of Directors. All other employees are required to complete the Conflict of Interest Disclosure Form as soon as they have knowledge of a situation that could create a potential conflict of interest or the appearance of one.

Directors, principal shareholders, and senior managers must also make annual disclosures to the Board of Directors of any actual and potential conflicts of interest and any potential conflicts of their related interests, also using the Conflict of Interest Disclosure Form.

In addition to these annual requirements, directors and associates should notify the General Counsel or the Audit Committee Chairperson as soon as they have knowledge of a situation that could create a potential conflict of interest or the appearance of one.

To encourage the full disclosure of potential conflicts, disclosures are treated confidentially. Information provided on Conflict of Interest Disclosure Forms is available only on a need-to-know basis.

XI. SANCTIONS

Violations of this Policy are grounds for disciplinary action ranging from reprimand to dismissal. In addition to possible disciplinary actions, civil or criminal liability and penalties may also be imposed. The following violations are cause for immediate dismissal: theft, embezzlement, falsification of records and making or taking of bribes, kickbacks or other illegal payments.

XII. CRIMINAL CONVICTIONS

Any director or associate convicted of a criminal offense must disclose the offense to the General Counsel in accordance with this Policy. Traffic violations do not have to be reported unless the director or associate is convicted of a misdemeanor or felony in connection with such violation. Any conviction involving theft, dishonesty or breach of trust may require termination of employment. Other types of convictions may also affect the individual's employment status.

XIII. NO RETALIATION

Alerus Financial will not permit retaliation of any kind by any of its directors or associates against any individual reporting violations of this Policy in good faith.

XIV. SUPPLEMENTAL POLICIES

This Policy may duplicate or overlap with provisions contained in other Alerus Financial policies and manuals such as, but not limited to, the Employee Manual, Loan Policy, Insider Trading Policy, Insider Loan Policy, Information Security Program, the Privacy Policy Disclosure Statement, etc. Where there is duplication or overlapping, the provisions of this Policy shall provide the minimum required standard of conduct.



Approved by: Board of Directors of
Alerus Financial Corporation
Date: February 23, 2017



ACKNOWLEDGMENT FORM

I acknowledge having received a copy of the Code Ethics and Conflicts of Interest Policy. I agree to read, become familiar with, and comply with its contents. I agree to disclose conflicts of interest in accordance with this Policy.

I understand that the Code of Ethics and Conflicts of Interest Policy may change from time to time at which time I will receive a revised copy of this Policy.

I further understand that I may consult with the General Counsel for an explanation of or additional information on any subject matter contained in this Policy.

Employee/Director Signature: _____ Date: _____