



LARGE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Public Disclosure

September 17, 2006

**Community Reinvestment Act
Performance Evaluation**

**Alerus Financial, National Association
Charter Number: 13790**

**401 Demers Avenue
Grand Forks, ND 58201**

Office of the Comptroller of the Currency

**North Dakota & NW Minnesota
3211 Fiechtner Drive SE
Fargo, ND 58103**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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Overall CRA Rating

Institution’s CRA Rating: This institution is rated **Satisfactory**.

The following table indicates the performance level of **Alerus Financial, National Association** with respect to the lending, investment, and service tests:

Performance Levels	(Name of Depository Institution) Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding		X	
High Satisfactory	X		X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- Alerus Financial provides an excellent level of qualified investments in its assessment areas.
- The geographic distribution of loans is adequate in the Grand Forks assessment area and good in the Fargo assessment area.
- The distribution of loans to borrowers of different income and businesses/farms of different sizes is adequate to good in each assessment area.
- Community development loans have a positive impact on the bank’s lending performance.
- A majority (83%) of the bank’s loans are made within the designated assessment areas.
- Bank personnel provide a good level of community development services.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male household and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an

employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

Description of Institution

Alerus Financial, National Association (Alerus) is a \$712 million bank headquartered in Grand Forks, North Dakota. Alerus is an intrastate bank with all branches located in North Dakota. The bank has two lending assessment areas (AA). These are the Grand Forks metropolitan statistical area (MSA) encompassing the counties of Grand Forks in North Dakota and Polk in Minnesota and the Fargo MSA consisting of the counties Cass in North Dakota and Clay in Minnesota. The Grand Forks MSA has five branches and the Fargo MSA has six branches. These AAs do not exclude any low- or moderate-income (LMI) areas and meet the requirements of the regulation.

Alerus is a wholly-owned subsidiary of Alerus Financial Corporation (AFC) which is also located in Grand Forks, North Dakota. AFC had total assets of \$715 million as of June 30, 2006 with most assets consisting of Alerus.

Alerus had one affiliate company, Alerus Appraisal Corporation. In addition, the bank has two operating subsidiaries. Alerus Securities Corporation provides brokerage and investment services and Alerus Financial Insurance Services provides insurance products and services to its customers.

As of June 30, 2006, Alerus' net loans and leases represented 72.8% of total assets and 90% of total deposits. The loan portfolio mix is comprised of \$341.6 million or 65% commercial loans, \$115.8 million or 22% residential real estate loans, \$48.6 million or 9% agriculture loans, and \$18.6 million or 4% consumer loans. Tier One Capital is \$55.6 million with a ratio of 9.5%.

The bank offers a variety of products and services to its customers including lending and deposit products, trust/financial/estate planning, retirement products, insurance products, and property management services through the bank, bank subsidiaries, and affiliates.

Alerus' CRA performance was rated "Satisfactory" at its last CRA evaluation dated June 17, 2002.

There are no financial, legal, or other factors that impede Alerus' ability to meet the credit needs in its AAs.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The evaluation period for this examination included loan originations for the years 2002 through 2005 for small loans to businesses, small loans to farms, and home mortgage products. Community development (CD) loans, investments and services were considered from June 17, 2002 through September 17, 2006.

For this evaluation, originations made within the bank's designated AAs were compared against market data. Loans originated in 2002 were based on demographic information for the 1990 census data. Originations for the years 2003, 2004, and 2005 were based on 2000 demographic information. Based on these changes, information for 2002 is presented separately from the other years evaluated.

Data Integrity

Alerus reports home mortgage loans and small loans to businesses and farms as a part of regulatory requirement. This information was tested for accuracy to ensure the data was reliable for use in this evaluation. In addition, we reviewed the processes used by Alerus for collection and submission purposes. We found the information to be accurate and reliable for this evaluation.

CD loans, investments, and services were also reviewed to ensure they met the definition of community development per the regulation. The majority of submitted items were included in our review.

Selection of Areas for Full-Scope Review

Our review of HMDA and CRA information for the evaluation period includes a full review of the Grand Forks AA and the Fargo AA. All branches are located in the state of North Dakota. The Grand Forks AA includes the city of Grand Forks in North Dakota and East Grand Forks in Minnesota. Three middle-income tracts in the MSA in rural Minnesota are excluded from Alerus' AA. In the Fargo AA, the MSA includes the city of Fargo in North Dakota and the city of Moorhead in Minnesota. Two middle-income tracts in the MSA in rural Minnesota are excluded from Alerus' AA. These tracts were excluded due to the distance from bank branches.

Both AAs are considered significant to the bank in regard to number of branches, deposit volume, and loan originations. The Grand Forks AA has 45% of the branches, 65% of the deposits, and 60% of loan originations. The Fargo AA has 55% of the branches, 35% of the deposits, and 40% of loan originations.

Ratings

Alerus' overall rating is based on those areas with full-scope reviews. However, we placed greater emphasis on the Grand Forks AA given the volume of deposits and originations in this area.

Fair Lending or Other Illegal Credit Practices Review

An analysis of recent public comments, consumer complaints, HMDA, small business, and small farm lending data was performed according to the OCC's risk-based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The last comprehensive fair lending examination was performed in 1999.

Conclusions with Respect to Performance Tests

LENDING TEST

Alerus' performance under the Lending Test is rated "High Satisfactory". Based on full-scope reviews, the bank's performance is good in the Grand Forks AA and Fargo AA.

Lending Activity

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's lending activity.

Grand Forks AA

Alerus' lending levels in the Grand Forks AA shows an excellent responsiveness to the credit needs of the area and the deposit market share. Alerus' average deposit market share for the evaluation period is 21.13% and ranks second out of 18 banks.

In the AA, 61% of reported loans originated during the evaluation period were home mortgage loans. Loans to small businesses represent 26% and loans to small farms represent 13%.

Home mortgage lending activity is good. Alerus reported 2,894 home mortgage loans (830 home purchase, 382 home improvement, and 844 home mortgage refinance, and 12 multifamily) totaling \$235 million during the evaluation period. In 2005, Alerus originated 12% of all home purchase loans ranking first in the AA among 143 lenders, 20% of the home improvement loans ranking first among 62 lenders in the AA, and 6% of refinances ranking third among 179 lenders in the AA.

Business lending activity is good. Alerus reported 1,239 business loans totaling \$193 million over the evaluation period. Alerus originated nearly 11% of all reported 2005 business loans in the AA, ranking fourth among 25 lenders.

Farm lending activity is good. Alerus reported 588 farm loans totaling \$69 million. Alerus' market share of small loans to farms is 12.6% in the AA, ranking second among 11 lenders.

Fargo AA

Alerus' lending levels in the Fargo AA shows a good responsiveness to the credit needs of the area and the deposit market share. Alerus' average deposit market share for the evaluation period is 4.25% and ranks seventh out of 25 banks.

In the AA, 63% of the reported loans originated during the evaluation period were home mortgage loans. Loans to small businesses represent 33% and 4% were loans to small farms.

Home mortgage lending activity is good. Alerus reported 2,016 home mortgage loans (494 home purchase, 251 home improvement, and 572 home mortgage refinance, and seven multifamily) totaling \$196.5 million during the evaluation period. In 2005, Alerus originated 2.6% of AA home purchase loans ranking eleventh among 218 lenders, 5.5% of the home

improvement loans ranking sixth among 79 lenders in the AA, and 1.6% of refinances ranking thirteenth among 229 lenders in the AA.

Business lending activity is adequate. Alerus reported 1,043 business loans totaling just under \$188 million for the evaluation period. Alerus originated 4% of all reported 2005 business loans in the AA, ranking tenth among 35 lenders.

Farm lending activity is adequate. Alerus reported 132 farm loans totaling \$16 million. Alerus' market share of small loans to farms is 4% in the AA, ranking fourth among eleven lenders.

Distribution of Loans by Income Level of the Geography

Alerus' overall geographic distribution of loans reflects adequate penetration in the Grand Forks AA and good penetration in the Fargo AA.

Home Mortgage Loans

Refer to Tables 2, 3, 4, and 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases. The volume of multifamily housing units was not significant enough to perform a meaningful analysis in either of the bank's AAs.

Grand Forks AA

The geographic distribution of home mortgage loans was adequate in 2002 and good for the years 2003, 2004, and 2005. The bank did not have any low-income tracts during 2002 but had one in 2003, 2004, and 2005. This tract primarily consists of the university with only 0.10% of the housing units for the AA. The moderate-income tract for the years 2003 through 2005 is located in East Grand Forks, Minnesota located across the river from all bank branches. These factors were considered in the evaluation of home mortgage loans.

The geographic distribution of home purchase loans is adequate in 2002 and good in 2003 through 2005. In 2002, the percentage of home purchase loans made in moderate-income geographies was slightly below the owner-occupied units located in the moderate-income geographies. In 2003, 2004, and 2005, the percentage of these loans made in the low- and moderate-income geographies were comparable to the number of owner-occupied units in the low- and moderate-income geographies. The bank's 2005 market share in low-income geographies exceeds its overall market share in the AA.

The geographic distribution of home improvement is good in 2002 and adequate for the years 2003 through 2005. In 2002, the percentage of home improvement loans made in moderate-income geographies was just below the percentage of owner occupied units located in the moderate-income geographies. In the years 2003, 2004, and 2005, home improvement loans in the low- and moderate-income tracts were comparable to the number of owner occupied units in these geographies. The 2002 market share in moderate-income geographies was comparable to the overall market share. The 2005 market share for low- and moderate-income geographies is below the overall market share.

The geographic distribution of home mortgage refinance loans in 2002 is adequate and good in the years 2003 through 2005. The bank's percentage of refinance loans made in moderate-income geographies in 2002 is slightly lower than the percentage of owner occupied units. In 2003, 2004, and 2005, the bank's percentage in the low- and moderate-income tracts is comparable to the percentage of the units in these geographies. The bank's market share in 2002 is comparable to the overall market share of the AA. In 2003, 2004, and 2005, the bank's share exceeds the overall market share for the low- and moderate-income geographies of the AA.

Fargo AA

The geographic distribution of home mortgage loans was good in 2002 and for the years 2003, 2004, and 2005. The bank had one low-income tract during 2002 and none in 2003, 2004, and 2005. This geography contained only 0.08% of the owner occupied units in the AA. This was factored into the evaluation of home mortgage loans.

The geographic distribution of home purchase loans is good in 2002 and adequate in 2003 through 2005. In 2002, the percentage of home purchase loans made in low- and moderate-income geographies exceeded the percentage of owner-occupied units located in the low- and moderate-income geographies. In 2003, 2004, and 2005, the percentage of these loans made in the moderate-income geographies is comparable to the number of owner-occupied units in the moderate-income geographies. The bank's 2002 market share in the low- and moderate-income geographies and the 2005 market share in the moderate-income geographies were comparable to the overall market shares by geographies in the AA.

The geographic distribution of home improvement is good for the entire evaluation period. For all years in the evaluation period, the percentage of home improvement loans made in low- and moderate-income geographies was comparable to the percentage of owner occupied units located in these geographies. The bank's 2002 and 2005 market shares in the low- and moderate-income geographies were comparable to the overall market shares in the AA.

The geographic distribution of home mortgage refinance loans is good for 2002 through 2005. The bank's percentage of refinance loans made in low- and moderate-income geographies during the evaluation period was comparable to the percentage of owner occupied units. The bank's market share in 2002 and 2005 is comparable to the overall market share of the AA.

Small Loans to Businesses

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

Grand Forks AA

The geographic distribution of small loans to businesses is adequate for the evaluation period. The portion of small loans to businesses made in the moderate-income geographies in 2002 and the low- and moderate-income geographies in 2003, 2004, and 2005 is below the portion of businesses that are within these geographies. The bank's 2002 and 2005 market share in the low- and/or moderate-income geographies is comparable to the overall market share.

Fargo AA

The geographic distribution of small loans to businesses is good for the evaluation period. The portion of small loans to businesses made in the low- and moderate-income geographies in 2002 and the moderate-income geographies in 2003, 2004, and 2005 is slightly higher than the portion of businesses that are within these geographies. The bank's 2002 and 2005 market share in the low- and/or moderate-income geographies is comparable to the overall market share.

Small Loans to Farms

Refer to Table 7 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.

Grand Forks AA

Geographic distribution of small loans to farms is inadequate for the evaluation period. During the years 2002 through 2005, the bank did not make any small loans to farms in the Grand Forks AA. This is mitigated by the low volume of farms in the low- and moderate-income tracts and the location of the moderate-income geographies as previously discussed. Based on 2005 demographic information, there is only one farm located in the low-income geography.

Fargo AA

Geographic distribution of small loans to farms is good for 2002 and adequate for years 2003-2005. In 2002, the small loans to farms were comparable to the percentage of farms located in the moderate-income geographies. The bank's market share for 2002 exceeded the overall market share for the AA. In 2003, 2004, and 2005, the percentage of small loans to farms was below the percentage of farms in the moderate-income geographies. The bank's market share was also below the overall market share for the AA.

Lending Gap Analysis

Maps and reports detailing Alerus' lending activity over the evaluation period for 2002 and 2003 through 2005 (combined) for home mortgage loans, small loans to businesses, and small loans to farms were reviewed to identify gaps in the geographic distribution of these loans. Maps detailing the location of branches in relationship to low- and moderate-income geographies were also reviewed. No unexplained, conspicuous gaps were identified for either of the bank's AAs.

Inside/Outside Ratio

A majority of the home mortgage loans, small loans to businesses, and small loans to farms originated by Alerus during the evaluation period were within its AAs. Eighty-three percent of total loans (85% of mortgage loans, 84% of small loans to businesses, and 70% of small loans to farms) were made within the AAs. This has a positive impact on the overall analysis of the geographic distribution of lending by income level of geography.

Distribution of Loans by Income Level of the Borrower

The borrower distribution of Alerus' loans reflects adequate dispersion among borrowers of different income levels in the Grand Forks AA and good dispersion in the Fargo AA.

Home Mortgage Loans

Refer to Tables 8, 9, and 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Both AAs have a substantial number of households with incomes considered to be below the poverty level. In 2002, the Grand Forks AA had 15% and the Fargo AA had 14% of its households below the poverty level. In 2005, the Grand Forks AA reported 13% and the Fargo AA reported 12% of households below the poverty level. At these income levels, it is difficult to purchase homes through conventional loans with median housing values of \$55,600 in the Grand Forks AA and \$62,200 in the Fargo AA in 2002 and \$83,900 in the Grand Forks AA and \$89,700 in the Fargo AA in 2005. We took this into consideration when analyzing the bank's lending to low-income individuals.

Grand Forks AA

Home purchase loan borrower distribution is adequate. The portion of loans made to low-income borrowers is below the comparable demographic information for the evaluation period. However, given the factors discussed above, this is considered adequate. Loans made to moderate-income borrowers are comparable to the demographic information for the evaluation period. The market share percentages for loans made to low- and moderate-income borrowers is below Alerus' overall market share.

Home improvement loan borrower distribution is adequate. The portion of loans made to low-income borrowers is below the comparable demographic information for the evaluation period. However, this is considered adequate given the mitigating factors previously discussed. Loans made to moderate-income borrowers were below the demographic information for 2002 and comparable in 2003, 2004 and 2005. The market share percentages for loans made to low- and moderate-income borrowers is below Alerus' overall market share.

Home mortgage refinance loan borrower distribution is adequate. The portion of loans made to low-income borrowers is significantly below the comparable demographic information for the evaluation period but is considered adequate given the mitigating factors previously discussed. Loans made to moderate-income borrowers were below the demographic information for 2002 and comparable in 2003, 2004 and 2005. The market share percentages for loans made to low- and moderate-income borrowers is below Alerus' overall market share in 2002 and comparable to the overall market share in 2005.

Fargo AA

Home purchase loan borrower distribution is good. The portion of loans made to low-income borrowers is slightly below the comparable demographic information for the evaluation period but considered good given the mitigating factors previously discussed. Loans made to moderate-income borrowers exceed the demographic information for the evaluation period.

The market share percentages for loans made to low- and moderate-income borrowers is comparable to Alerus' overall market share.

Home improvement loan borrower distribution is good. The portion of loans made to low-income borrowers is below the comparable demographic information for the evaluation period, but considered adequate given the mitigating factors previously discussed. Loans made to moderate-income borrowers were below the demographic information for 2002 and exceeded in 2003, 2004 and 2005. The market share percentages for loans made to low- and moderate-income borrowers is comparable to Alerus' overall market share.

Home mortgage refinance loan borrower distribution is adequate in 2002 and good in 2003, 2004, and 2005. The portion of loans made to low-income borrowers was below the comparable demographic information for the evaluation period. Loans made to moderate-income borrowers were below the demographic information for 2002 and slightly higher in 2003, 2004 and 2005. The market share percentages for loans made to low- and moderate-income borrowers is comparable to Alerus' overall market share for the evaluation period.

Small Loans to Businesses

Refer to Table 11 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

Grand Forks AA

Borrower distribution of small loans to small businesses is adequate for the evaluation period. Alerus' loans to small businesses (revenues of \$1 million or less) are below the demographic information for these loans. Alerus' market share was above the overall market share in 2002 and slightly below in 2005.

Fargo AA

Borrower distribution of small loans to small businesses is good for the evaluation period. Alerus' loans to small businesses (revenues of \$1 million or less) were comparable to the demographic information in 2002 and above in 2005. Alerus' market share was above the overall market share for the evaluation period.

Small Loans to Farms

Refer to Table 12 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to farms.

Grand Forks AA

The borrower distribution of small loans to small farms (revenues of \$1 million or less) is good. The portion of Alerus' loans to small farms is comparable to the demographic information of the AA for the evaluation period. Alerus' market share of loans to small farms was comparable in 2002 and exceeded the overall market share of loans to farms of all sizes in 2005.

Fargo AA

The borrower distribution of small loans to small farms (revenues of \$1 million or less) is excellent. The portion of Alerus' loans to small farms exceeds the demographic information of the AA for the evaluation period. Alerus' market share of loans to small farms was comparable in 2002 and exceeded the overall market share of loans to farms of all sizes in 2005.

Community Development Lending

Refer to Table 1 Lending Volume in Appendix C for the facts and data used to evaluate the bank's level of community development lending. This table includes all community development (CD) loans, including multifamily loans that also qualify as community development loans. In addition, Table 5 includes geographic lending data on all multi-family loans, including those that also qualify as community development loans. However, Table 5 does not separately list community development loans.

CD lending has a positive impact on the Lending Test Conclusions. Alerus' has adequate opportunities to participate in CD lending in the Grand Forks AA and minimal opportunities in the Fargo AA. Alerus' is relatively new to the Fargo AA and continues to pursue CD lending when possible.

During the evaluation period, Alerus originated two CD loans totaling \$983 thousand in the Grand Forks AA. In addition, the bank purchased a \$1.75 million CD loan for the Grand Forks AA. Two CD loans totaling \$285 thousand were originated in the Fargo AA. None of the loans are considered complex or innovative. The following are details of the CD loans:

Grand Forks AA

- A \$1,750,000 loan to Westgate Village Limited Partnership was purchased by Alerus from the First Southwest Bank of Bismarck. The purpose is for a low-income housing development in Grand Forks.
- An \$800,000 loan for the renovation of the Opera House in Grand Forks was originated by Alerus. This property is located in an area of the city that has been targeted by the City for redevelopment.
- Alerus originated a \$183,000 loan to A Plus Painting for the purchase of rental property in a moderate-income area of the Grand Forks AA.

Fargo AA

- Alerus originated two loans for \$125,000 and \$160,000 in 2005 for the construction of a community facility serving low- and moderate-income individuals in the Fargo-Moorhead AA.

Product Innovation and Flexibility

Product innovation and flexibility had a neutral impact on the Lending Test Conclusions.

Alerus offers several programs in conjunction with government agencies to benefit the bank's AAs. Examples of these programs include the following:

- The PACE loan program is an interest buy down program for small businesses. Proceeds from the loan must create at least one new job to benefit the community.
- Alerus works with the North Dakota Housing Finance Agency to offer a first time home buyer program. Borrowers must have income below 80% of the median family income (low and moderate). This is to assist in increase homeownership in the bank's AAs.
- The City of Fargo Neighborhood Revitalization Initiative promotes economic development in the Fargo AA.

INVESTMENT TEST

Alerus' performance under the Investment Test is rated "Outstanding". Based on full-scope reviews, the bank's performance in the Grand Forks AA is excellent and good in the Fargo AA.

Refer to Table 14 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

Alerus opportunities within the AAs are limited based on discussions with bank management and community contacts. Neither AA has accessible markets for CD qualified investments and competition for these investments is high. CD qualifying investments totaled \$3.8 million (including commitments) for the evaluation period which represents 6.2% of the bank's Tier One Capital.

Grand Forks AA

Alerus' performance in the Grand Forks AA is excellent. The following are examples of qualifying investments made that benefit low- and moderate-income individuals and geographies:

- Five of Alerus' previous investments totaling \$1,462,000 were bonds purchased to build a new city service building in downtown Grand Forks. When these investments were purchased, the building was located in a moderate-income tract that received major damage during the 1997 flood. The bonds revitalized the area and made social services available to low- and moderate-income persons.
- Four investments totaling \$616 thousand were made for the renovation of the Grand Forks County Courthouse located in a moderate-income census tract at the time of purchase. The bonds revitalized the downtown area of Grand Forks.

- Grants and donation totaling \$221 thousand during the evaluation period where made by Alerus. These donations were made for the benefit of low- and moderate-income persons and economic development purposes.

Fargo AA

Alerus' performance in the Fargo AA is good. Qualifying investments in the AA consist of grants and donations made to benefit low- and moderate-income individuals and geographies of the AA:

- Alerus made total grants and donations in the amount of \$256 thousand during the evaluation period for the benefit of low- and moderate-income persons and economic development purposes.

An additional qualifying investment in the amount of \$272 thousand in Marquette Capital Fund SBIC Investment was made during the evaluation period. This is categorized as a Regional Qualifying Investment based on the potential impact it has to the bank's AAs. This investment covers a nineteen state area, including North Dakota and Minnesota. This investment is for the purpose of small business development. Alerus has made an additional commitment of \$728 thousand for these investments.

SERVICE TEST

The bank's performance under the Service Test is rated "High Satisfactory". Based on full-scope reviews, the bank's performance in both AAs is good.

Retail Banking Services

Refer to Table 15 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

Alerus' offices and retail services are readily accessible to geographies and individuals of all income levels. One branch in the Grand Forks AA was located in a moderate-income census tract in 2002, but is now in a middle-income census tract due to changes in tract classifications as a result of 2000 demographic information. Alerus branches in the Grand Forks AA are now all located in middle-income geographies. However, one branch is adjacent to the low-income tract and one is adjacent to the moderate-income tract. In 2005, less than 15% of the AA population resided in these two tracts. No branches were opened or closed in this AA during the evaluation period.

One new branch was opened in the Fargo AA during the evaluation period and none were closed. In 2002, three branches were in moderate-income tracts with the remaining in middle- and upper-income geographies. In 2005, one branch was located in a moderate-income tract with the remaining in middle- and upper-income geographies. This change was due to a reclassification of geographies based on 2000 demographic information. One branch in a middle-income census tract is located directly adjacent to a moderate-income geography.

Business hours and services offered in each AA are reasonable and do not vary in any way that inconvenience customers. One office in the Grand Forks AA and two offices in the Fargo AA are located in supermarkets and offer full services. Three offices in the Grand Forks AA and four in the Fargo AA offer extended hours including Saturday hours. In addition, two locations in the Grand Forks AA and four locations in the Fargo AA offer drive-up services.

Alerus operated 13 ATMs in 2002 and 11 in 2005 in the Grand Forks AA. The two ATMs closed were located in middle-income geographies. The ATMs are located to meet the needs of the AA. In 2002, two machines were located in moderate-income tracts and in 2005, one was located in a low-income tract and none in the moderate-income census tract. This was a result of the reclassification of the census tracts based on 2000 demographic information. In the Fargo AA, the bank had five ATMs in 2002 and nine in 2005. In 2002, four of the five machines were in moderate-income tracts and in 2005, one was located in a moderate-income census tract. The change was a result of the reclassification of census tracts as previously discussed.

Additional delivery systems include telephone banking and internet banking. Both services allow customers to perform routine banking transactions such as balance inquiries and fund transfers. Internet banking also allows for bill pay at no charge.

Community Development Services

Alerus provides a good level of community development services in both AAs. Bank officers and employees regularly participate in various organizations that benefit low- and moderate-income persons or promote economic development. The following are examples of some of the community development services that bank personnel participate in:

- Salvation Army which provides transitional housing and community services for low- and moderate-income individuals;
- Prairie Harvest Human Service Foundation which assists with affordable housing for low- and moderate-income persons;
- Fargo Cass Economic Development which promotes economic development projects in the Fargo AA;
- Day of Caring which provides free services to low-income elderly individuals;
- Northland Rescue Mission which assists and provides temporary lodging for low-income individuals;
- Grand Forks Region Economic Development which promotes economic development in the Grand Forks AA; and
- Downtown Leadership Group (specifically Head Start) which strives to increase the social competence of children in low-income families/households.

In addition, Alerus implemented a “Connect with the Community” program in 2005. The program allows employees to donate volunteer hours and thousands of dollars annually to organizations of their choice. Alerus allows employees to use six hours per year of paid time off to the volunteer for these organizations.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, if any, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD loans): 1/1/2002 to 12/31/2005 Investment and Service Tests and CD Loans: June 17, 2002 to September 17, 2006	
Financial Institution	Products Reviewed	
Alerus Financial, N.A. Grand Forks, ND	Home mortgage loans, small loans to businesses, small loans to farms, and community development loans	
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Grand Forks AA Fargo AA	Full-Scope Full-Scope	

Appendix B: Market Profiles for Full-Scope Areas

Alerus Grand Forks MSA - 1990 Census Data

Demographic Information for Full Scope Area: Alerus Grand Forks AA 2002						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	29	0.00	20.69	65.52	13.79	0.00
Population by Geography	103,181	0.00	25.09	62.30	12.61	0.00
Owner-Occupied Housing by Geography	21,296	0.00	12.93	70.66	16.41	0.00
Business by Geography	6,118	0.00	19.61	70.06	10.33	0.00
Farms by Geography	848	0.00	20.40	76.77	2.83	0.00
Family Distribution by Income Level	25,764	17.51	19.28	25.57	37.64	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	9,479	0.00	33.66	60.62	5.72	0.00
Median Family Income HUD Adjusted Median Family Income for 2002 Households Below Poverty Level		29,793 48,800 15%	Median Housing Value Unemployment Rate (1990 US Census)		55,587 2.81%	

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 US Census and 2002 HUD updated MFI

Alerus Grand Forks MSA - 2000 Census Data

Demographic Information for Full Scope Area: Alerus Grand Forks AA 2003-2005						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	24	4.17	8.33	66.67	20.83	0.00
Population by Geography	87,726	5.70	6.96	67.06	20.28	0.00
Owner-Occupied Housing by Geography	19,403	0.10	1.83	71.51	26.55	0.00
Business by Geography	5,749	1.90	7.01	69.59	21.50	0.00
Farms by Geography	655	0.15	9.77	69.92	20.15	0.00
Family Distribution by Income Level	21,224	16.98	18.93	25.21	38.89	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	7,621	4.83	10.26	73.49	11.42	0.00
Median Family Income HUD Adjusted Median Family Income for 2005 Households Below Poverty Level		45,777 55,800 13%	Median Housing Value Unemployment Rate (2000 US Census)		83,880 2.41%	

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2005 HUD updated MFI

Alerus' operations in the Grand Forks AA include numerous financial products and services. The Grand Forks AA includes the majority of the Grand Forks/East Grand Forks MSA. The MSA is made up of Grand Forks County in North Dakota and Polk County in Minnesota. The MSA included 29 census tracts in 2002 and 24 for the years 2003 through 2005. Three middle-income tracts are excluded from the bank's AA based on the distance from the Alerus branches. The AA complies with the regulation and does not exclude any low- or moderate-income areas.

Economic conditions in the AA are stable. Unemployment in the AA is 3% with the major employers being the University of North Dakota, Altru Health System, and the Grand Forks Public School District.

Competition in the AA is strong with 18 other financial institutions competing for banking customers. Alerus ranks second out the 18 institutions with a deposit market share of 21%. Primary competition is from Bremer Bank, N.A. and U.S. Bank who have deposit shares of 22% and 12% respectively.

Fargo MSA - 1990 Census Data

Demographic Information for Full Scope Area: Alerus Fargo AA 2002						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	36	2.78	19.44	66.67	11.11	0.00
Population by Geography	153,296	2.03	17.01	65.99	14.96	0.00
Owner-Occupied Housing by Geography	34,021	0.08	12.14	70.87	16.92	0.00
Business by Geography	11,927	0.27	37.78	46.73	15.22	0.00
Farms by Geography	1,006	0.00	4.77	88.37	6.86	0.00
Family Distribution by Income Level	37,506	17.66	18.16	26.40	37.79	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	13,432	2.32	21.98	68.04	7.67	0.00
Median Family Income HUD Adjusted Median Family Income for 2002 Households Below Poverty Level		33,819 55,900 14%	Median Housing Value Unemployment Rate (1990 US Census)		62,208 2.52%	

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 US Census and 2002 HUD updated MFI

Fargo MSA - 2000 Census Data

Demographic Information for Full Scope Area: Alerus Fargo AA 2003-2005						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	38	0.00	15.79	71.05	13.16	0.00
Population by Geography	164,991	0.00	17.10	65.86	17.04	0.00
Owner-Occupied Housing by Geography	38,322	0.00	8.89	70.80	20.31	0.00
Business by Geography	13,028	0.00	33.81	53.60	12.59	0.00
Farms by Geography	797	0.00	6.78	82.06	11.17	0.00
Family Distribution by Income Level	39,947	17.63	18.63	26.24	37.49	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	14,485	0.00	18.80	70.51	10.69	0.00
Median Family Income HUD Adjusted Median Family Income for 2005 Households Below Poverty Level		50,758 62,250 12%	Median Housing Value Unemployment Rate (2000 US Census)		89,680 2.45%	

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2005 HUD updated MFI

Alerus' operations in the Fargo AA include a variety of financial products and services. The Fargo AA includes the majority of the Fargo/Moorhead MSA. The MSA is made up of Cass County in North Dakota and Clay County in Minnesota. The MSA included 34 census tracts in 2002 and 36 for the years 2003 through 2005 (change was due to reclassification based on 2000 demographic information). Two middle-income tracts are excluded from the bank's AA based on the distance from the Alerus branches. The AA complies with the regulation and does not exclude any low- or moderate-income areas.

Economic conditions in the AA are stable. Unemployment in the AA is 3.2% with the major employers being MeritCare Hospital, North Dakota State University, and the Fargo Public School District.

Competition in the AA is strong with 25 other financial institutions competing for banking customers. Alerus ranks seventh with a deposit market share of 4.25%. Competitors include State Bank and Trust, Wells Fargo Bank, N.A., U.S. Bank and Bremer Bank, N.A. with deposit market shares of 31%, 17%, 9%, and 6% respectively.

Appendix C: Tables of Performance Data

Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area. Tables without data are not included in this PE.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. Refer to Interagency Q&As __.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column with the appropriate caption, such as: “Statewide/Regional,” “Statewide/Regional with potential benefit to one or more AAs” or “Out of Assessment Area.” “Out of Assessment Area” is used ONLY if the bank has otherwise adequately met the CD lending needs of its assessment area.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage

distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and

purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL) - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

Table 14. Qualified Investments - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As __.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column with the appropriate caption, such as: "Statewide/Regional," "Statewide/Regional with potential benefit to one or more AAs" or "Out of Assessment Area." "Out of the Assessment Area" is used ONLY if the bank has otherwise adequately met the qualified investment needs of its assessment area.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

Table 1. Lending Volume

LENDING VOLUME		Geography: ALERUS 2002						Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002				
MA/Assessment Area (2002):	% of Rated Area Loans (#) in MA/AA	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
Full Review:												
Alerus Fargo MSA 1990	39.20	342	31,395	212	33,474	21	1,912	0	0	575	66,781	36.52
Alerus GF 1990 Census	60.80	555	44,435	240	31,704	97	9,664	0	0	892	85,803	63.48

* Loan Data as of December 31, 2002. Rated area refers to either state or multi-state MA rating area.

** The evaluation period for Community Development Loans is from January 01, 2002 to December 31, 2002.

*** Deposit Data as of December 31, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

LENDING VOLUME		Geography: ALERUS 2003 2004 2005						Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2005				
MA/Assessment Area (2005):	% of Rated Area Loans (#) in MA/AA	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
Full Review:												
Alerus Fargo AA 2000	40.59	1,674	165,113	831	154,257	111	14,478	2	285	2,618	334,133	35.55
Alerus Grand Forks A Census	59.41	2,339	190,319	999	161,727	491	59,261	3	2,733	3,832	414,040	64.45

* Loan Data as of December 31, 2005. Rated area refers to either state or multi-state MA rating area.

** The evaluation period for Community Development Loans is from January 01, 2003 to December 31, 2005.

*** Deposit Data as of December 31, 2005. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Table2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE			Geography: ALERUS 2002				Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002					Market Share (%) by Geography				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
Full Review:																
Alerus Fargo AA	131	42.81	0.08	0.00	12.14	19.08	70.87	60.31	16.92	20.61	3.06	0.00	4.49	2.99	2.52	
Alerus Grand Forks AA	175	57.19	0.00	0.00	12.93	4.57	70.66	74.29	16.41	21.14	12.08	0.00	6.72	12.68	12.13	

* Based on 2002 Peer Mortgage Data (Western)

** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

**** Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Geographic Distribution: HOME PURCHASE			Geography: ALERUS 2003 2004 2005				Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2005					Market Share (%) by Geography				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
Full Review:																
Alerus Fargo AA	483	42.44	0.00	0.00	8.89	5.80	70.80	69.77	20.31	24.43	2.78	0.00	2.17	3.00	2.42	
Alerus Grand Forks AA	655	57.56	0.10	1.07	1.83	1.07	71.51	50.69	26.55	47.18	13.45	41.67	3.70	10.66	19.38	

* Based on 2005 Peer Mortgage Data (Western)

** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

**** Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT			Geography: ALERUS 2002						Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002						
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp
Full Review:															
Alerus Fargo AA	45	34.35	0.08	0.00	12.14	6.67	70.87	68.89	16.92	24.44	8.20	0.00	5.26	8.24	9.48
Alerus Grand Forks AA	86	65.65	0.00	0.00	12.93	5.81	70.66	69.77	16.41	24.42	27.92	0.00	26.32	26.55	33.33

* Based on 2002 Peer Mortgage Data (Western)

** Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

**** Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Geographic Distribution: HOME IMPROVEMENT			Geography: ALERUS 2003 2004 2005						Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2005						
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp
Full Review:															
Alerus Fargo AA	206	41.04	0.00	0.00	8.89	10.19	70.80	68.93	20.31	20.87	6.41	0.00	8.11	5.52	8.30
Alerus Grand Forks AA	296	58.96	0.10	0.00	1.83	1.69	71.51	57.77	26.55	40.54	23.98	0.00	9.09	19.78	34.65

* Based on 2005 Peer Mortgage Data (Western)

** Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

**** Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE			Geography: ALERUS 2002						Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002						
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
Full Review:															
Alerus Fargo AA	165	36.50	0.08	0.00	12.14	12.12	70.87	58.18	16.92	29.70	2.49	0.00	3.37	2.25	2.79
Alerus Grand Forks AA	287	63.50	0.00	0.00	12.93	5.57	70.66	62.72	16.41	31.71	10.79	0.00	6.81	10.11	14.11

* Based on 2002 Peer Mortgage Data (Western)

** Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

**** Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Geographic Distribution: HOME MORTGAGE REFINANCE			Geography: ALERUS 2003 2004 2005						Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2005						
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
Full Review:															
Alerus Fargo AA	407	42.22	0.00	0.00	8.89	5.16	70.80	69.29	20.31	25.55	2.26	0.00	2.89	1.72	3.89
Alerus Grand Forks AA	557	57.78	0.10	0.54	1.83	0.54	71.51	57.63	26.55	41.29	8.54	20.00	2.70	6.79	12.39

* Based on 2005 Peer Mortgage Data (Western)

** Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

**** Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 5. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY			Geography: ALERUS 2002						Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002							
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography					
	#	% of Total**	% of MF Units***	% BANK Loans****	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Overall	Low	Mod	Mid
Full Review:																
Alerus Fargo AA	1	12.50	1.75	0.00	33.38	0.00	50.69	0.00	14.18	100.00	1.20	0.00	0.00	0.00	0.00	9.09
Alerus Grand Forks AA	7	87.50	0.00	0.00	23.80	28.57	67.95	71.43	8.25	0.00	21.21	0.00	50.00	20.00	0.00	

* Based on 2002 Peer Mortgage Data (Western)

** Multi-family loans originated and purchased in the MA/AA as a percentage of all multi-family loans originated and purchased in the rated area.

*** Percentage of Multi Family Units is the number of multi family units in a particular geography divided by the number of multifamily housing units in the area based on 1990 Census information.

**** Multifamily loan distribution includes Home Purchases, Home Improvement and Refinances.

Geographic Distribution: MULTIFAMILY			Geography: ALERUS 2003 2004 2005						Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2005							
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography					
	#	% of Total**	% of MF Units***	% BANK Loans****	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Overall	Low	Mod	Mid
Full Review:																
Alerus Fargo AA	6	54.55	0.00	0.00	30.49	0.00	59.89	100.00	9.62	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Alerus Grand Forks AA	5	45.45	7.19	0.00	3.74	20.00	79.71	80.00	9.36	0.00	5.88	0.00	50.00	0.00	0.00	

* Based on 2005 Peer Mortgage Data (Western)

** Multi-family loans originated and purchased in the MA/AA as a percentage of all multi-family loans originated and purchased in the rated area.

*** Percentage of Multi Family Units is the number of multi family units in a particular geography divided by the number of multifamily housing units in the area based on 2000 Census information.

**** Multifamily loan distribution includes Home Purchases, Home Improvement and Refinances.

Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES			Geography: ALERUS 2002						Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002						
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% of Business***	% BANK Loans	% of Business***	% BANK Loans	% of Business***	% BANK Loans	% of Business***	% BANK Loans	Overall	Low	Mod	Mid	Upp
Full Review:															
Alerus Fargo AA	212	46.90	0.27	0.00	37.78	41.04	46.73	45.28	15.22	13.68	3.52	0.00	4.26	3.28	3.99
Alerus Grand Forks AA	240	53.10	0.00	0.00	19.61	7.08	70.06	77.92	10.33	15.00	10.68	0.00	7.14	12.54	14.06

* Based on 2002 Peer Small Business Data -- US and PR

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Source Data - Dun and Bradstreet (2002).

Geographic Distribution: SMALL LOANS TO BUSINESSES			Geography: ALERUS 2003 2004 2005						Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2005						
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% of Business***	% BANK Loans	% of Business***	% BANK Loans	% of Business***	% BANK Loans	% of Business***	% BANK Loans	Overall	Low	Mod	Mid	Upp
Full Review:															
Alerus Fargo AA	831	45.41	0.00	0.00	33.81	38.63	53.60	45.37	12.59	16.00	4.32	0.00	5.03	3.91	5.42
Alerus Grand Forks AA	999	54.59	1.90	0.50	7.01	1.00	69.59	49.45	21.50	49.05	10.04	12.50	1.10	8.50	16.74

* Based on 2005 Peer Small Business Data -- US and PR

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Source Data - Dun and Bradstreet (2005).

Table 7. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS		Geography: ALERUS 2002						Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002							
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% of Farms*	% BANK Loans	% of Farms*	% BANK Loans	% of Farms*	% BANK Loans	% of Farms*	% BANK Loans	Overa ll	Low	Mod	Mid	Upp
Full Review:															
Alerus Fargo AA	21	17.80	0.00	0.00	4.77	4.76	88.37	95.24	6.86	0.00	5.18	0.00	9.09	3.20	14.29
Alerus Grand Forks AA	97	82.20	0.00	0.00	20.40	0.00	76.77	97.94	2.83	2.06	13.97	0.00	0.00	10.80	6.67

* Based on 2002 Peer Small Business Data -- US and PR

** Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

*** Source Data - Dun and Bradstreet (2002).

Geographic Distribution: SMALL LOANS TO FARMS		Geography: ALERUS 2003 2004 2005						Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2005							
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% of Farms*	% BANK Loans	% of Farms*	% BANK Loans	% of Farms*	% BANK Loans	% of Farms*	% BANK Loans	Overa ll	Low	Mod	Mid	Upp
Full Review:															
Alerus Fargo AA	111	18.44	0.00	0.00	6.78	1.80	82.06	65.77	11.17	32.43	4.15	0.00	0.00	3.12	20.00
Alerus Grand Forks AA	491	81.56	0.15	0.00	9.77	0.00	69.92	64.15	20.15	35.85	12.61	0.00	0.00	9.84	36.84

* Based on 2005 Peer Small Business Data -- US and PR

** Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

*** Source Data - Dun and Bradstreet (2005).

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE		Geography: ALERUS 2002								Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002					
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total**	% Families***	% BANK Loans****	% Families ¹	% BANK Loans**	% Families***	% BANK Loans****	% Families**	% BANK Loans****	Overall	Low	Mod	Mid	Upp
Full Review:															
Alerus Fargo AA	131	42.81	17.66	12.28	18.16	30.70	26.40	26.32	37.79	30.70	3.25	3.77	3.60	2.69	3.33
Alerus Grand Forks AA	175	57.19	17.51	7.32	19.28	16.46	25.57	31.10	37.64	45.12	13.78	10.91	10.63	13.82	16.19

* Based on 2002 Peer Mortgage Data (Western)

** As a percentage of loans with borrower income information available. No information was available for 9.2% of loans originated and purchased by bank.

*** Percentage of Families is based on the 1990 Census information.

**** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

¹ Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Borrower Distribution: HOME PURCHASE		Geography: ALERUS 2003 2004 2005								Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2005					
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total**	% Families***	% BANK Loans****	% Families ¹	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp
Full Review:															
Alerus Fargo AA	483	42.44	17.63	10.62	18.63	28.10	26.24	37.17	37.49	24.12	3.24	3.29	2.35	3.93	3.25
Alerus Grand Forks AA	655	57.56	16.98	5.88	18.93	17.65	25.21	27.78	38.89	48.69	14.45	8.06	8.04	16.85	18.55

* Based on 2005 Peer Mortgage Data (Western)

** As a percentage of loans with borrower income information available. No information was available for 6.5% of loans originated and purchased by bank.

*** Percentage of Families is based on the 2000 Census information.

**** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

¹ Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT			Geography: ALERUS 2000				Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002					Market Share [*]				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total ^{**}	% Families ^{***}	% BANK Loans ^{****}	% Families ²	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}						
Full Review:																
Alerus Fargo AA	45	34.35	17.66	7.32	18.16	9.76	26.40	36.59	37.79	46.34	7.69	6.12	3.77	8.38	9.55	
Alerus Grand Forks AA	86	65.65	17.51	3.85	19.28	12.82	25.57	29.49	37.64	53.85	26.26	15.00	18.87	26.14	30.88	

* Based on 2002 Peer Mortgage Data (Western)

** As a percentage of loans with borrower income information available. No information was available for 9.2% of loans originated and purchased by bank.

*** Percentage of Families is based on the 1990 Census information.

**** Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

² Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Borrower Distribution: HOME IMPROVEMENT			Geography: ALERUS 2003 2004 2005				Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2005					Market Share [*]				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total ^{**}	% Families ^{***}	% BANK Loans ^{****}	% Families ²	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}						
Full Review:																
Alerus Fargo AA	206	41.04	17.63	8.21	18.63	23.08	26.24	28.21	37.49	40.51	6.38	6.74	4.39	5.23	8.42	
Alerus Grand Forks AA	296	58.96	16.98	7.12	18.93	17.79	25.21	22.42	38.89	52.67	22.96	17.78	18.92	18.26	29.24	

* Based on 2005 Peer Mortgage Data (Western)

** As a percentage of loans with borrower income information available. No information was available for 5.2% of loans originated and purchased by bank.

*** Percentage of Families is based on the 2000 Census information.

**** Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

² Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE			Geography: ALERUS 2002				Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002					Market Share				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Families***	% BANK Loans****	% Families ₃	% BANK Loans****	% Families***	% BANK Loans*	% Families***	% BANK Loans***						
Full Review:																
Alerus Fargo AA	165	36.50	17.66	7.69	18.16	11.54	26.40	30.13	37.79	50.64	3.15	4.74	2.23	2.90	3.48	
Alerus Grand Forks AA	287	63.50	17.51	2.85	19.28	10.98	25.57	22.76	37.64	63.41	12.31	8.86	9.44	10.59	14.12	

* Based on 2002 Peer Mortgage Data (Western)

** As a percentage of loans with borrower income information available. No information was available for 11.1% of loans originated and purchased by bank.

*** Percentage of Families is based on the 1990 Census information.

**** Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

³ Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Borrower Distribution: HOME MORTGAGE REFINANCE			Geography: ALERUS 2003 2004 2005				Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2005					Market Share				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Families***	% BANK Loans****	% Families ₃	% BANK Loans**	% Families***	% BANK Loans****	% Families***	% BANK Loans****						
Full Review:																
Alerus Fargo AA	407	42.22	17.63	7.14	18.63	20.63	26.24	26.46	37.49	45.77	2.67	1.54	2.96	2.15	3.30	
Alerus Grand Forks AA	557	57.78	16.98	3.04	18.93	18.42	25.21	27.73	38.89	50.81	8.89	7.04	7.31	7.65	10.99	

* Based on 2005 Peer Mortgage Data (Western)

** As a percentage of loans with borrower income information available. No information was available for 9.5% of loans originated and purchased by bank.

*** Percentage of Families is based on the 2000 Census information.

**** Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

³ Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES				Geography: ALERUS 2002		Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002			
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share	
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
Full Review:									
Alerus Fargo AA	212	46.90	69.77	63.68	60.38	20.28	19.34	3.52	6.33
Alerus Grand Forks AA	240	53.10	70.14	45.42	71.25	15.42	13.33	10.68	13.64

* Based on 2002 Peer Small Business Data -- US and PR

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2002).

**** Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 1.99% of small loans to businesses originated and purchased by the bank.

Borrower Distribution: SMALL LOANS TO BUSINESSES				Geography: ALERUS 2003 2004 2005		Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2005			
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share	
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
Full Review:									
Alerus Fargo AA	831	45.41	59.94	62.09	55.35	20.70	23.95	4.32	4.95
Alerus Grand Forks AA	999	54.59	57.59	39.94	62.46	17.72	19.82	10.04	7.83

* Based on 2005 Peer Small Business Data -- US and PR

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2005).

**** Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 0.22% of small loans to businesses originated and purchased by the bank.

Table12. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS					Geography: ALERUS 2002			Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002	
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share	
	#	% of Total**	% of *** Farms	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
Full Review:									
Alerus Fargo AA	21	17.80	95.92	100.00	76.19	19.05	4.76	5.18	5.19
Alerus Grand Forks AA	97	82.20	93.63	90.72	70.10	21.65	8.25	13.97	13.58

* Based on 2002 Peer Small Business Data -- US and PR

** Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

*** Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2002).

**** Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 1.69% of small loans to farms originated and purchased by the bank.

Borrower Distribution: SMALL LOANS TO FARMS					Geography: ALERUS 2003 2004 2005			Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2005	
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share	
	#	% of ** Total	% of *** Farms	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
Full Review:									
Alerus Fargo AA	111	18.44	92.85	98.20	52.25	37.84	9.91	4.15	5.34
Alerus Grand Forks AA	491	81.56	90.08	92.26	59.06	29.53	11.41	12.61	13.54

* Based on 2005 Peer Small Business Data -- US and PR

** Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

*** Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2005).

**** Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 0.00% of small loans to farms originated and purchased by the bank.

Table 14. Qualified Investments

QUALIFIED INVESTMENTS		Geography: ALERUS 2002-2005				Evaluation Period: June 17, 2002 TO September 17, 2006			
MA/Assessment Area:	Prior Period Investments		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Review:									
Alerus Fargo AA	0	0	30	236	30	236	7.90	0	0
Alerus Grand Forks AA	5	1,462	53	1,051	58	2,478	82.99	0	0
Regional	0	0	1	272	1	272	9.11	1	728

* 'Prior Period Investments' means investments made in a previous period that are outstanding as of the examination date.

** 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS Geography: 2002 Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002																	
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Review:																	
Fargo AA	36.52	6	54.55	0.00	50.0	33.3	16.7	1	0	0	0	1	0	2.03	17.01	65.99	14.96
Grand Forks AA	63.48	5	45.45	0.00	40.0	60.0	0.00	0	0	0	0	0	0	0.00	25.09	62.30	12.61

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS Geography: ALERUS 2003-2005 Evaluation Period: JAN 1, 2003 TO DEC 31, 2005																	
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Review:																	
Fargo AA	35.55	6	54.55	0.00	16.7	66.6	16.7	0	0	0	0	0	0	0.00	17.10	65.86	17.04
Grand Forks AA	64.45	5	45.45	0.00	0.00	100	0.00	0	0	0	0	0	0	5.70	6.96	67.06	20.28

Distribution of Branch and ATM Delivery System

Distribution of Branch and ATM Delivery System				Geography: ALERUS 2002				Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2002									
MA/Assessment Area:	Deposits	Branches						ATMs				Population					
	% of Total Bank Deposits	# of Bank Branches	% of Total Bank Branches	Location of Branches by Income of Geographies (%)				#of Bank ATMs	% of Total Bank ATMs	Location of ATMs by Income of Geographies				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Review:																	
Fargo AA	36.52	6	54.55	0	50.00	33.33	16.67	5	27.78	0	80.00	20.00	0	2.03	17.01	65.99	14.96
Grand Forks AA	63.48	5	45.45	0	40.00	60.00	0	13	72.22	0	15.38	53.85	30.77	0.00	25.09	62.30	12.61

Distribution of Branch and ATM Delivery System				Geography: ALERUS 2003 2004 2005				Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2005									
MA/Assessment Area:	Deposits	Branches						ATMs				Population					
	% of Total Bank Deposits	# of Bank Branches	% of Total Bank Branches	Location of Branches by Income of Geographies (%)				#of Bank ATMs	% of Total Bank ATMs	Location of ATMs by Income of Geographies				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Review:																	
Fargo AA	35.55	6	54.55	0	16.67	66.66	16.67	9	45.00	0	11.11	66.67	22.22	0.00	17.10	65.86	17.04
Grand Forks AA	64.45	5	45.55	0	0	100.0	0	11	55.00	9.09	0	36.36	54.55	5.70	6.96	67.06	20.28