



PUBLIC DISCLOSURE

June 10, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Alerus Financial, NA
Charter Number: 13790

401 Demers Avenue
Grand Forks, ND 58201

Office of the Comptroller of the Currency

222 South 9th Street, Suite 800
Minneapolis, MN 55402

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.

Table of Contents

Overall CRA Rating.....	2
Description of Institution.....	4
Scope of the Evaluation.....	5
Discriminatory or Other Illegal Credit Practices Review.....	6
State of Minnesota Rating.....	7
Multistate Metropolitan Statistical Area Rating	
Grand Forks MMSA.....	23
Fargo MMSA.....	33
State of Arizona Rating.....	42
Appendix A: Scope of Examination.....	A-1
Appendix B: Summary of MMSA and State Ratings.....	B-1
Appendix C: Definitions and Common Abbreviations.....	C-1
Appendix D: Tables of Performance Data.....	D-1

Overall CRA Rating

Institution's CRA Rating: This institution is rated **Outstanding**.

The following table indicates the performance level of Alerus Financial, NA (Alerus) with respect to the Lending, Investment, and Service Tests:

Performance Levels	Alerus Financial, NA 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 supporting this rating include:

- The bank's lending activity is excellent, with strong lending performance in the state of Minnesota;
- The geographic distribution is excellent;
- The borrower income distribution is adequate;
- Community development (CD) lending had a significantly positive impact on lending test performance;
- The bank had a significant level of qualified investments. Investments demonstrated good responsiveness to CD needs;
- Services are accessible to essentially all portions of rating areas. Hours do not vary in a way that inconveniences portions of assessment areas (AAs).

Assessment Area Weightings

The Lending Test rating is based on a combination of the Grand Forks, ND-MN (Grand Forks) Multi-State Metropolitan Statistical Area (MMSA), Fargo ND-MN (Fargo) MMSA, state of Minnesota, and state of Arizona ratings. Performance in the state of Minnesota receives the most weight. Minnesota represents 47 percent of the bank's branches, 37 percent of deposits as of June 30, 2017, and 76 percent of total loans originated during the evaluation period. Performance in the Grand Forks MMSA receives the second most weight, followed by the Fargo MMSA, and state of Arizona. The Lending Test in Minnesota and the Fargo MMSA is rated Outstanding. The Lending Test in the Grand Forks MMSA is rated High Satisfactory, and the Lending Test in Arizona is rated Low Satisfactory.

Performance for the Investment and Service Tests are weighted in the same manner as the Lending Test. The Investment Test in Minnesota and Arizona is rated Outstanding. The Investment Test in the Grand Forks MMSA and the Fargo MMSA is rated Satisfactory. The Service Test in the Grand Forks MMSA is rated Outstanding. The Service Test in the Fargo MMSA and Minnesota is rated High Satisfactory. The Service Test in Arizona is rated Satisfactory.

Bank-Wide Lending Programs and Services

We considered lending programs and services at the bank-wide level that contribute to lending responsiveness and flexibility in each AA. Bank-wide programs include:

- Flexible mortgage lending programs include Veterans Affairs (VA) loans, Federal Housing Administration (FHA) loans, North Dakota Housing loans, U.S. Bank Mortgage Program loans, and U.S. Department of Agriculture (USDA) Rural Home Mortgage loans. These loan programs are considered responsive to identified needs in the Fargo MMSA, Minneapolis MSA, Duluth MSA, and Phoenix MSA.
- Alerus participates in Small Business Administration (SBA) loan programs, which are considered flexible lending programs. SBA loan programs are considered responsive to identified needs in the Minneapolis MSA and Duluth MSA.
- Flexible agriculture lending programs include USDA secured loans and Farm Service Agency (FSA) loans. Although these programs are not widely used, they are available to customers bank-wide.
- Flexible consumer lending programs include the medical lending program and down payment assistance program.
- Alerus offers alternative delivery systems available to all individuals and geographies including mobile banking, online banking, telephone banking, free automatic teller machine (ATM) usage, free bill pay, and PopMoney services.

Consideration of CD Investments at the North Dakota State-Wide level

Alerus did not purchase any investments or provide any donations during the evaluation period in North Dakota, aside from those included in either the Grand Forks MMSA or the Fargo MMSA. There are three prior period investments at the North Dakota state-wide level for \$102 thousand that remained outstanding during the evaluation period benefitting economic development organizations in the Grand Forks MMSA and the Fargo MMSA. Total qualified investments represent 0.09 percent of December 31, 2017 allocated Tier One Capital¹. North Dakota state-wide investments include:

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
ND Statewide	3	102	0	0	3	2	102	5	0	0

There was a change in the evaluation period since the previous CRA performance evaluation. Due to this change, only full-years are included in a CRA evaluation going forward. Because the previous performance evaluation included CD activity occurring until September 30, 2015, the current evaluation only includes CD activity from October 1, 2015 through December 31, 2017. Therefore, qualified investments made during 2018 were included as a performance context factor, but were not included in qualified investment tables throughout this Report, including the table provided above. During 2018, management purchased one investment for \$1.84 million supporting affordable housing in the Grand Forks MMSA and Fargo MMSA. This additional investment has a positive impact on the Grand Forks MMSA and Fargo MMSA Investment Test conclusions.

¹ Allocated Tier One Capital is based on the bank's portion of deposits within the applicable AA as of December 31, 2017.

Lending in Assessment Area

A high percentage of loans are in the bank's AAs. Lending in the AA has a neutral impact on the overall analysis of the geographic distribution of lending by income level and geography.

Alerus originated and purchased 86 percent of its total loans by number and dollar volume inside the AAs during the evaluation period. The following table summarizes lending at the bank-wide level, rather than the AA level:

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		#	%	#	%	
Home Mortgage	10,165	86%	1,667	14%	11,832	2,515,274	87%	384,300	13%	2,899,574
Small Business	2,402	88%	320	12%	2,722	633,549	86%	101,829	14%	735,378
Small Farm	219	72%	86	28%	305	43,939	73%	16,288	27%	60,227
Total	12,786	86%	2,073	14%	14,859	3,192,762	86%	502,417	14%	3,695,179

Description of Institution

Alerus is a \$2.1 billion institution headquartered in Grand Forks, North Dakota. Alerus is wholly-owned by Alerus Financial Corporation, a one-bank holding company located in Grand Forks. Alerus operates one subsidiary, Alerus Securities Corporation (ASC), a wealth management and investment company headquartered in Grand Forks. ASC was transferred to third-party Infinity Financial Group in December 2018; however, it remains a shell wholly-owned subsidiary of Alerus. Management did not elect to have affiliate activity considered in this evaluation.

Alerus is a multistate institution with 17 branches located in North Dakota, Minnesota, and Arizona. Alerus' main office and four additional branch locations are in Grand Forks, ND. There are three branches in Fargo, ND, six branches in the Minneapolis, MN metro area, two branches in Duluth, MN, and one branch in Phoenix, AZ. Due to a bank acquisition in 2016, Alerus gained branches located in Shorewood, Excelsior, Eden Prairie, and Duluth, MN during the evaluation period. Alerus closed three branches during the evaluation period—two were located in Fargo, ND, and one was located in Maplewood, MN.

Alerus operates 19 cash dispensing ATMs, ten that are deposit taking. There are seven ATMs in Grand Forks, five in Fargo, five in the Minneapolis metro area, one in Duluth, and one in Phoenix. Deposit taking ATMs include five in Grand Forks, one in Fargo, three in the Minneapolis metro area, and one in Duluth. New ATMs added during the evaluation period include four in Minneapolis and one each in Grand Forks, Fargo, and Duluth. Alerus removed three ATMs during the evaluation period; each ATM was located at a closed branch location.

For CRA purposes, Alerus operates with four rating areas and five AAs. Rating areas include the Grand Forks MMSA, Fargo MMSA, the state of Minnesota, and the state of Arizona. The AAs include the Grand Forks MMSA, Fargo MMSA, Minneapolis-St. Paul-Bloomington, MN-WI MSA (Minneapolis MSA), Duluth, MN-WI MSA (Duluth MSA), and Phoenix-Mesa-Scottsdale, AZ MSA (Phoenix MSA). The Minneapolis MSA and Duluth MSA are MMSAs; however, Alerus' operations are limited to the Minnesota portion of each MMSA.

Alerus is a full-service commercial bank offering a variety of loan and deposit products. Net loans and leases represent 74 percent of total assets. The loan portfolio is comprised of 65 percent residential real estate loans, 27 percent commercial loans, five percent consumer loans, and three percent agriculture loans. Tier One Capital is \$187 million or 8.8 percent of total assets. The North Dakota and Minnesota AAs focus on commercial and residential real estate lending, while the Phoenix MSA focuses on commercial lending. The North Dakota AAs also have an agricultural portfolio with small farm loan originations totaling \$43 million during the evaluation period. Alerus does not generally originate small farm loans outside of their North Dakota AAs. The bank also offers a variety of non-traditional banking products and services. Alerus Retirement and Benefits (ARB) offers retirement plan administration and investment advisory services, ESOP fiduciary services, payroll, health savings accounts, and other benefit services to clients nationwide. Alerus Wealth Management offers trust, fiduciary services, investment management, and financial planning services to clients.

There are no known financial, legal, or other factors impeding then bank’s ability to meet the credit needs of its AAs. Alerus received a Satisfactory rating at the previous CRA performance evaluation dated February 2, 2016.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The Lending Test and Service Test evaluation periods are January 1, 2015 - December 31, 2017, excluding CD activity. The evaluation period for the Investment Test and CD activity included in the Lending and Service Tests is October 1, 2015 - December 31, 2017. CD activity from January 1, 2015 - September 30, 2015, was evaluated and included in the previous CRA performance evaluation conclusions. During this evaluation, we reviewed home mortgage, small business, and small farm loans reported by management during the evaluation period. We also reviewed all CD loans, investments, donations, and services submitted by management.

Loans originated in 2015-16 are compared to 2010 American Community Survey (ACS) data, and loans originated in 2017 are compared to 2015 ACS data. Therefore, these time periods are evaluated separately throughout this Report.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated AAs located within the same MSA, MMSA, or combined statistical area (CSA) are aggregated and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are aggregated and evaluated as a single area. These aggregated AAs may be evaluated as full- or limited-scope. Refer to the “Scope” section under each State Rating section for details regarding how full-scope AAs were selected. Refer to Appendix A-1 for a list of full- and limited-scope AAs.

Ratings

The bank’s overall rating is a blend of the state ratings, and where applicable, multistate ratings. When determining conclusions, we weighted performance in the state of Minnesota most heavily due to the number of branches, deposits, and loans attributable to Minnesota.

When determining conclusions for the Lending Test, we weighted loan products to be reflective of Alerus' loan volume by product type during the evaluation period. We completed this analysis separately for each of the AAs as lending volumes by product varied significantly depending on market area. The state of Minnesota receives the most weight because loans in Minnesota account for 77.3 percent of the dollar volume of all bank loans originated and purchased during the evaluation period.

We weighted home mortgage loans most heavily in the Lending Test analysis for the Minneapolis MSA, Grand Forks MMSA, and Fargo MMSA. We weighted small business loans most heavily in the Lending Test analysis for the Duluth MSA and Phoenix MSA.

The MMSA and state ratings are based on performance in all bank AAs. Refer to the “Scope” section under each state and MMSA Rating section for details describing how we weighted products in each area to arrive at our respective ratings.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) in determining a national bank’s CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices by the bank in any geography, or in any AA by an affiliate whose loans have been considered as part of the bank’s lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that Alerus engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that Alerus engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution’s next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of Minnesota

CRA rating for the State of Minnesota²: Outstanding

The Lending Test is rated: Outstanding

The Investment Test is rated: Outstanding

The Service Test is rated: High Satisfactory

The major factors supporting this rating include:

- Lending levels reflect excellent responsiveness to credit needs in Minnesota.
- The geographic distribution of loans to census tracts (CTs) of different income levels is excellent.
- The distribution of loans to borrowers of different income levels and businesses of different sizes is adequate.
- Alerus exhibits excellent responsiveness to credit needs of low-moderate income (LMI) individuals and small businesses. The institution makes extensive use of flexible lending practices to serve credit needs in Minnesota.
- Alerus is a leader in making CD loans, which has a significantly positive impact on the overall lending test in Minnesota. The institution has an excellent level of qualified CD investments and grants, particularly those that are not routinely provided by private investors. Alerus exhibits good responsiveness to credit and community economic development needs, and makes significant use of complex investments to support CD initiatives. Alerus provides a relatively high level of CD services. Service delivery systems are accessible to geographies and individuals of different income levels.

Description of Institution's Operations in Minnesota

Minneapolis MSA

The Minneapolis MSA consists of Anoka, Carver, Dakota, Hennepin, Ramsey, and Washington Counties. Alerus operates six branches and has five ATMs, three of which are deposit taking, in the AA. Branch locations account for 35.3 percent of the bank-wide branch network.

According to the 2015 ACS data, the Minneapolis MSA includes 683 CTs. During the 2015-16 evaluation period, there were 63 low-income CTs and 131 moderate-income CTs. In 2017, there were 56 low-income CTs and 159 moderate-income CTs. There are no branches or ATMs located in LMI CTs in the Minneapolis MSA; however, several branches are in close proximity to LMI CTs.

² This rating reflects performance within the multistate metropolitan statistical area. The statewide evaluations do not reflect performance in the parts of those states contained within the multistate metropolitan statistical area.

The June 30, 2017 FDIC Deposit Market Share Report indicates that Alerus has \$584 million or 35 percent of bank-wide deposits in the Minneapolis MSA. Alerus ranks 16th of 114 deposit-taking institutions in the AA with deposit market share of 0.3 percent. The top five institutions are Wells Fargo Bank NA, U.S. Bank NA, TCF National Bank, Bremer Bank NA, and BMO Harris Bank NA. Combined, these five institutions have 87 percent of deposits in the AA.

Home mortgage loans are the bank's primary business focus in the Minneapolis MSA. During the evaluation period, management originated 9,506 loans totaling \$2.4 billion in the AA. This represents 74 percent of bank-wide loan originations by number and 77 percent by dollar during the evaluation period. Minneapolis MSA home mortgage loan originations represent 83 percent of bank-wide home mortgage originations by number and 86 percent by dollar during the evaluation period.

As part of this review, we contacted a community member in the Minneapolis MSA to gain an understanding of the area's economic conditions, credit needs, and involvement of local financial institutions. The contact is an associate director of an affordable housing developer located in Saint Paul, MN, and serving the Minneapolis-Saint Paul metropolitan area. The contact stated the strong employment market caused rental rates to increase, creating a shortage in affordable housing units, specifically multifamily rental units. The Minneapolis-Saint Paul metropolitan area is the country's 16th largest urban area, making it a desired headquarters for many companies, including UnitedHealth Group, Target, Best Buy, 3M, and General Mills. The contact identified affordable housing, including multifamily housing, as a primary credit need, and also stated that financial institutions are receptive to supporting these projects. Other recently completed community contacts identified commercial lending, including small business lending, as a primary credit need.

The following tables provide information on the demographic composition of the Minneapolis MSA:

Table A – Demographic Information of the Assessment Area						
Assessment Area: Alerus Financial Minneapolis MN MSA 2015-16						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	683	9.2	19.8	41.6	28.8	0.6
Population by Geography	2,719,639	7.5	17.7	42.6	32.0	0.1
Housing Units by Geography	1,131,685	7.5	18.9	43.7	30.0	0.0
Owner-Occupied Units by Geography	752,884	3.0	14.5	46.2	36.3	0.0
Occupied Rental Units by Geography	314,019	16.8	28.3	38.9	16.0	0.0
Vacant Units by Geography	64,782	13.7	24.5	37.8	24.0	0.0
Businesses by Geography	199,224	5.4	16.2	42.1	36.3	0.0
Farms by Geography	4,497	2.1	11.4	48.2	38.3	0.0
Family Distribution by Income Level	672,410	19.5	17.3	22.5	40.8	0.0
Household Distribution by Income Level	1,066,903	23.3	16.5	19.1	41.0	0.0
Median Family Income MSA - 33460 Minneapolis-St. Paul-Bloomington, MN- WI MSA		\$79,301	Median Housing Value			\$257,872
<i>Source: 2010 U.S. Census and 2016 D&B Data Due to rounding, totals may not equal 100.0 (* The NA category consists of geographies that have not been assigned an income classification.</i>			Median Gross Rent			\$864
			Families Below Poverty Level			6.7%

Table A – Demographic Information of the Assessment Area						
Assessment Area: Alerus Financial Minneapolis MN MSA 2017						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	683	8.2	23.4	41.9	25.5	1.0
Population by Geography	2,814,792	7.1	21.1	42.6	28.9	0.4
Housing Units by Geography	1,157,978	6.6	21.8	43.8	27.5	0.4
Owner-Occupied Units by Geography	746,503	2.7	17.1	46.4	33.8	0.1
Occupied Rental Units by Geography	356,846	13.9	31.3	38.7	15.1	0.9
Vacant Units by Geography	54,629	11.5	24.6	40.8	22.2	0.9
Businesses by Geography	205,025	5.3	18.2	44.7	31.4	0.4
Farms by Geography	4,689	2.1	13.4	51.7	32.7	0.1
Family Distribution by Income Level	695,047	20.7	17.0	21.6	40.6	0.0
Household Distribution by Income Level	1,103,349	24.2	16.2	18.2	41.3	0.0
Median Family Income MSA - 33460 Minneapolis-St. Paul-Bloomington, MN- WI MSA		\$85,636	Median Housing Value			\$231,472
<i>Source: 2015 ACS Census and 2017 D&B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an</i> <i>income classification.</i>			Median Gross Rent			\$964
			Families Below Poverty Level			7.3%

Duluth MSA

The Duluth MSA consists of all but the northern most part of Saint Louis County in Minnesota. Alerus operates two branch locations and has one deposit-taking ATM in the Duluth MSA, with all located in the city of Duluth. Branch locations account for 11.8 percent of the bank-wide branch network. Both branches and the ATM were gained via acquisition during the evaluation period.

According to the 2015 ACS data, the Duluth MSA includes 66 CTs. During the 2015-16 evaluation period, there were eight low-income CTs and 13 moderate-income CTs. In 2017, there were six low-income CTs and 15 moderate-income CTs. One branch and the deposit-taking ATM are located in a moderate-income CT.

The June 30, 2017 FDIC Deposit Market Share Report indicates Alerus has \$30 million or two percent of its deposits in the Duluth MSA. Alerus ranks 18th of 22 deposit-taking institutions in the AA with deposit market share of one percent. The top five institutions are Wells Fargo Bank NA, U.S. Bank NA, American Bank of the North, Republic Bank Inc., and North Shore Bank of Commerce. Combined, these five institutions have 72 percent of deposits in the AA.

Commercial and home mortgage loans are the bank's primary business focus. During the evaluation period, management originated 162 loans totaling \$33 million in the AA. This represents 1.0 percent of bank-wide loan originations by number and dollar during the evaluation period. Duluth MSA commercial loans represent 4.0 percent of bank-wide commercial loan originations by number and 3.0 percent by dollar during the evaluation period. Home mortgage loans represent 0.6 percent of bank-wide home loan originations by number and 0.5 percent by dollar during the evaluation period.

We reviewed one recently completed community contact in the Duluth MSA as part of this evaluation. The contact is located in Duluth, MN, and serves the greater Duluth area, which includes Proctor, MN and Hermantown, MN. The contact stated the overall unemployment rate remains low, but is elevated for minority populations. The area reports the lowest income in the state and struggles to raise incomes despite workforce shortages. Small business startups and expansions are common; however, many of these business are owned by retirement-aged people who are looking for someone new to take over. Currently, the retail industry is struggling as indicated by recent store closures. Additionally, the contact expressed concern that the Duluth area continues to focus too heavily on the tourism sector, which is replacing manufacturing and industry. Major employers are Essentia Health, St. Luke's Hospital, and local colleges. The contact identified home mortgage loans, affordable housing, small business lending, and revitalization as primary credit needs.

The following tables provide information on the demographic composition of the Duluth MSA:

Table A – Demographic Information of the Assessment Area						
Assessment Area: Alerus Financial Duluth MN MSA 2015-16						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	66	12.1	19.7	47.0	19.7	1.5
Population by Geography	196,785	8.4	13.6	54.0	24.0	0.0
Housing Units by Geography	97,117	9.7	14.6	56.7	19.0	0.0
Owner-Occupied Units by Geography	61,210	3.7	11.4	62.6	22.3	0.0
Occupied Rental Units by Geography	23,506	26.4	23.5	35.2	14.9	0.0
Vacant Units by Geography	12,401	7.5	13.7	68.2	10.5	0.0
Businesses by Geography	13,045	16.3	12.1	51.6	20.1	0.0
Farms by Geography	366	4.4	8.5	65.0	22.1	0.0
Family Distribution by Income Level	50,424	20.6	17.5	22.7	39.2	0.0
Household Distribution by Income Level	84,716	25.8	15.8	17.2	41.2	0.0
Median Family Income MSA - 20260 Duluth, MN-WI MSA		\$59,812	Median Housing Value			\$139,695
<i>Source: 2010 U.S. Census and 2016 D&B Data Due to rounding, totals may not equal 100.0 (*) The NA category consists of geographies that have not been assigned an income classification.</i>			Median Gross Rent			\$640
			Families Below Poverty Level			8.9%

Table A – Demographic Information of the Assessment Area						
Assessment Area: Alerus Financial Duluth MN MSA 2017						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	66	9.1	22.7	47.0	19.7	1.5
Population by Geography	196,804	6.1	18.2	47.6	28.2	0.0
Housing Units by Geography	97,992	6.5	19.3	50.9	23.2	0.0
Owner-Occupied Units by Geography	58,671	2.2	15.3	54.4	28.1	0.0
Occupied Rental Units by Geography	24,200	18.5	30.9	35.3	15.3	0.0
Vacant Units by Geography	15,121	4.5	16.2	62.3	17.0	0.0
Businesses by Geography	13,079	7.4	24.1	44.4	24.1	0.0
Farms by Geography	366	2.5	12.0	54.4	31.1	0.0
Family Distribution by Income Level	48,592	19.7	17.0	23.0	40.4	0.0
Household Distribution by Income Level	82,871	25.9	15.4	17.0	41.8	0.0
Median Family Income MSA - 20260 Duluth, MN-WI MSA		\$64,345	Median Housing Value			\$146,641
<i>Source: 2015 ACS Census and 2017 D&B Data Due to rounding, totals may not equal 100.0 (* The NA category consists of geographies that have not been assigned an income classification.</i>			Median Gross Rent			\$684
			Families Below Poverty Level			9.4%

Scope of Evaluation in Minnesota

We completed full-scope reviews of the Minneapolis and Duluth MSAs. The Minneapolis MSA received the most weight, as it contains the majority of the bank's branches, deposit volume, and lending volume. In the Minneapolis MSA, home mortgage loans and small business loans are considered primary products with home mortgage loans receiving the majority of the weight. In the Duluth MSA, small business loans and home mortgage loans are primary products with small business loans receiving the most weight. Refer to the table on Appendix A-1 for additional information.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MINNESOTA

LENDING TEST

Conclusions for Areas Receiving Full-Scope Reviews

Performance under the Lending Test in Minnesota is rated Outstanding. Based on full-scope reviews, performance in the Minneapolis and Duluth MSAs is excellent.

Lending Activity

Lending levels reflect excellent responsiveness to AA credit needs.

Number of Loans*							
Assessment Area	Home Mortgage	Small Business	Small Farm	Community Development	Total	% State Loans	% State Deposits
Minneapolis MSA	8,481	1,024	1	3	9,509	98%	98%
Duluth MSA	64	98	0	4	166	2%	2%

*The tables present the data for all assessment areas. The narrative below addresses performance in full-scope areas only.

Dollar Volume of Loans \$(000s)*							
Assessment Area	Home Mortgage	Small Business	Small Farm	Community Development	Total	% State Loans	% State Deposits
Minneapolis MSA	2,157,982	286,232	454	5,422	2,450,090	99%	95%
Duluth MSA	11,681	21,451	0	1,273	34,405	1%	5%

*The tables present the data for all assessment areas. The narrative below addresses performance in full-scope areas only.

Minneapolis MSA

Lending market share in the Minneapolis MSA is excellent compared to the bank's deposit market share of 0.3 percent. Peer home mortgage loan data for 2017 indicates Alerus ranks:

- Sixth among 543 lenders reporting home purchase loans with a market share of 2.8 percent;
- 15th among 467 lenders reporting home refinance loans with a market share of 1.4 percent;
- 45th among 242 lenders reporting home improvement loans with a market share of 0.3 percent; and,
- 62nd among 79 lenders reporting multifamily loans with a market share of 0.2 percent.

Peer small business loan data for 2017 indicates Alerus ranks 19th among 143 lenders reporting small business loans with a market share of 0.7 percent.

Duluth MSA

Lending market share in the Duluth MSA is good compared to its deposit market share of 0.9 percent. Peer home mortgage loan data for 2017 indicates Alerus ranks:

- 25th among 190 lenders reporting home purchase loans with a market share of 0.7 percent;
- 36th among 150 lenders reporting home refinance loans with a market share of 0.5 percent; and,
- 25th among 63 lenders reporting home improvement loans with a market share of 0.7 percent.
- Alerus did not originate any multifamily loans in the Duluth MSA AA; therefore, multifamily loans were not included in our analysis.

Peer small business loan data for 2017 indicates Alerus ranks tenth among 58 lenders reporting loans to small businesses with a market share of 2.0 percent.

Distribution of Loans by Income Level of the Geography

Alerus exhibits an excellent geographic distribution of loans in the Minneapolis and Duluth MSAs.

Home Mortgage Loans

The geographic distribution of home mortgage loans to CTs of different income levels in the Minneapolis and Duluth MSAs is excellent.

Refer to Table O in the state of Minnesota section on Appendix D-3 for the facts and data used to evaluate the geographic distribution of the home mortgage loan originations and purchases.

Minneapolis MSA

The geographic distribution of home mortgage loans in the Minneapolis MSA to CTs of different income levels is excellent for 2015-2016, and 2017, particularly compared to ACS demographic data for borrowers located in low-income geographies.

In 2015-16, Alerus originated 3.4 percent of home mortgage loans to borrowers located in low-income geographies. Performance significantly exceeds both demographic and peer data³. 2010 ACS data indicates 3.0 percent of owner-occupied units are located in low-income geographies, and aggregate Home Mortgage Disclosure Act (HMDA) data indicates 2.9 percent of home mortgage loans were originated to borrowers located in low-income geographies. Alerus originated 12.5 percent of home mortgage loans to borrowers located in moderate-income geographies. Performance is near both demographic and peer data. 2010 ACS data indicates 14.5 percent of owner-occupied units are in moderate income geographies. Aggregate HMDA data indicates 13.4 percent of home mortgage loan originations were originated to borrowers located in moderate-income geographies.

In 2017, Alerus originated 3.2 percent of home mortgage loans to borrowers located in low-income geographies. Performance significantly exceeds demographic data and is near peer performance. 2015 ACS data indicates 2.7 percent of owner-occupied units are located in low-income geographies. Aggregate HMDA data indicates 3.6 percent of home mortgage loans were originated to borrowers located in low-income geographies. Alerus originated 14.6 percent of home mortgage loans to borrowers located in moderate-income geographies. Performance is somewhat lower than peer and demographic data. 2015 ACS data indicates 17.1 percent of owner-occupied units are located in moderate income geographies. Aggregate HMDA data indicates 17.8 percent of home mortgage loans were originated to borrowers located in moderate-income geographies.

Duluth MSA

The geographic distribution of home mortgage loans in the Duluth MSA to CTs of different income levels is excellent for 2015-16, and 2017, particularly compared to ACS data for borrowers located in low-income geographies.

In 2015-16, Alerus originated 13.8 percent of home mortgage loans to borrowers located in low-income geographies, which significantly exceeds both demographic and peer data. 2010 ACS data indicates 3.7 percent of owner-occupied units are located in low-income geographies. Aggregate HMDA data indicates 5.2 percent of home mortgage loans were originated to borrowers located in low-income geographies. Alerus originated 6.9 percent of home mortgage loans to borrowers located in moderate-income geographies, which is somewhat lower than demographic and peer data. 2010 ACS data indicates 11.4 percent of owner-occupied units are located in moderate-income geographies. Aggregate HMDA data indicates 10.1 percent of home mortgage loans were originated to borrowers located in moderate-income geographies.

³ Throughout this Report, ACS data and aggregate HMDA/CRA data are referred to as “demographic” and “peer” data, respectively.

In 2017, Alerus originated 5.7 percent of home mortgage loans to borrowers located in low-income geographies. Performance significantly exceeds both demographic and peer data. 2015 ACS data indicates 2.2 percent of owner-occupied units were originated to low-income geographies. Aggregate HMDA data indicates 3.4 percent of home mortgage loans were originated to borrowers located in low-income geographies. Alerus originated 14.3 percent of home mortgage loans to borrowers located in moderate-income geographies. Performance is lower than demographic data, but exceeds peer data. 2015 ACS demographic data indicates 15.3 percent of owner-occupied units are located in moderate-income geographies. Aggregate HMDA data indicates 13.9 percent of home mortgage loans were originated to borrowers located in moderate-income geographies.

Small Business Loans

The geographic distribution of loans to small businesses in CTs of different income levels in the state of Minnesota is adequate. Performance in the Minneapolis MSA receives the most weight.

Refer to Table Q in the State of Minnesota section on Appendix D-5 for the facts and data used to evaluate the geographic distribution of originations and purchases of small business loans.

Minneapolis MSA

The geographic distribution of loans to small businesses in CTs of different income levels in the Minneapolis MSA is adequate.

In 2015-16, Alerus originated 2.6 percent of small business loans to borrowers located in low-income geographies. Performance is lower than both demographic and peer data. 2010 ACS data indicates 5.4 percent of small businesses are located in low-income geographies. Aggregate CRA data indicates 4.1 percent of small business loans were originated to borrowers located in low-income geographies. Alerus originated 11.3 percent of small business loans to borrowers located in moderate-income geographies. 2010 ACS data indicates 16.2 percent of businesses are located in moderate-income geographies. Aggregate CRA data indicates 14.5 percent of small business loans were originated to borrowers located in moderate-income geographies.

In 2017, Alerus originated 3.2 percent of small business loans to borrowers located in low-income geographies. Performance is lower than both demographic and peer data. 2015 ACS data indicates 5.3 percent of businesses are located in low-income geographies. Aggregate CRA data indicates 4.8 percent of small business loans were originated to borrowers located in low-income geographies. Alerus originated 14.7 percent of small business loans to businesses located in moderate-income geographies. While somewhat lower than demographic data, performance is in-line with peer data. 2015 ACS data indicates 18.2 percent of businesses are located in moderate-income geographies. Aggregate CRA data indicates 17.1 percent of small business loans were originated to borrowers located in a moderate-income geography.

Duluth MSA

The geographic distribution of small business loans to borrowers in CTs of different income levels in the Duluth MSA is excellent for 2015-2016, and 2017, particularly for low-income geographies when compared to both ACS demographic data and aggregate CRA data.

In 2015-16, Alerus originated 60.5 percent of small business loans to borrowers located in low-income geographies. Performance significantly exceeds both demographic and aggregate CRA data. 2010 ACS data indicates 16.3 percent of businesses are located in low-income geographies. Aggregate CRA data indicates 18.2 percent of small business loans were originated to borrowers located in low-income geographies. Alerus did not originate any small business loans to businesses located in moderate-income geographies. 2010 ACS data indicates 12.1 percent of businesses are located in moderate-income geographies. Aggregate CRA data indicates 10.9 percent of small business loans were originated to borrowers located in moderate-income geographies.

In 2017, performance significantly exceeds both demographic and peer data for both low-income and moderate-income geographies. Alerus originated 23.6 percent of small business loans to borrowers located in low-income geographies. 2015 ACS data indicates 7.4 percent of businesses are located in low-income geographies. Aggregate CRA data indicates 7.9 percent of small business loans were originated to borrowers located in low-income geographies. Alerus originated 34.5 percent of small business loans to borrowers located in moderate-income geographies. 2015 ACS data indicates 24.1 percent of businesses are located in moderate-income geographies. Aggregate CRA data indicates 23.4 percent of small business loans were originated to borrowers located in moderate-income geographies.

Lending Gap Analysis

Minneapolis MSA

We identified six low-income CTs and one moderate-income CT in the Minneapolis MSA with no lending activity during the evaluation period. These gaps do not represent a concern. Three of the CTs are concentrated with multifamily housing units, which is not a primary bank product in the AA. Additionally, there were 198 LMI CTs in 2015-16 and 216 LMI CTs in 2017 in the Minneapolis MSA. Therefore, the bank's lending gap represents just 3.5 percent of LMI CTs in 2015-16, and 3.2 percent of LMI CTs in 2017.

Duluth MSA

We identified one low-income CT and six moderate-income CTs in 2015-2016, and one CT designated as low-income CT in 2015-2016 that was redesignated as moderate income in 2017, with no lending activity during the evaluation period. These gaps do not represent a concern. There were 21 LMI CTs in the Duluth MSA during the evaluation period. Therefore, the bank's lending gap in the AA represents 38 percent of LMI CTs. Four of the CTs are in Hibbing, Virginia, and Babbitt, which are not located near the bank's branches. Excluding these tracts, the lending gap represents 19 percent of LMI CTs. Additionally, the bank demonstrated excellent geographic distribution when compared to owner-occupied housing units and businesses located within LMI CTs.

Distribution of Loans by Income Level of the Borrower

The bank exhibits an adequate distribution of loans to individuals of different income levels and business of different sizes, considering the product lines offered by the institution.

Home Mortgage Loans

The distribution of home mortgage loans to borrowers of different income levels in the state of Minnesota is adequate. The Minneapolis MSA receives the most weight due to the volume of loans originated during the evaluation period.

Refer to Table P in the State of Minnesota section on Appendix D-4 for the facts and data used to evaluate the geographic distribution of home mortgage loan originations and purchases.

Minneapolis MSA

The distribution of home mortgage loans to borrowers of different income levels in the Minneapolis MSA is adequate.

In 2015-16, Alerus originated 6.5 percent of home mortgage loans to low-income borrowers. This is significantly lower than demographic data, but comparable to peer data. 2010 ACS data indicates 19.5 percent of families are low-income. Aggregate HMDA data indicates 7.9 percent of home mortgage loans were originated to low-income borrowers. Alerus originated 19 percent of home mortgage loans to moderate-income borrowers. Performance significantly exceeds demographic data and is in-line with peer data. 2010 ACS data indicates 17.3 percent of families are moderate-income. Aggregate HMDA data indicates 19.3 percent of home mortgage loans are to moderate-income borrowers.

In 2017, Alerus originated 7.2 percent of home mortgage loan to low-income borrowers. This is significantly lower than demographic data, but comparable to peer data. 2015 ACS data indicates 20.7 percent of families are low-income. Aggregate HMDA data indicates 9.1 percent of home mortgage loans were originated to low-income borrowers. Alerus originated 21 percent of home mortgage loans to moderate-income borrowers which significantly exceeds demographic data and in-line with peer data. 2015 ACS data indicates 17 percent of families are moderate-income. Aggregate HMDA data indicates 21.9 percent of home mortgage loans are to moderate-income borrowers.

Duluth MSA

The distribution of home mortgage loans to borrowers of different income levels in the Duluth MSA AA is poor.

Performance is significantly lower than demographic and peer for both low-income and moderate-income borrowers. In 2015-16, Alerus originated 3.4 percent of home mortgage loans to low-income borrowers. 2010 ACS data indicates 20.6 percent of families are low-income. Aggregate HMDA data indicates 7.2 percent of home mortgage loans are to low-income borrowers. Alerus originated 6.9 percent of home mortgage loans to moderate-income borrowers. 2010 ACS data indicates 17.5 percent of families are moderate-income. Aggregate HMDA data indicates 15.6 percent of home mortgage loans are to moderate-income borrowers.

In 2017, Alerus originated 8.6 percent of home mortgage loan to low-income borrowers. Performance is significantly lower than the demographic, but exceeds peer data. 2015 ACS data indicates 19.7 percent of families are low-income. Aggregate HMDA data indicates 8.5 percent of home mortgage loans are to low-income borrowers. Alerus originated 8.6 percent of home mortgage loans to moderate-income borrowers, which is lower than both demographic and peer data. 2015 ACS data indicates 17 percent of families are moderate-income. Aggregate HMDA data indicates 16.6 percent of home mortgage loans are to moderate-income borrowers.

Small Businesses Loans

The distribution of small business loans to borrowers of different sizes in the state of Minnesota is adequate. While significantly lower than demographic data, performance is comparable to peer, particularly in the Minneapolis MSA which receives the most weight.

Refer to Table R in the state of Minnesota section on Appendix D-6 for the facts and data used to evaluate the geographic distribution of originations and purchases of small business loans.

Minneapolis MSA

The distribution of loans to business of different sizes in the Minneapolis MSA is adequate.

In 2015-16, Alerus originated 40.5 percent of business loans to small businesses⁴. While significantly lower than the demographic comparator, performance is in-line with peer data. 2010 ACS data indicates 83.5 percent of businesses in the AA are small businesses. Aggregate CRA data indicates 46.6 percent of business loans were originated to small businesses. By loan size, 38 percent of Alerus' business loans were \$100 thousand or less. Aggregate CRA data indicates 94.2 percent of small business loans originated in the AA were \$100 thousand or less.

In 2017, Alerus originated 43.9 percent of business loans to small businesses. Performance is significantly lower than the demographic, but, just somewhat lower than peer data. 2015 ACS data indicates 83.7 percent of businesses in the AA are small businesses. Aggregate CRA data indicates 56 percent of business loans were originated to small businesses. By loan size, 38.2 percent of Alerus' business loans were \$100 thousand or less. Aggregate CRA data indicates 93.1 percent of business loans originated in the AA were \$100 thousand or less.

Duluth MSA

The distribution of loans to business of different sizes in the Duluth MSA AA is poor.

In 2015-16, Alerus originated 35.7 percent of business loans to small businesses. Performance is significantly lower than demographic comparator and lower than peer. 2010 ACS data indicates 79 percent of businesses in the AA are small businesses. Aggregate CRA data indicates 49.1 percent of business loans were originated to small businesses. By loan size, 40.5 percent of Alerus' business loans were \$100 thousand or less. Aggregate CRA data indicates 94.8 percent of business loans originated in the AA were \$100 thousand or less.

In 2017, Alerus originated 36.4 percent of business loans to small businesses. Performance is significantly lower than the demographic and lower than peer. 2015 ACS data indicates 78.7 percent of businesses in the AA are small businesses. Aggregate CRA data indicates 56 percent of business loans were originated to small businesses. By loan size, 45.5 percent of Alerus' business loans were \$100 thousand or less. Aggregate CRA data indicates 93.8 percent of business loans originated in the AA were \$100 thousand or less.

⁴ Small businesses are business with gross annual revenues of \$1 million or less.

Community Development Lending

Alerus is a leader in originating CD loans. This has a significantly positive impact on the overall lending test in the state of Minnesota. The volume of CD loans represents excellent responsiveness to credit needs of LMI individuals and small businesses.

The Lending Activity Tables, shown on page 12, set forth the information and data used to evaluate the institution's level of CD lending. These tables include all CD loans, including multifamily loans that also qualify as CD loans.

Minneapolis MSA

CD loan activity has a significantly positive impact on the overall lending test in the Minneapolis MSA.

Management originated three CD loans totaling \$5.42 million during the evaluation period. This represents 8.2 percent of allocated Tier One Capital as of December 31, 2017. All three loans supported economic development and benefitted LMI CTs. The volume of CD loans represents excellent responsiveness to credit needs of LMI individuals and small businesses in the AA. Small business lending and affordable housing are identified needs in the AA. Alerus also offers SBA lending programs and a variety of bank-wide mortgage programs to address AA credit needs.

Duluth MSA

CD loan activity has a significantly positive impact on the overall lending test in the Duluth MSA.

Management originated four CD loans totaling \$1.27 million during the evaluation period. This represents 37.8 percent of allocated Tier One Capital as of December 31, 2017. One loan supported economic development and three loans supported affordable housing/LMI community services. Three of these loans benefitted LMI CTs. The volume of CD loans represents excellent responsiveness to credit needs of LMI individuals and small businesses in the AA. Home mortgage loans, including affordable housing, small business lending, and revitalization are identified needs in the AA. Alerus also offers SBA lending programs and a variety of bank-wide mortgage programs to address AA credit needs.

Product Innovation and Flexibility

Alerus makes extensive use of flexible lending practices to serve credit needs in the state of Minnesota, but did not utilize any innovative loan products during the evaluation period.

Minneapolis MSA

Alerus makes extensive use of flexible lending practices in order to serve AA credit needs, but did not utilize any innovative loan products during the evaluation period. Two of the bank's CD loans in the Minneapolis MSA were originated through the SBA 504 program, which is a flexible lending program. Additionally, bank-wide flexible lending programs are used. Within the Minneapolis MSA, management originated 217 VA loans totaling \$61.5 million, 821 FHA loans totaling \$175 million, 111 US Bank Mortgage Program loans totaling \$16 million, 15 USDA Rural Home Mortgage loans totaling \$2.9 million, and 12 SBA loans totaling \$9.9 million.

Duluth MSA

Alerus makes limited use of flexible lending practices to serve AA credit needs and did not utilize any innovative loan products during the evaluation period. One of the bank's CD loans in the Duluth MSA is non-real estate secured and originated to an organization that is a SBA micro-lender. Therefore, this loan is considered flexible. Additionally, bank-wide flexible lending programs are used. Within the Duluth MSA, management originated four VA loans totaling \$960 thousand, five FHA loans totaling \$660 thousand, and six SBA loans totaling \$5.7 million.

INVESTMENT TEST

The institution's performance under the Investment Test in Minnesota is rated Outstanding.

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Investment Test in the Minneapolis MSA is excellent while performance in the Duluth MSA is very poor. Due to the proportion of branches, and volume of deposits and loans, performance in the Minneapolis MSA receives the most weight.

Alerus has an excellent level of qualified CD investment and grants, often in a leadership position, particularly those that are not routinely provided by private investors.

The institution exhibits good responsiveness to credit and community economic development needs. Alerus makes significant use of complex investments to support CD initiatives. The bank did not have any innovative CD investments.

Number and Amount of Qualified Investments

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
Minneapolis MSA	1	789	62	590	63	36	1,379	62	0	0
Duluth MSA	0	0	4	13	4	2	13	1	0	0

* Prior Period Investments' means investments made in a previous evaluation 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.

Minneapolis MSA

Qualified investments totaled \$590 thousand during the evaluation period, consisting entirely of donations. Additionally, the bank had \$789 thousand in prior period investments supporting affordable housing that remained outstanding during the evaluation period. Total qualified investments represent 2.08 percent of allocated Tier One Capital as of December 31, 2017.

During the evaluation period, management provided 62 donations totaling \$590 thousand to 41 qualified CD organizations in the AA. The majority of donations, 52 totaling \$567 thousand, supported organizations providing community services. Nine donations totaling \$19 thousand supported

organizations providing affordable housing. Management did not purchase any qualified investments during the evaluation period.

Qualified investments made during 2018 are included as a performance context factor; however, these investments are not included in the table provided above. During 2018, management purchased one investment supporting affordable housing totaling \$1.55 million. This additional investment has a positive impact on the Minneapolis MSA investment conclusion.

Duluth MSA

Qualified investments totaled \$13 thousand during the evaluation period, consisting entirely of donations. This represents 0.37 percent of allocated Tier One Capital as of December 31, 2017.

During the evaluation period, management provided four donations totaling \$13 thousand to two qualified CD organizations in the AA. The majority of donations, three totaling \$12 thousand, supported organizations providing affordable housing. The remaining donation supported an organization providing community services. Management did not purchase any qualified investments during the evaluation period and there were no prior period investments to consider.

SERVICE TEST

The institution's performance under the Service Test in Minnesota is rated High Satisfactory.

Conclusions for Areas Receiving Full-Scope Reviews

Based on full-scope reviews, the institution's performance in the Minneapolis and Duluth MSAs are good.

Retail Banking Services

Service delivery systems are accessible to geographies and individuals of different income levels in Minnesota.

Distribution of Branch Delivery System											
Assessment Area	Deposits	Branches						Population			
	% of Rated Area Deposits in AA	# of Bank Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				% of Population within Each Geography			
				Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Minneapolis MSA	98	6	75	0	0	67	33	7	21	43	29
Duluth MSA	2	2	25	0	50	50	0	6	18	48	28

Minneapolis MSA

Service delivery systems are accessible to geographies and individuals of different income levels in the Minneapolis MSA. There are six branches in the AA. As of 2017, four branches are located in a middle-income CT and two branches are located in an upper-income CT. This does not compare favorably with 2015 ACS data, which indicates that seven percent of the population lives in a low-

income CT and 21 percent lives in a moderate-income CT; however, the majority of branches in the AA are located close to several LMI CTs.

Duluth MSA

Service delivery systems are readily accessible to geographies and individuals of different income levels in the Duluth MSA. There are two branches in the AA. As of 2017, one branch is located in a moderate-income CT. This compares favorably with 2015 ACS data, which indicates that six percent of the population lives in a low-income CT and 18 percent lives in a moderate-income CT. Additionally, the bank's only deposit-taking ATM in the AA is located in a moderate-income CT. The remaining branch is located in a middle-income CT.

Branch Openings and Closings

Branch openings and closings have not negatively affected the accessibility of delivery systems, particularly in LMI geographies and/or to LMI individuals, in the Minneapolis or Duluth MSAs.

Distribution of Branch Openings/Closings						
Assessment Area	# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)			
			Low	Mod	Mid	Upp
Minneapolis MSA	5	3	--	--	--	+2
Duluth MSA	2	0	--	+1	+1	--

Minneapolis MSA

Alerus relocated two branches, closed one branch, and opened one branch, all located in middle-income CTs, during the evaluation period. Additionally, the bank opened two new branches located in upper-income CTs.

Duluth MSA

The institution's opening and closing of branches improved the accessibility of its delivery systems, particularly in LMI geographies and/or to LMI individuals. The bank gained both Duluth MSA branches via acquisition during the evaluation period. One branch is located in a moderate-income CT.

Services and Business Hours

Minneapolis MSA

Services and business hours do not vary in a way that inconveniences the various portions of the AA, particularly LMI geographies and/or individuals. Lobby and drive-up hours are similar between all branches in the AA. Each branch offers weekday lobby hours and drive-up hours, where applicable. Three branches offer Saturday hours. Alerus offers checking and savings accounts at all branches. Initial contact for all loan products, including consumer, home mortgage, commercial, and agriculture, can be made at any branch.

Duluth MSA

Services and business hours do not vary in a way that inconveniences the various portions of the AA, particularly LMI geographies and/or individuals. Lobby and drive-up hours are similar between all branches in the AA. Each branch offers weekday lobby hours and drive-up hours, where applicable. One of the two branches offers Saturday hours. Alerus offers checking and savings accounts at all branches. Initial contact for all loan products, including consumer, home mortgage, commercial, and agriculture, can be made at any branch.

Community Development Services

Alerus provides a relatively high level of CD services, particularly in the Minneapolis MSA which receives the most weight.

Minneapolis MSA

The institution provides a relatively high level of CD services. During the evaluation period, ten employees provided 370 hours to 12 qualified CD organizations benefitting the Minneapolis MSA. All service hours were provided to CD organizations that provide community services to LMI individuals.

Duluth MSA

The institution provides an adequate level of CD services. During the evaluation period, two employees provided 28 service hours to three qualified CD organizations benefitting the Duluth MSA. All service hours were provided to CD organizations that provide community services to LMI individuals.

Multistate Metropolitan Statistical Area Rating

Grand Forks MMSA

CRA rating for the Grand Forks MMSA⁵: Satisfactory

The Lending Test is rated: High Satisfactory

The Investment Test is rated: Satisfactory

The Service Test is rated: Outstanding

The major factors supporting this rating include:

- Lending levels reflect good responsiveness to credit needs in the Grand Forks MMSA.
- The geographic distribution of loans to CTs of different income levels is excellent.
- The distribution of loans to borrowers of different income levels and businesses of different sizes is adequate.
- Alerus is a leader in providing CD services. Service delivery systems are readily accessible to geographies and individuals of different income levels in the Grand Forks MMSA. The institution uses flexible lending practices to serve credit needs in the AA. Alerus made an adequate level of CD loans, which had a neutral impact on the overall lending test in the Grand Forks MMSA. The bank has an adequate level of qualified CD investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors.

Description of Institution's Operations in the Grand Forks MMSA

The Grand Forks MMSA consists of Grand Forks County in North Dakota and the western portion of Polk County in Minnesota. This AA has the institution's main office and four additional branch locations accounting for 29.4 percent of the bank-wide branch network. It also contains seven ATMs, five of which are deposit taking. All branches and ATMs are located in Grand Forks, ND. No branches were opened or closed during the evaluation period. Alerus added one non-deposit taking ATM during the evaluation period with no ATMs removed.

According to 2015 ACS data, the Grand Forks MMSA includes 25 CTs. During the evaluation period, there was one low-income CT and four moderate-income CTs. Alerus has one deposit-taking ATM in a low-income CT. Additionally, the bank has one branch and one deposit-taking ATM in a moderate-income CT.

The June 30, 2017 FDIC Deposit Market Share Report indicates that Alerus has \$658 million or 40 percent of bank-wide deposits in the Grand Forks MMSA. Alerus ranks first of 20 deposit-taking institutions in the AA with a deposit market share of 24 percent. The top five institutions in the AA are Alerus, Bremer Bank NA, U.S. Bank NA, Frandsen Bank & Trust, and Gate City Bank. Combined, these five institutions have 68 percent of deposits in the AA.

⁵This rating reflects performance within the multistate metropolitan statistical area. The statewide evaluations do not reflect performance in the parts of those states contained within the multistate metropolitan statistical area.

Primary products in the Grand Forks MMSA are home mortgage and commercial loans, with a secondary focus on agriculture loans. During the evaluation period, management originated 1,232 loans totaling \$253 million within the AA. This represents ten percent of bank-wide loan originations by number and eight percent by dollar during the evaluation period. Home mortgage loans represent seven percent of bank-wide home mortgage originations by number and five percent by dollar. Commercial loans represent 15 percent of bank-wide commercial loan originations by number and dollar. Small farm loans represent 59 percent of bank-wide small farm loans by number and dollar.

We reviewed one recently completed community contact in the Grand Forks MSA as part of this evaluation. The contact is located in Grand Forks and serves the northeast North Dakota area. The contact stated that a strength is the diverse economy, which helps prevent severe economic downturns. Currently, the retail industry is struggling as indicated by many recent store closures. Major employers are Altru Health System, the University of North Dakota, the City of Grand Forks, Simplot, LM Wind Power, and Hugos Grocery Store. Economic focus in the rural areas of northeastern North Dakota is business and employment retention rather than new business activity. The contact did not identify any primary credit needs within the area and stated that current credit needs are being met by local financial institutions.

The following tables provide information on the demographic composition of the Grand Forks MSA:

Table A – Demographic Information of the Assessment Area						
Assessment Area: Alerus Financial Grand Forks MMSA 2015-16						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	25	4.0	16.0	68.0	12.0	0.0
Population by Geography	88,787	5.9	14.7	66.1	13.4	0.0
Housing Units by Geography	38,087	2.5	17.7	67.8	11.9	0.0
Owner-Occupied Units by Geography	20,172	0.6	14.0	68.0	17.4	0.0
Occupied Rental Units by Geography	14,663	5.1	23.8	65.2	6.0	0.0
Vacant Units by Geography	3,252	2.7	13.8	78.7	4.8	0.0
Businesses by Geography	5,484	2.5	16.4	67.9	13.1	0.0
Farms by Geography	654	0.3	2.4	90.7	6.6	0.0
Family Distribution by Income Level	20,143	18.8	17.9	24.0	39.3	0.0
Household Distribution by Income Level	34,835	25.6	14.9	17.2	42.3	0.0
Median Family Income MSA - 24220 Grand Forks, ND-MN MSA		\$64,258	Median Housing Value			\$131,450
<i>Source: 2010 U.S. Census and 2016 D&B Data Due to rounding, totals may not equal 100.0 (* The NA category consists of geographies that have not been assigned an income classification.</i>			Median Gross Rent			\$633
			Families Below Poverty Level			8.2%

Table A – Demographic Information of the Assessment Area						
Assessment Area: Alerus Financial Grand Forks MMSA 2017						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	25	4.0	16.0	64.0	16.0	0.0
Population by Geography	90,791	6.1	18.4	55.7	19.9	0.0
Housing Units by Geography	39,855	3.3	19.5	59.3	17.9	0.0
Owner-Occupied Units by Geography	20,233	0.4	11.7	61.6	26.3	0.0
Occupied Rental Units by Geography	16,918	6.2	28.7	56.8	8.3	0.0
Vacant Units by Geography	2,704	6.9	19.9	58.0	15.3	0.0
Businesses by Geography	5,562	2.4	14.3	57.1	26.2	0.0
Farms by Geography	636	0.3	2.0	79.1	18.6	0.0
Family Distribution by Income Level	21,381	19.6	18.7	20.8	40.9	0.0
Household Distribution by Income Level	37,151	25.9	13.6	18.1	42.4	0.0
Median Family Income MSA - 24220 Grand Forks, ND-MN MSA		\$70,827	Median Housing Value			\$154,032
<i>Source: 2015 ACS Census and 2017 D&B Data Due to rounding, totals may not equal 100.0 (* The NA category consists of geographies that have not been assigned an income classification.</i>			Median Gross Rent			\$748
			Families Below Poverty Level			8.6%

Scope of Evaluation in Grand Forks MMSA

We completed a full-scope review of the Grand Forks MMSA. Home mortgage loans received the most weight during the analysis, followed by small business and small farm loans. Weighting is based on loan volume within the AA. Refer to the table in Appendix A-1 for additional information.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE GRAND FORKS MMSA

LENDING TEST

Performance under the Lending Test is rated High Satisfactory. Based on a full-scope review, the bank's performance in the Grand Forks MMSA is good.

Lending Activity

Lending levels reflect good responsiveness to AA credit needs.

Number of Loans					
Assessment Area	Home Mortgage	Small Business	Small Farm	Community Development	Total
Grand Forks MMSA	742	361	129	2	1,234

Dollar Volume of Loans \$(000s)					
Assessment Area	Home Mortgage	Small Business	Small Farm	Community Development	Total
Grand Forks MMSA	131,546	95,302	25,937	1,696	254,481

Lending market share in the Grand Forks MMSA is good compared to the bank's 24 percent deposit market share. Peer home mortgage loan data for 2017 indicates Alerus ranks:

- Fifth among 90 lenders reporting home purchase loans with a market share of 7.3 percent;
- Second among 85 lenders reporting home refinance loans with a market share of 10.8 percent;
- Fifth among 90 lenders reporting home improvement loans with a market share of 7.3 percent; and,
- First among 16 lenders reporting multifamily loans with a market share of 16.7 percent.

Peer 2017 small businesses loan data indicates Alerus ranks fifth among 47 lenders reporting loans to small businesses with a market share of 7.3 percent. Peer 2017 small farm loan data indicates Alerus ranks fourth among 15 lenders reporting small farm loans with a market share of 6.3 percent.

Distribution of Loans by Income Level of the Geography

Alerus exhibits excellent geographic distribution of loans in the AA. Home mortgage loans receive the most weight given the volume of loans, followed by small business loans.

Home Mortgage Loans

The geographic distribution of home mortgage loans to CTs of different income levels is excellent, particularly for lending to moderate-income geographies in 2015-2016 and to low-income geographies in 2017.

In 2015-16, Alerus originated 0.2 percent of home mortgage loans to borrowers located in low-income geographies. Performance is lower than demographic data, but in-line with peer data. 2010 ACS data indicates 0.6 percent of owner-occupied units are located in low-income geographies. Aggregate HMDA data indicates 0.3 percent of home mortgage loans were originated to borrowers located in low-income geographies. Alerus originated 14.9 percent of home mortgage loans to borrowers located in moderate-income geographies. Performance exceeds both demographic and peer data. 2010 ACS data indicates 14 percent of owner-occupied units are located in moderate-income geographies. Aggregate HMDA data indicates 14.5 percent of home mortgage loans were originated to borrowers located in moderate-income geographies.

In 2017, Alerus originated 1.0 percent of home mortgage loans to borrowers located in low-income geographies. Lending significantly exceeds both demographic and peer data. 2015 ACS data indicates 0.4 percent of owner-occupied units are located in low-income geographies. Aggregate HMDA data indicates 0.3 percent of home mortgage loans were originated to borrowers located in low-income geographies. Alerus originated 7.5 percent of home mortgage loans to borrowers located in moderate-income geographies. Performance is lower than both demographic and peer data. 2015 ACS data

indicates 11.7 percent of owner-occupied units are located in moderate-income geographies. Aggregate HMDA data indicates 9.9 percent of home mortgage loans were originated to borrowers located in moderate-income geographies.

Refer to Table O in the Grand Forks MMSA section on Appendix D-7 for the facts and data used to evaluate the geographic distribution of home mortgage loan originations and purchases.

Small Business Loans

The geographic distribution of loans to small businesses in CTs of different income levels is excellent when compared to demographic and peer data, particularly in low and moderate-income tracts for the 2015-2016 time period which receives more weight due to the volume of loans originated in those years.

In 2015-2016, Alerus originated 3.0 percent of small businesses loans to borrowers located in low-income geographies. Performance significantly exceeds demographic and peer data. 2010 ACS data indicates 2.5 percent of small businesses are located in low-income geographies. Aggregate CRA data indicates 1.3 percent of small businesses loans were originated to borrowers located in low-income geographies. Alerus originated 18.7 percent of small business loans to borrowers located in moderate-income geographies. Performance significantly exceeds demographic and peer data. 2010 ACS data indicates 16.4 percent of small businesses are located in moderate-income geographies. Aggregate CRA data indicates 16.8 percent of small business loans were originated to borrowers located in moderate-income geographies.

In 2017, Alerus originated 0.8 percent of small business loans to borrowers located in low-income geographies. Performance is significantly lower than demographic data, but just somewhat lower than peer data. 2015 ACS data indicates 2.4 percent of small businesses are located in low-income geographies. Aggregate CRA data indicates 1.1 percent of small business loans were originated to borrowers located in low-income geographies. Alerus originated 4.8 percent of small business loans to borrowers located in moderate-income geographies. Performance is significantly lower than both demographic and peer data. 2015 ACS data indicates 14.3 percent of businesses are located in moderate-income geographies. Aggregate CRA data indicates 13.9 percent of small business loans were originated to borrowers located in moderate-income geographies.

Refer to Table Q in the Grand Forks MMSA section on Appendix D-9 for the facts and data used to evaluate the geographic distribution of originations and purchases of small business loans.

Small Farm Loans

The geographic distribution of small farm loans in CTs of different income levels is adequate. Small farm lending receives the least weight in the Lending Test for the Grand Forks MMSA.

Alerus did not originate any small farm loans to borrowers located in low-income geographies in 2015-16. While 2010 ACS data indicates that 0.3 percent of farms are located in low-income geographies, aggregate CRA data indicates that other reportable financial institutions did not make any small farm loans to borrowers located in low-income geographies. Alerus originated 2.2 percent of small farm loans to borrowers located in moderate-income geographies. Performance is near demographic data and significantly exceeds peer data. 2010 ACS data indicates 2.4 percent of small farms are located in

moderate-income geographies. Aggregate CRA data indicates 1.4 percent of small farm loans were originated to borrowers located in moderate-income geographies.

Alerus did not originate any small farm loans to borrowers located in low-income geographies in 2017. While 2015 ACS data indicates that 0.3 percent of farms are located in low-income geographies, aggregate CRA data indicates that other reportable financial institutions did not make any small farm loans to borrowers located in low-income geographies. Alerus did not originate any small farm loans to borrowers located in moderate-income geographies in 2017 which is significantly lower than both demographic and peer data. 2015 ACS data indicates 2.0 percent of small farms are located in moderate-income geographies. Aggregate CRA data indicates 1.7 percent of small farm loans were originated to borrowers located in moderate-income geographies.

Refer to Table S in the Grand Forks MMSA section on Appendix D-11 for the facts and data used to evaluate the geographic distribution of originations and purchases of small farm loans.

Lending Gap Analysis

Data detailing Alerus' lending activity during the evaluation period for home mortgage loans, small business loans, and small farm loans did not reveal any conspicuous gaps in lending activity. The bank originated at least one home mortgage, small business loan, or small farm loan in every CT in the Grand Forks MMSA during the evaluation period.

Distribution of Loans by Income Level of the Borrower

The bank exhibits an adequate distribution of loans to individuals of different income levels, and business and farms of different sizes. Home mortgage loans receive the most weight due to the volume of loans, followed by small business loans.

Home Mortgage Loans

The distribution of home mortgage loans to borrowers of different income levels is adequate. Performance in 2015-2016 receives more weight due to the volume of loans originated in this timeframe.

In 2015-16, Alerus originated 6.3 percent of home mortgage loans to low-income borrowers. While performance is significantly lower than demographic data, performance significantly exceeds peer performance. 2010 ACS data indicates 18.8 percent of families are low-income. Aggregate HMDA data indicates 3.8 percent of home mortgage loans were originated to low-income borrowers. Alerus originated 16.8 percent of home mortgage loans to moderate-income borrowers which is near demographic data and exceeds data. 2010 ACS data indicates 17.9 percent of families are moderate-income. Aggregate HMDA data indicates 16.4 percent of home mortgage loans to moderate-income borrowers.

In 2017, Alerus originated 2.5 percent of home mortgage loan to low-income borrowers. Performance is significantly lower than demographic data, but just slightly lower than peer data. 2015 ACS data indicates 19.6 percent of families are low-income. Aggregate HMDA data indicates 3.2 percent of home mortgage loans were originated to low-income borrowers. Alerus originated 13.5 percent of home mortgage loans to moderate-income borrowers which is lower than both demographic and peer data.

2015 ACS data indicates 18.7 percent of families are moderate-income. Aggregate HMDA data indicates 19.6 percent of home mortgage loans to moderate-income borrowers.

Refer to Table P in the Grand Forks MMSA section on appendix D-8 for the facts and data used to evaluate the borrower distribution of home mortgage loan originations and purchases.

Small Business Loans

The distribution of loans to businesses of different sizes is adequate. Performance in 2015-2016 is receives more weight due to the volume of loans originated in this timeframe.

In 2015-16, Alerus originated 39.6 percent of business loans to small businesses which is lower than demographic data, but near peer performance. 2010 ACS data indicates 74.8 percent of businesses in the AA are small businesses. Aggregate CRA data indicates 44.5 percent of business loans were originated to small businesses. By loan size, 39.1 percent of Alerus' small business loans were \$100 thousand or less. Aggregate CRA data indicates 84 percent of business loans originated in the AA were \$100 thousand or less.

In 2017, Alerus originated 42.9 percent of business loans to small businesses which is lower than demographic data, but near peer performance. 2015 ACS data indicates 74.6 percent of businesses in the AA are small businesses. Aggregate CRA data indicates 49.9 percent of business loans were originated to small businesses. By loan size, 43.7 percent of Alerus' business loans were \$100 thousand or less. Aggregate CRA data indicates 83.3 percent of business loans originated in the AA were \$100 thousand or less.

Refer to Table R in the Grand Forks MMSA section on Appendix D-10 for the facts and data used to evaluate the borrower distribution of originations and purchases of small business loans.

Small Farm Loans

The distribution of loans to farms of different sizes is adequate. While lower than demographic data, performance significantly exceeds peer data in both time periods.

In 2015-16, Alerus originated 69.7 percent of farm loans to small farms⁶. 2010 ACS data indicates 95.1 percent of farms in the AA are small farms. Aggregate CRA data indicates 57.9 percent of farm loans were originated to small farms. By loan size, 36 percent of Alerus' small farm loans were \$100 thousand or less. Aggregate CRA data indicates 53.8 percent of small farm loans originated in the AA were \$100 thousand or less.

In 2017, Alerus originated 75 percent of farms loans to small farms. 2015 ACS data indicates 95.3 percent of farms in the AA are small farms. Aggregate CRA data indicates 56.4 percent of farm loans were originated to small farms. By loan size, 42.5 percent of Alerus' small farm loans were \$100 thousand or less. Aggregate CRA data indicates 62.7 percent of small farm loans originated in the AA were \$100 thousand or less.

⁶ Small farms are farms with gross annual revenues of \$1 million or less.

Refer to Table T in the Grand Forks MMSA section on Appendix D-12 for the facts and data used to evaluate the borrower distribution of originations and purchases of small farm loans.

Community Development Lending

The institution originated an adequate level of CD loans. This has a neutral impact on the overall lending test in the Grand Forks MMSA.

The Lending Activity Tables, shown on page 26, set forth the information and data used to evaluate the institution's level of CD lending. These tables include all CD loans, including multifamily loans that also qualify as CD loans.

Management originated two CD loans totaling \$1.70 million during the evaluation period. This represents 2.3 percent of allocated Tier One Capital as of December 31, 2017. One loan supported affordable housing and one loan supported economic development. The volume of CD loans represents adequate responsiveness to credit needs of LMI individuals and small businesses in the AA. The bank's CD loans in the Grand Forks MMSA were not made in response to any identified credit needs. However, given the strong economic condition of the AA, we did not identify unmet credit needs.

Product Innovation and Flexibility

Alerus uses flexible lending practices to serve AA credit needs, but did not utilize any innovative loan products during the evaluation period. One CD loan in the Grand Forks MMSA was originated through the SBA 504 program, which is a flexible lending program. Additionally, bank-wide flexible lending programs are used. Within the Grand Forks MMSA, management originated 22 VA loans totaling \$5.5 million, 38 FHA loans totaling \$6.2 million, 31 ND Housing loans totaling \$4.8 million, and three SBA loans totaling \$2.2 million.

INVESTMENT TEST

The institution's performance under the Investment Test in the Grand Fork MMSA is rated Satisfactory.

Alerus has an adequate level of qualified CD investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors.

Alerus exhibits adequate responsiveness to credit and community economic development needs. The institution does not use innovative or complex investments to support CD initiatives.

Number and Amount of Qualified Investments

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
Grand Forks MMSA	0	0	44	112	44	25	112	5	0	0

* Prior Period Investments' means investments made in a previous evaluation 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.

Qualified investments during the evaluation period are from 44 donations totaling \$112 thousand and representing 0.15 percent of allocated Tier One Capital as of December 31, 2017. Donations went to 21 qualified CD organizations. The majority of donations, 39 totaling \$103 thousand, supported organizations providing community services to the AA. Management did not purchase any qualified investments and there are no prior period investments to consider.

SERVICE TEST

The institution's performance under the Service Test in the Grand Forks MMSA is rated Outstanding.

Retail Banking Services

Service delivery systems are readily accessible to geographies and individuals of different income levels in the AA.

Distribution of Branch Delivery System											
Assessment Area	Deposits	Branches						Population			
	% of Rated Area Deposits in AA	# of Bank Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				% of Population within Each Geography			
				Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Grand Forks MMSA	100	5	100	0	20	80	0	6	18	56	20

The bank's main office and four additional branches are located in the Grand Forks MMSA. As of 2017, one branch is located in a moderate-income CT. This is comparable with the 2015 ACS indicating six percent of the population lives in a low-income CT and 18 percent live in a moderate-income CT. Additionally, the bank has one deposit-taking ATM in a low-income CT and one in a moderate-income CT. The remaining four branches are located in middle-income CTs.

Distribution of Branch Openings/Closings						
Assessment Area	# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)			
			Low	Mod	Mid	Upp
Grand Forks MMSA	0	0	--	--	--	--

The bank did not open or close branches in the Grand Forks MMSA during the evaluation period.

Services, including business hours, do not vary in a way that inconveniences the various portions of the AA, particularly LMI geographies and/or individuals. Lobby and drive-up hours are similar between all branches in the AA. Each branch offers weekday lobby hours and drive-up hours, where applicable. Three branches, including the branch located in a moderate-income CT, offer Saturday hours. Alerus offers checking and savings accounts at all branches. Initial contact for all loan products, including consumer, home mortgage, commercial, and agriculture, can be made at any branch.

Community Development Services

Alerus is a leader in providing CD services.

During the evaluation period, 17 employees provided 322 service hours to 17 qualified CD organizations benefitting the Grand Forks MSA. All service hours were provided to CD organizations that provide community services to LMI individuals.

Multistate Metropolitan Statistical Area Rating

Fargo MMSA

CRA rating for the Fargo MMSA⁷: Satisfactory

The Lending Test is rated: Outstanding

The Investment Test is rated: Satisfactory

The Service Test is rated: High Satisfactory

The major factors supporting this rating include:

- Lending levels reflect adequate responsiveness to credit needs in the Fargo MMSA, including good responsiveness to credit needs of LMI individuals and small businesses.
- Geographic distribution of loans to CTs of different income levels is good.
- The distribution of loans to borrowers of different income levels and businesses of different sizes is adequate.
- Alerus is a leader in making CD loans, which has a significantly positive impact on the overall lending test in the Fargo MMSA. The bank exhibits adequate responsiveness to credit and community economic development needs, and makes use of flexible lending practices to serve the AA's credit needs. The institution has a significant level of qualified CD investment and grants, often in a leadership position, particularly those that are not routinely provided by private investors. Alerus is a leader in providing CD services.
- Service delivery systems are readily accessible to geographies and individuals of different income levels.

Description of Institution's Operations in Fargo MMSA

The Fargo MMSA consists of Cass County in North Dakota and the western portion of Clay County in Minnesota. Alerus operates three branches and has five ATMs, one of which is deposit taking. Branch locations account for 17.6 percent of the bank-wide branch network. One branch and one ATM are located in West Fargo, ND, with the remaining branches and ATMs located in Fargo, ND. Alerus closed two branches, removed two ATMs, and add one new non-deposit taking ATM during the evaluation period.

According to the 2015 ACS data, the Fargo MMSA includes 44 CTs. During the 2015-16, there were two low-income CTs and seven moderate-income CTs. During 2017, there were no low-income CTs and 12 moderate-income CTs. One branch and one deposit-taking ATM are in a moderate-income CT. Additionally, two non-deposit taking ATMs are in a moderate-income CT, including the new ATM.

The June 30, 2017 FDIC Deposit Market Share Report indicates that Alerus has \$319 million or 19 percent of the bank's deposits in the Fargo MMSA. Alerus ranks sixth of 28 deposit-taking institutions

⁷This rating reflects performance within the multistate metropolitan statistical area. The statewide evaluations do not reflect performance in the parts of those states contained within the multistate metropolitan statistical area.

in the AA with deposit market share of four percent. The top five institutions are Bell Bank, Wells Fargo Bank NA, U.S. Bank NA, Gate City Bank, and First International Bank & Trust. Combined, these five institutions have 70 percent of deposits in the AA.

Primary products in the Fargo MMSA are home mortgage and commercial loans. Farm loans are a secondary loan product. During the evaluation period, management originated 1,349 loans in the AA totaling \$298 million. This represents 11 percent of bank-wide loan originations by number and nine percent by dollar. Home mortgage loans originated in the AA represent seven percent of bank-wide home loan originations by number and dollar during the evaluation period. Commercial loans represent 21 percent of bank-wide commercial loan originations by number and 16 percent by dollar. Small farm loans represent 41 percent of bank-wide small farm loans by number and 40 percent by dollar.

We reviewed two recently completed community contacts in the Fargo MSA as part of this evaluation. Both contacts are located in Fargo and serve the Fargo, ND and Moorhead, MN areas. The contacts stated that Fargo's diverse economy is a strength. Area population, employment, and number of jobs are growing. Additionally, the area continues to expand its traditional and emerging high-tech industries. Despite growth in most sectors, rental vacancies are increasing. Major employers are Microsoft Business Solutions, Bobcat Co., John Deere Electronic Solutions, Border States Electric Supply, RDO Equipment Co., Sanford Medical Center, Titan Machinery, and American Crystal Sugar. One contact identified home mortgage loans as a primary credit need. Both contacts stated that lending opportunities are available in all sectors and these needs are largely met by local, competitive financial institutions.

The following tables provide information on the demographic composition of the Fargo MSA:

Table A – Demographic Information of the Assessment Area						
Assessment Area: Alerus Financial Fargo MMSA 2015-16						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	44	4.5	15.9	59.1	20.5	0.0
Population by Geography	198,618	4.7	13.5	54.1	27.7	0.0
Housing Units by Geography	85,056	4.1	16.0	56.5	23.3	0.0
Owner-Occupied Units by Geography	45,934	0.7	10.5	59.9	28.9	0.0
Occupied Rental Units by Geography	34,801	8.8	22.9	51.7	16.6	0.0
Vacant Units by Geography	4,321	2.8	20.2	58.0	19.0	0.0
Businesses by Geography	13,494	4.0	21.3	48.9	25.8	0.0
Farms by Geography	779	0.1	6.3	69.4	24.1	0.0
Family Distribution by Income Level	46,028	18.2	17.7	24.6	39.4	0.0
Household Distribution by Income Level	80,735	24.5	16.7	17.1	41.7	0.0
Median Family Income MSA - 22020 Fargo, ND-MN MSA		\$67,695	Median Housing Value			\$146,781
<i>Source: 2010 U.S. Census and 2016 D&B Data Due to rounding, totals may not equal 100.0 (* The NA category consists of geographies that have not been assigned an income classification.</i>			Median Gross Rent			\$608
			Families Below Poverty Level			6.4%

Table A – Demographic Information of the Assessment Area						
Assessment Area: Alerus Financial Fargo MMSA 2017						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	44	0.0	27.3	50.0	20.5	2.3
Population by Geography	213,099	0.0	23.0	41.7	33.9	1.5
Housing Units by Geography	93,443	0.0	24.9	43.3	30.1	1.7
Owner-Occupied Units by Geography	48,457	0.0	15.8	47.5	36.1	0.6
Occupied Rental Units by Geography	39,061	0.0	36.7	37.4	23.3	2.6
Vacant Units by Geography	5,925	0.0	22.7	47.0	25.7	4.5
Businesses by Geography	14,139	0.0	34.8	35.0	29.7	0.5
Farms by Geography	779	0.0	9.9	61.5	28.4	0.3
Family Distribution by Income Level	49,949	19.0	19.1	22.7	39.2	0.0
Household Distribution by Income Level	87,518	23.7	17.5	17.2	41.7	0.0
Median Family Income MSA - 22020 Fargo, ND-MN MSA		\$75,010	Median Housing Value			\$165,856
<i>Source: 2015 ACS Census and 2017 D&B Data Due to rounding, totals may not equal 100.0 (* The NA category consists of geographies that have not been assigned an income classification.</i>			Median Gross Rent			\$709
			Families Below Poverty Level			7.0%

Scope of Evaluation in Fargo MMSA

We completed a full-scope review of the Fargo MMSA. Home mortgage loans received the most weight, followed by small business, and small farm loans. Weighting is based on loan volume within the AA. Refer to Appendix A-1 for additional information.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE FARGO MMSA

LENDING TEST

The bank's performance under the Lending Test in the Fargo MMSA is rated Outstanding. Based on a full-scope review, the bank's performance in the Fargo MMSA is excellent.

Lending Activity

Lending levels reflect adequate responsiveness to AA credit needs. Lending market share in the Fargo MMSA is adequate compared to its deposit market share of 4.2 percent. Refer to the tables below to view the bank's lending activity by number and dollar amount of loans during the evaluation period:

Number of Loans					
Assessment Area	Home Mortgage	Small Business	Small Farm	Community Development	Total
Fargo MMSA	747	513	89	6	1,355

Dollar Volume of Loans \$(000s)					
Assessment Area	Home Mortgage	Small Business	Small Farm	Community Development	Total
Fargo MMSA	176,783	103,225	17,548	12,813	310,369

Peer home mortgage loan data for 2017 indicates the following rankings for Alerus:

- 14th among 119 lenders reporting home purchase loans with a market share of 2.1 percent;
- 13th among 125 lenders reporting home refinance loans with a market share of 2.0 percent;
- Ninth among 61 lenders reporting home improvement loans with a market share of 2.1 percent;
- 21st among 27 lenders reporting multifamily loans with a market share of 0.9 percent.

Peer small business loan data for 2017 indicates Alerus ranks 11th among 67 lenders reporting loans to small businesses with a market share of 2.8 percent. Peer small farm loan data for 2017 indicates Alerus ranks sixth among 18 lenders reporting small farm loans with a market share of 4.6 percent.

Distribution of Loans by Income Level of the Geography

The bank exhibits a good geographic distribution of loans in its AA.

There were not any low-income CTs within the AA in 2017. Therefore, we only completed an analysis of lending to low-income CTs for 2015-16.

Home Mortgage Loans

The geographic distribution of home mortgage loans in CTs of different income levels is adequate. More weight is given to 2015-16 performance given the volume of loans.

In 2015-16, Alerus originated 0.9 percent of home mortgage loans to borrowers located in low-income geographies. Performance exceeds demographic data and is in-line with peer data. 2010 ACS data indicates 0.7 percent of owner-occupied units are located in low-income geographies. Aggregate HMDA data indicates 1.0 percent of home mortgage loans were originated to borrowers located in low-income geographies. Alerus originated 5.2 percent of home mortgage loans to borrowers located in moderate-income geographies. Performance is lower than both demographic and peer data. 2010 ACS data indicates 10.5 percent of owner-occupied units are located in moderate-income geographies. Aggregate HMDA data indicates 7.4 percent of home mortgage loans were originated to borrowers located in moderate-income geographies.

In 2017, Alerus originated 12.1 percent of home mortgage loans to borrowers located in moderate-income geographies. Performance is somewhat lower than demographic data, but near peer data. 2015 ACS data indicates 15.8 percent of owner-occupied units are located in moderate-income geographies. Aggregate HMDA data indicates 14.0 percent of home mortgage loans were originated to borrowers located in moderate-income geographies.

Refer to Table O in the Fargo MMSA section on Appendix D-13 for the facts and data used to evaluate the geographic distribution of home mortgage loan originations and purchases.

Small Business Loans

The geographic distribution of small business loans to borrowers in CTs of different income levels is excellent.

In 2015-16, Alerus originated 2.7 percent of small business loans to borrowers located in low-income geographies. Performance is lower than demographic data, but near peer data. 2010 ACS data indicates 4.0 percent of businesses are located in low-income geographies. Aggregate CRA data indicates 3.0 percent of small business loans were originated to borrowers located in low-income geographies. Alerus originated 30.7 percent of small business loans to borrowers located in moderate-income geographies. Performance significantly exceeds both peer and demographic data. 2010 ACS data indicates 21.3 percent of businesses are located in moderate-income geographies. Aggregate CRA data indicates 21.9 percent of small business loans were originated to borrowers located in moderate-income geographies.

In 2017, Alerus originated 41.0 percent of small business loans to borrowers located in moderate-income geographies. Performance significantly exceeds both demographic and peer data. 2015 ACS data indicates 34.8 percent of small businesses are located in moderate-income geographies. Aggregate CRA data indicates 34.2 percent of small business loans were originated to borrowers located in moderate-income geographies.

Refer to Table Q in the Fargo MMSA section on Appendix D-15 for the facts and data used to evaluate the geographic distribution of small business loan originations and purchases.

Small Farm Loans

The geographic distribution of loans to small farms in CTs of different income levels is very poor. Small farm lending received the least weight due to the volume of loans.

Alerus did not originate any small farm loans to borrowers located in low-income geographies in 2015-16. 2010 ACS data indicates that 0.1 percent of small farms are located in low-income geographies. Aggregate CRA data indicates 0.9 percent of small farm loans were originated to borrowers located in low-income geographies. Alerus did not originate any small farm loans to borrowers located in moderate-income geographies in 2015-16. 2010 ACS data indicates 6.3 percent of small farms are located in moderate-income geographies. Aggregate CRA data indicates 2.2 percent of small farm loans were originated to borrowers located in moderate-income geographies.

Alerus did not originate any small farm loans to borrowers located in moderate-income geographies in 2017. 2015 ACS data indicates 9.9 percent of small farms are located in moderate-income geographies. Aggregate CRA data indicates 2.3 percent of small farm loans were originated to borrowers located in moderate-income geographies.

Refer to Table S in the Fargo MMSA section on Appendix D-17 for the facts and data used to evaluate the geographic distribution small farm loan originations and purchases.

Lending Gap Analysis

Data detailing Alerus' lending activity during the evaluation period for home mortgage loans, small business loans, and small farm loans did not reveal any conspicuous gaps in lending activity. The bank originated at least one home mortgage, small business loan, or small farm loan in every CT in the Fargo MMSA during the evaluation period.

Distribution of Loans by Income Level of the Borrower

The bank exhibits an adequate distribution of loans to individuals of different income levels, and business and farms of different sizes.

Home Mortgage Loans

The distribution of home mortgage loans to borrowers of different income levels is adequate. While significantly lower than low-income demographic data for both time periods, bank performance is in-line with or exceeds peer performance. Additionally, performance exceeds demographic and peer data for moderate-income borrowers in both time periods.

In 2015-16, Alerus originated 4.0 percent of home mortgage loans to low-income borrowers. 2010 ACS data indicates 18.2 percent of families are low-income. Aggregate HMDA data indicates 4.3 percent of home mortgage loans were originated to low-income borrowers. Alerus originated 18.4 percent of home mortgage loans to moderate-income borrowers. Performance exceeds both demographic and peer data. 2010 ACS data indicates 17.7 percent of families are moderate-income. Aggregate HMDA data indicates 15.4 percent of home mortgage loans were to moderate-income borrowers.

In 2017, Alerus originated 5.5 percent of home mortgage loan to low-income borrowers. 2015 ACS data indicates 19.0 percent of families are low-income. Aggregate HMDA data indicates 5.3 percent of home mortgage loans were originated to low-income borrowers. Alerus originated 19.4 percent of home mortgage loans to moderate-income borrowers. Performance exceeds both demographic and peer data. 2015 ACS data indicates 19.1 percent of families are moderate-income. Aggregate HMDA data indicates 18.4 percent of home mortgage loans were to moderate-income borrowers.

Refer to Table P in the Fargo MMSA section on Appendix D-14 for the facts and data used to evaluate the borrower distribution of home mortgage loan originations and purchases.

Small Business Loans

The distribution of loans to businesses of different sizes is adequate. Performance in 2015-16 receives the most weight due to the volume of loans originated in that timeframe.

In 2015-16, Alerus originated 46.8 percent of business loans to small businesses. While lower than demographic data, performance exceeds peer. 2010 ACS data indicates 77.5 percent of businesses in the AA are small businesses. Aggregate CRA data indicates 43.9 percent of business loans were originated to small businesses. By loan size, 43.9 percent of Alerus' small business loans were \$100 thousand or less. Aggregate CRA data indicates 84.4 percent of small business loans originated in the AA were \$100 thousand or less.

In 2017, Alerus originated 43.9 percent of business loans to small businesses. Performance is lower than both demographic data, but in-line with peer. 2015 ACS data indicates 77.8 percent of businesses in the AA are small businesses. Aggregate CRA data indicates 49.8 percent of business loans were originated to small businesses. By loan size, 45.3 percent of Alerus' small business loans were \$100 thousand or less. Aggregate CRA data indicates 83.5 percent of small business loans originated in the AA were \$100 thousand or less.

Refer to Table R in the Fargo MMSA section on Appendix D-16 for the facts and data used to evaluate the borrower distribution of small business loan originations and purchases.

Small Farm Loans

The distribution of loans to farms of different sizes is adequate. While significantly lower than the demographic, performance significantly exceeds peer for both timeframes.

In 2015-16, Alerus originated 76.4 percent of farm loans to small farms. 2010 ACS data indicates 95.9 percent of farms in the AA are small farms. Aggregate CRA data indicates 55.0 percent of farm loans were originated to small farms. By loan size, 34.5 percent of Alerus' small farm loans were \$100 thousand or less. Aggregate CRA data indicates 58.1 percent of farm loans originated in the AA were \$100 thousand or less.

In 2017, Alerus originated 73.5 percent of farms loans to small farms. 2015 ACS data indicates 95.4 percent of farms in the AA are small farms. Aggregate CRA data indicates 54.6 percent of farm loans were originated to small farms. By loan size, 23.5 percent of Alerus' small farm loans were \$100 thousand or less. Aggregate CRA data indicates 61.1 percent of small farm loans originated in the AA were \$100 thousand or less.

Refer to Table T in the Fargo MMSA section on Appendix D-18 for the facts and data used to evaluate the borrower distribution of small farm loan originations and purchases.

Community Development Lending

Alerus is a leader in making CD loans. This had a significantly positive impact on the overall lending test in the Fargo MMSA.

The Lending Activity Tables, shown on page 36, set forth the information and data used to evaluate the institution's level of CD lending. These tables include all CD loans, including multifamily loans that also qualify as CD loans.

Management originated six CD loans totaling \$12.81 million during the evaluation period. This represents 35.4 percent of allocated Tier One Capital as of December 31, 2017. One loan supported affordable housing, two loans supported economic development, and three loans supported revitalization/stabilization and benefitted LMI CTs. The volume of CD loans represents good responsiveness to credit needs of LMI individuals and small businesses in the AA. The bank's three revitalization/stabilization CD loans were originated to support development in an identified revitalization zone. Home mortgage loans are an identified need in the AA. In addition to the one affordable housing CD loan, the bank offers a variety of bank-wide home mortgage programs in order to address AA credit needs.

Product Innovation and Flexibility

Alerus uses flexible lending practices to serve AA credit needs, but did not utilize any innovative loan products during the evaluation period. Two CD loans in the Fargo MMSA were originated through the SBA 504 program, which is a flexible lending program. Additionally, bank-wide flexible lending programs are used. Within the AA, management originated 21 VA loans totaling \$5.3 million, 36 FHA loans totaling \$6.7 million, 31 ND Housing loans totaling \$5.2 million, and 11 SBA loans totaling \$4.3 million.

INVESTMENT TEST

The institution's performance under the Investment Test in the Fargo MMSA is rated Satisfactory.

Alerus has a significant level of qualified CD investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors.

The institution exhibits adequate responsiveness to credit and community economic development needs. Alerus does not use innovative or complex investments to support CD initiatives.

Number and Amount of Qualified Investments

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
Fargo MMSA	1	250	57	128	58	33	378	17	0	0

* Prior Period Investments' means investments made in a previous evaluation 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.

Total qualified investments represent 1.04 percent of allocated Tier One Capital as of December 31, 2017.

During the evaluation period, management provided 57 donations totaling \$128 thousand to 24 qualified CD organizations in the Fargo MMSA. The majority of donations, 45 totaling \$93 thousand, supported organizations providing community services to the AA. Additionally, management provided three donations, totaling \$27 thousand, to two economic development organizations. Management did not purchase any qualified investments during the evaluation period. There was one prior period investment outstanding during the evaluation period for \$250 thousand, which supported economic development.

SERVICE TEST

Performance under the Service Test is rated High Satisfactory. Based on a full-scope review, the institution's performance in the Fargo MMSA is good.

Retail Banking Services

Service delivery systems are readily accessible to geographies and individuals of different income levels in the AA.

Distribution of Branch Delivery System											
Assessment Area	Deposits	Branches						Population			
	% of Rated Area Deposits in AA	# of Bank Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				% of Population within Each Geography			
				Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Fargo MMSA	100	3	100	0	33	67	0	0	23	42	34

There are three branches in the Fargo MMSA. As of 2017, one branch is located in a moderate-income CT. This is comparable with 2015 ACS that indicates 23 percent of the population lives in a moderate-income CT. Additionally, the bank has one deposit-taking ATM in a moderate-income CT. There were no low-income CTs in the AA in 2017. The two remaining branches are located in middle-income CTs.

Distribution of Branch Openings/Closings						
Assessment Area	# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)			
			Low	Mod	Mid	Upp
Fargo MMSA	0	2	--	--	--	-2

The institution's opening and closing of branches has not affected the accessibility of its delivery systems, particularly in LMI geographies and/or to LMI individuals. The bank closed two branches located in the AA during the evaluation period. Both branches were located in upper-income CTs.

Services, including business hours, do not vary in a way that inconveniences the various portions of the bank's AAs, particularly LMI geographies and/or individuals.

Lobby and drive-up hours are similar between all branches in the AA. Each branch offers weekday lobby hours, drive-up hours, and Saturday hours. Alerus offers checking and savings accounts at all branches. Initial contact for all loan products, including consumer, home mortgage, commercial, and agriculture, can be made at any branch.

Community Development Services

The institution provides a relatively high level of CD services. During the evaluation period, eight employees provided 119 service hours to six qualified CD organizations benefitting the Fargo MSA. All service hours were provided to CD organizations that provide community services to LMI individuals.

State Rating

State of Arizona

CRA rating for the State of Arizona⁸: Satisfactory

The Lending Test is rated: Low Satisfactory

The Investment Test is rated: Outstanding

The Service Test is rated: Satisfactory

The major factors that support this rating include:

- Lending levels reflect good responsiveness to credit needs in Arizona.
- Geographic distribution of loans to CTs of different income levels is good.
- The distribution of loans to borrowers of different income levels and businesses of different sizes is very poor.
- Alerus exhibits adequate responsiveness to credit needs of LMI individuals and small businesses in Arizona.
- The bank has an excellent level of qualified CD investment and grants, particularly those that are not routinely provided by private investors. Alerus exhibits excellent responsiveness to credit and community economic development needs, and makes extensive use of complex investments to support CD initiatives. Alerus provided a limited level of CD services during the evaluation period. The bank makes limited use of flexible lending practices in order to serve credit needs in Arizona.
- Service delivery systems are reasonably accessible to geographies and individuals of different income levels in Arizona.

Description of Institution's Operations in Arizona

Phoenix MSA

The Phoenix MSA consists of Maricopa County in Arizona. Alerus operates one branch in Phoenix which accounts for 5.9 percent of the bank-wide branch network and has one non-deposit-taking ATM. No branches or ATMs were opened or closed during the evaluation period.

According to the 2015 ACS data, the Phoenix MSA includes 916 CTs. In 2015-16, there were 86 low-income CTs and 219 moderate-income CTs. In 2017, there were 105 low-income CTs and 206 moderate-income CTs. The bank's branch and ATM are not located in a LMI CT, but are located near several LMI CTs.

⁸ This rating reflects performance within the multistate metropolitan statistical area. The statewide evaluations do not reflect performance in the parts of those states contained within the multistate metropolitan statistical area.

The June 30, 2017 FDIC Deposit Market Share Report indicated that Alerus had \$58 million or four percent of its deposits in the Phoenix MSA. Alerus ranks 48th of 59 deposit-taking institutions in the AA with deposit market share of 0.1 percent. The top five institutions are JPMorgan Chase Bank NA, Wells Fargo Bank NA, Bank of America NA, Western Alliance Bank, and Compass Bank. Combined, these five institutions have 78 percent of deposits in the AA.

Primary products in the Phoenix MSA are commercial and home mortgage loans. During the evaluation period, management originated 537 loans totaling \$165 million. This represents four percent of bank-wide loan originations by number and five percent by dollar during the evaluation period. Commercial loans represent 17 percent of bank-wide commercial loan originations by number and 20 percent by dollar. Home mortgage loans represent one percent of bank-wide loan originations by number and two percent by dollar.

As part of this review, we contacted a community member in the Phoenix MSA to gain an understanding of the area's economic conditions, credit needs, and involvement of local financial institutions. The contact is the Chief Executive Officer of a small business development corporation located in Phoenix and serving all of Arizona. The contact stated that the Phoenix economy is doing well and there are ample opportunities for local financial institutions. Major employers include Banner Health, American Express, Honeywell, and Amazon. We also reviewed one recently completed community contact, which identified affordable housing as the primary credit need in the Phoenix area due to the real estate market downturn, which caused a loss of owner-occupied properties to rental housing. Rents have now stabilized at higher rates, but, LMI wages have not increased.

The following tables provide information on the demographic composition of the Phoenix MSA:

Table A – Demographic Information of the Assessment Area						
Assessment Area: Alerus Financial Phoenix AZ MSA 2015-16						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	916	9.4	23.9	32.0	33.6	1.1
Population by Geography	3,817,117	8.4	24.5	33.3	33.7	0.2
Housing Units by Geography	1,596,165	7.6	25.9	33.8	32.7	0.0
Owner-Occupied Units by Geography	916,515	3.6	20.7	35.8	39.9	0.0
Occupied Rental Units by Geography	465,487	14.1	34.0	31.4	20.3	0.0
Vacant Units by Geography	214,163	10.4	30.2	30.5	28.8	0.1
Businesses by Geography	313,943	6.5	15.4	29.4	48.1	0.6
Farms by Geography	5,938	5.5	15.5	32.0	46.6	0.4
Family Distribution by Income Level	913,798	20.9	17.4	20.1	41.5	0.0
Household Distribution by Income Level	1,382,002	22.5	17.1	18.3	42.2	0.0
Median Family Income MSA - 38060 Phoenix-Mesa-Scottsdale, AZ MSA		\$64,408	Median Housing Value			\$258,903
<i>Source: 2010 U.S. Census and 2016 D&B Data Due to rounding, totals may not equal 100.0 (* The NA category consists of geographies that have not been assigned an income classification.</i>			Median Gross Rent			\$939
			Families Below Poverty Level			10.0%

Table A – Demographic Information of the Assessment Area						
Assessment Area: Alerus Financial Phoenix AZ MSA 2017						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	916	11.5	22.5	31.2	33.4	1.4
Population by Geography	4,018,143	11.1	22.9	31.3	34.4	0.3
Housing Units by Geography	1,668,555	9.8	23.4	33.3	33.4	0.1
Owner-Occupied Units by Geography	875,327	4.6	18.8	34.7	41.9	0.0
Occupied Rental Units by Geography	567,191	17.1	29.4	31.2	21.9	0.3
Vacant Units by Geography	226,037	11.8	25.6	33.2	29.3	0.2
Businesses by Geography	331,732	6.6	16.2	28.2	48.5	0.6
Farms by Geography	6,323	5.8	18.9	29.2	45.7	0.4
Family Distribution by Income Level	945,115	21.8	16.9	19.2	42.2	0.0
Household Distribution by Income Level	1,442,518	23.3	16.3	17.7	42.7	0.0
Median Family Income MSA - 38060 Phoenix-Mesa-Scottsdale, AZ MSA		\$63,686	Median Housing Value			\$203,811
<i>Source: 2015 ACS Census and 2017 D&B Data Due to rounding, totals may not equal 100.0 (* The NA category consists of geographies that have not been assigned an income classification.</i>			Median Gross Rent			\$993
			Families Below Poverty Level			12.6%

Scope of Evaluation in Arizona

We completed a full-scope review of the Phoenix MSA. Small business loans received the most weight, followed by home mortgage loans. Weighting is based on loan volume within the AA. Refer to the table on Appendix A-1 for additional information.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ARIZONA

LENDING TEST

Conclusions for Area Receiving a Full-Scope Review

The bank's performance under the Lending Test in Arizona is rated Low Satisfactory. Based on a full-scope review, the bank's performance in the Phoenix MSA is adequate.

Lending Activity

Lending levels reflect good responsiveness to AA credit needs.

Number of Loans*							
Assessment Area	Home Mortgage	Small Business	Small Farm	Community Development	Total	% State Loans	% State Deposits
Phoenix MSA	131	406	0	0	537	100%	100%

*The tables present the data for all assessment areas. The narrative below addresses performance in full-scope areas only.

Dollar Volume of Loans \$(000s)*							
Assessment Area	Home Mortgage	Small Business	Small Farm	Community Development	Total	% State Loans	% State Deposits
Phoenix MSA	37,282	127,339	0	0	164,621	100%	100%

*The tables present the data for all assessment areas. The narrative below addresses performance in full-scope areas only.

Phoenix MSA

Lending market share in the Minneapolis MSA is good compared to its deposit market share of 0.1 percent. Peer home mortgage loan data for 2017 indicates the following rankings for Alerus:

- 205th among 702 lenders that reported home purchase loans with a market share of 0.03 percent.
- 251st among 571 lenders that reported home refinance loans with a market share of 0.02 percent.

Peer small loans to businesses data for 2017 indicates Alerus ranks 41st among 204 lenders reporting small loans to businesses with a market share of 0.1 percent.

Distribution of Loans by Income Level of the Geography

The bank exhibits a good geographic distribution of loans in its AAs. Small business loans receive the most weight due to the volume of loans originated.

Small Business Loans

The geographic distribution of small business loans to borrowers in CTs of different income levels in the state of Arizona is excellent.

Refer to Table Q in the State of Arizona section on Appendix D-21 for the facts and data used to evaluate the geographic distribution of small business loan originations and purchases.

Phoenix MSA

The geographic distribution of small business loans to borrowers in CTs of different income levels in the Phoenix MSA is excellent. Performance significantly exceeds demographic and peer data for both timeframes, and for both low-income and moderate income geographies.

In 2015-16, Alerus originated 16.3 percent of small business loans to borrowers located in low-income geographies. 2010 ACS data indicates 6.5 percent of small businesses are located in low-income geographies. Aggregate CRA data indicates 6.4 percent of small business loans were originated to borrowers located in low-income geographies. Alerus originated 24.3 percent of small business loans to borrowers located in moderate-income geographies. 2010 ACS data indicates 15.4 percent of small businesses are located in moderate-income geographies. Aggregate CRA data indicates 14.2 percent of small business loans were originated to borrowers located in moderate-income geographies.

In 2017, Alerus originated 23.8 percent of small business loans to borrowers located in low-income geographies. 2015 ACS data indicates 6.6 percent of small businesses are located in low-income geographies. Aggregate CRA data indicates 7.1 percent of small business loans were originated to borrowers located in low-income geographies. Alerus originated 30.0 percent of small business loans to borrowers located in moderate-income geographies. 2015 ACS data indicates 16.2 percent of small businesses are located in moderate-income geographies. Aggregate CRA data indicates 16.7 percent of small business loans were originated to borrowers located in moderate-income geographies.

Home Mortgage Loans

The geographic distribution of home mortgage loans to CTs of different income levels in the state of Arizona is very poor.

Refer to Table O in the State of Arizona section on Appendix D-19 for the facts and data used to evaluate the geographic distribution home mortgage loan originations and purchases.

Phoenix MSA

The geographic distribution of home mortgage loans in the Phoenix MSA AA to CTs of different income levels is very poor.

Alerus did not originate any home mortgage loans to borrowers located in low-income geographies in 2015-16. 2010 ACS data indicates 3.6 percent of owner-occupied units are located in low-income geographies. Aggregate HMDA data indicates 1.8 percent of home mortgage loans were originated to borrowers located in low-income geographies. Alerus originated 12.6 percent of home mortgage loans to borrowers located in moderate-income geographies. While lower than demographic data, performance is near peer data. 2010 ACS data indicates 20.7 percent of owner-occupied units are located in moderate-income geographies. Aggregate HMDA data indicates 13.7 percent of home mortgage loans were originated to borrowers located in moderate-income geographies.

In 2017, Alerus originated 2.3 percent of home mortgage loans to borrowers located in low-income geographies. Performance is lower than both demographic and peer data. 2015 ACS data indicates 4.6 percent of owner-occupied units are located in low-income geographies. Aggregate HMDA data indicates 3.8 percent of home mortgage loans were originated to borrowers located in low-income geographies. Alerus originated 2.3 percent of home mortgage loans to borrowers located in moderate-income geographies. Performance is significantly lower than demographic and peer data. 2015 ACS data indicates 18.8 percent of owner-occupied units are located in moderate-income geographies. Aggregate HMDA data indicates 15.7 percent of home mortgage loans were originated to borrowers located in moderate-income geographies.

Lending Gap Analysis

Phoenix MSA

We identified 220 LMI CTs in the Phoenix MSA with no lending activity during the evaluation period. These gaps do not represent a concern as the bank only had one branch in operation during the evaluation period, which originated 537 total loans. There are 916 CTs in the Phoenix MSA, 311 or 34 percent of which are LMI. Therefore, it is not possible for the bank to lend to every tract and unlikely that they would be able to lend to all LMI CTs. The bank originated loans in 91 of the 311 LMI CTs, or

29 percent of the CTs. The percentage of LMI CTs with lending activity is consistent with the percentage of LMI CTs to total CTs.

Distribution of Loans by Income Level of the Borrower

Alerus exhibits a very poor distribution of loans to individuals of different income levels and business of different sizes, given the product lines offered by the institution.

Small Business Loans

The distribution of small business loans to borrowers of different sizes in the state of Arizona is very poor.

Refer to Table R in the State of Arizona section on Appendix D-22 for the facts and data used to evaluate the geographic distribution of small business loan originations and purchases.

Phoenix MSA

The distribution of loans to business of different sizes in the Phoenix MSA AA is very poor.

In 2015-16, Alerus originated 33.7 percent of business loans to small businesses, which is significantly lower than demographic data, and somewhat lower than peer data. 2010 ACS data indicates 87.3 percent of businesses in the AA are small businesses. Aggregate CRA data indicates 41.4 percent of business loans were originated to small businesses. By loan size, 27.5 percent of Alerus' small business loans were \$100 thousand or less. Aggregate CRA data indicates 95.9 percent of small business loans originated in the AA were \$100 thousand or less.

In 2017, Alerus originated 28.5 percent of business loans to small businesses which is significantly lower than both demographic and peer data. 2015 ACS data indicates 87.7 percent of businesses in the AA are small businesses. Aggregate CRA data indicates 50.6 percent of business loans were originated to small businesses. By loan size, 25.4 percent of Alerus' small business loans were \$100 thousand or less. Aggregate CRA data indicates 94.7 percent of small business loans originated in the AA were \$100 thousand or less.

Home Mortgage Loans

The distribution of home mortgage loans to borrowers of different income levels in the state of Arizona is poor.

Refer to Table P in the State of Arizona section on Appendix D-20 for the facts and data used to evaluate the geographic distribution of home mortgage loan originations and purchases.

Phoenix MSA

The distribution of home mortgage loans to borrowers of different income levels in the Phoenix MSA is poor.

In 2015-16, Alerus originated 2.3 percent of home mortgage loans to low-income borrowers which is significantly lower than demographic data, and lower than peer data. 2010 ACS data indicates 20.9 percent of families are low-income. Aggregate HMDA data indicates 4.0 percent of home mortgage loans were originated to low-income borrowers. Alerus originated 10.3 percent of home mortgage loans to moderate-income borrowers which is lower than demographic and peer data. 2010 ACS data indicates 17.4 percent of families are moderate-income. Aggregate HMDA data indicates 13.2 percent of home mortgage loans are to moderate-income borrowers.

Alerus did not originate any home mortgage loans to low-income borrowers in 2017. 2015 ACS data indicates 21.8 percent of families are low-income. Aggregate HMDA data indicates 5.0 percent of home mortgage loans were originated to low-income borrowers. Alerus originated 11.4 percent of home mortgage loans to moderate-income borrowers which is lower than demographic data and somewhat lower than peer data. 2015 ACS data indicates 16.9 percent of families are moderate-income. Aggregate HMDA data indicates 14.6 percent of home mortgage loans to moderate-income borrowers.

Community Development Lending

The institution has made few, if any, CD loans. This has a neutral impact on the overall lending test in the state of Arizona. The volume of CD loans represents adequate responsiveness to credit needs of LMI individuals and small businesses.

The Lending Activity Tables, shown on page 45, set forth the information and data used to evaluate the institution's level of CD lending. These tables include all CD loans, including multifamily loans that also qualify as CD loans.

Phoenix MSA

Alerus did not originate any CD loans in the Phoenix MSA during the evaluation period, but responsiveness to credit needs in the AA is adequate. While affordable housing is a primary credit need, the bank's primary focus in AA is commercial lending. The commercial lending focus and limited footprint within the AA support adequate responsiveness. Alerus also offers a variety of bank-wide mortgage programs in order to address AA credit needs.

Product Innovation and Flexibility

Phoenix MSA

The institution makes limited use of flexible lending practices to serve AA credit needs and did not utilize any innovative loan products during the evaluation period. While the bank did not make any flexible CD loans, bank-wide flexible lending programs are used. Within the Phoenix MSA, management originated three VA loans totaling \$848 thousand, one FHA loan totaling \$259 thousand, and four SBA loans totaling \$4.5 million.

INVESTMENT TEST

The institution's performance under the Investment Test in Arizona is rated Outstanding.

Conclusions for Areas Receiving Full-Scope Reviews

Based on a full-scope review, the bank's performance in the Phoenix MSA is excellent.

The institution has an excellent level of qualified CD investment and grants, often in a leadership position, particularly those that are not routinely provided by private investors.

Alerus exhibits excellent responsiveness to credit and community economic development needs. The institution makes extensive use of complex investments to support CD initiatives. The institution did not have any innovative CD investments.

Number and Amount of Qualified Investments

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
Phoenix MSA	1	221	3	12	4	2	234	11	0	0

* Prior Period Investments' means investments made in a previous evaluation 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.

Phoenix MSA

Qualified investments totaled \$12 thousand during the evaluation period, consisting entirely of donations. Additionally, the bank had one prior period investment still outstanding during the evaluation period supporting affordable housing and totaling \$221 thousand. Total qualified investments represent 3.55 percent of allocated Tier One Capital as of December 31, 2017.

During the evaluation period, management provided three donations totaling \$12 thousand to two qualified CD organizations. All donations supported organizations providing community services to the AA. Management did not purchase any qualified investments during the evaluation period.

Qualified investments made during 2018 were included as a performance context factor; however, these investments are not included in the table provided above. During 2018, management purchased one investment totaling \$1.89 million, which supported affordable housing. This additional investment had a positive impact on the Phoenix MSA investment conclusion.

SERVICE TEST

The institution's performance under the Service Test in Arizona is rated Satisfactory.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the institution's performance in the Phoenix MSA is adequate.

Retail Banking Services

Service delivery systems are reasonably accessible to geographies and individuals of different income levels in the AA.

Distribution of Branch Delivery System											
Assessment Area	Deposits	Branches						Population			
	% of Rated Area Deposits in AA	# of Bank Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				% of Population within Each Geography			
				Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Phoenix MSA	100	1	100	0	0	0	100	11	23	31	34

There is one branch in the Phoenix MSA. As of 2017, the branch is located in an upper-income CT. This does not compare favorably with 2015 ACS data, which indicates that 11 percent of the population lives in low-income CTs and 23 percent of the population lives in moderate-income CTs. However, Alerus' branch is located in close proximity to several LMI CTs.

Distribution of Branch Openings/Closings						
Assessment Area	# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)			
			Low	Mod	Mid	Upp
Phoenix MSA	0	0	--	--	--	--

The bank did not open or close branches in the AA during the evaluation period.

Services, including business hours, do not vary in a way that inconveniences the various portions of its AAs, particularly LMI geographies and/or individuals.

Community Development Services

The institution provides a limited level of CD services.

During the evaluation period, two employees provided 19 service hours to two qualified CD organizations benefitting the Phoenix MSA. All service hours were provided to CD organizations that provide community services to LMI individuals.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs 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:	<ul style="list-style-type: none"> Lending Test and Service Test: 01/01/2015 to 12/31/2017 CD Activity: 10/01/15 to 12/31/2017 	
Bank Products Reviewed:	<ul style="list-style-type: none"> Home Mortgage, Small Business, and Small Farm Community Development Loans, Qualified CD Investments, and CD Services 	
Affiliate(s)	Affiliate Relationship	Products Reviewed
N/A		
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
MMSA(s)		
Grand Forks MMSA	Full-scope	All of Grand Forks County in ND and the western portion of Polk County in MN
Fargo MMSA	Full-scope	All of Cass County in ND and the western portion of Clay County in MN
Minnesota		
Minneapolis MSA	Full-scope	Includes the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, and Washington, located in MN
Duluth MSA	Full-scope	Includes the southern portion of St. Louis County in MN
Arizona		
Phoenix MSA	Full-scope	Includes all of Maricopa County in AZ

Appendix B: Summary of MMSA and State Ratings

RATINGS: ALERUS FINANCIAL, NATIONAL ASSOCIATION				
Overall Bank:	Lending Test Rating*	Investment Test Rating	Service Test Rating	Overall Bank/State/Multistate Rating
Alerus Financial	Outstanding	High Satisfactory	High Satisfactory	Outstanding
MMSA or State:				
Grand Forks MMSA	High Satisfactory	Satisfactory	Outstanding	Satisfactory
Fargo MMSA	Outstanding	Satisfactory	High Satisfactory	Satisfactory
Minnesota	Outstanding	Outstanding	High Satisfactory	Outstanding
Arizona	Low Satisfactory	Outstanding	Satisfactory	Satisfactory

(*) The Lending Test is weighted more heavily than the Investment and Service Tests in the overall rating.

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in 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. For example, 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 (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Community Development (CD): Affordable housing (including multifamily rental housing) for LMI individuals; community services targeted to LMI individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize LMI geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, 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, 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 householder' and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-Scope 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 conduct 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 applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under §1003.2 of this title, and that is not an excluded transaction under §1003.3(c)(1) through (10) and (13) of this title.

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-Scope 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: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

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 state/assessment area.

Median Family Income: The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) 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, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core,

plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties 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.

MMSA: Any multistate metropolitan statistical area or multistate combined statistical area, as defined by the Office of Management and Budget.

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.

Rating Area: A rated area is a state or multi-state metropolitan statistical 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 statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

Small Business Loan(s): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) 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 Farm Loan(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the 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 at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of 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 the same as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - 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 aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - 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 MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were 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) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.
- Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography** - 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. Because aggregate 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 T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues -
Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.

State of Minnesota

Table O : Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																				2015-16
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Duluth MSA	29	5,018	0.5	6,162	3.7	13.8	5.2	11.4	6.9	10.1	62.6	41.4	55.3	22.3	37.9	29.4	0.0	0.0	0.0	
Mpls MSA	5,925	1,472,758	99.5	135,816	3.0	3.4	2.9	14.5	12.5	13.4	46.2	41.2	45.6	36.3	42.9	38.0	0.0	0.0	0.0	
Total	5,954	1,477,776	100.0	141,978	3.1	3.4	3.0	14.2	12.4	13.3	47.5	41.2	46.1	35.2	42.9	37.7	0.0	0.0	0.0	

*Source: 2010 U.S. Census; 01/01/2015 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data
Due to rounding, totals may not equal 100.0*

Table O : Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																				2017
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Duluth MSA	35	6,663	1.4	5,526	2.2	5.7	3.4	15.3	14.3	13.9	54.4	37.1	50.8	28.1	42.9	32.0	0.0	0.0	0.0	
Mpls MSA	2,556	685,224	98.6	116,518	2.7	3.2	3.6	17.1	14.6	17.8	46.4	41.4	47.1	33.8	40.6	31.4	0.1	0.2	0.1	
Total	2,591	691,887	100.0	122,044	2.6	3.3	3.6	17.0	14.6	17.6	47.0	41.4	47.3	33.3	40.6	31.4	0.1	0.2	0.1	

*Source: 2015 ACS Census; 01/01/2017 - 12/31/2017 Bank Data, 2017 HMDA Aggregate Data
Due to rounding, totals may not equal 100.0*

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2015-16	
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers			
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	
Duluth MSA	29	5,018	0.9	6,162	20.6	3.4	7.2	17.5	6.9	15.6	22.7	20.7	20.6	39.2	51.7	36.4	0.0	17.2	20.2	
Mpls MSA	5,925	1,472,758	99.5	135,816	19.5	6.5	7.9	17.3	19.0	19.3	22.5	26.3	21.3	40.8	46.2	34.0	0.0	1.9	17.5	
Total	5,954	1,477,776	100.0	141,978	19.6	6.5	7.9	17.3	19.0	19.1	22.5	26.3	21.3	40.7	46.3	34.1	0.0	2.0	17.7	

*Source: 2010 U.S Census ; 01/01/2015 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data
Due to rounding, totals may not equal 100.0*

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2017	
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers			
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	
Duluth MSA	35	6,663	1.4	5,526	19.7	8.6	8.5	17.0	8.6	16.6	23.0	22.9	21.4	40.4	34.3	32.2	0.0	25.7	21.3	
Mpls MSA	2,556	685,224	98.6	116,518	20.7	7.2	9.1	17.0	21.0	21.9	21.6	23.7	21.4	40.6	47.0	30.7	0.0	1.1	16.9	
Total	2,591	691,887	100.0	122,044	20.7	7.3	9.1	17.0	20.9	21.6	21.7	23.7	21.4	40.6	46.8	30.7	0.0	1.4	17.1	

*Source: 2015 ACS Census ; 01/01/2017 - 12/31/2017 Bank Data, 2017 HMDA Aggregate Data
Due to rounding, totals may not equal 100.0*

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																				2015-16
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	
Duluth MSA	43	10,270	10.6	2,630	16.3	60.5	18.2	12.1	0.0	10.9	51.6	11.6	49.9	20.1	27.9	21.0	0.0	0.0	0.0	
Mpls MSA	644	177,105	93.7	67,953	5.4	2.6	4.1	16.2	11.3	14.5	42.1	45.3	40.4	36.3	40.7	41.1	0.0	0.0	0.0	
Total	687	187,375	100.0	70,583	6.0	6.3	4.6	16.0	10.6	14.3	42.7	43.2	40.7	35.3	39.9	40.3	0.0	0.0	0.0	

*Source: 2016 D&B Data; 01/01/2015 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data
Due to rounding, totals may not equal 100.0*

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																				2017
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	
Duluth MSA	55	11,181	12.6	2,671	7.4	23.6	7.9	24.1	34.5	23.4	44.4	18.2	42.2	24.1	23.6	26.5	0.0	0.0	0.0	
Mpls MSA	380	109,127	87.4	57,782	5.3	3.2	4.8	18.2	14.7	17.1	44.7	41.8	44.5	31.4	40.3	33.5	0.4	0.0	0.2	
Total	435	120,308	100.0	60,453	5.4	5.7	4.9	18.5	17.2	17.4	44.7	38.9	44.4	31.0	38.2	33.2	0.4	0.0	0.2	

*Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2017 CRA Aggregate Data
Due to rounding, totals may not equal 100.0*

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues											2015-16
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= IMM			Businesses with Revenues > IMM		Businesses with Revenues Not Available	
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Duluth MSA	43	10,270	10.4	2,630	79.0	35.7	49.1	6.5	65.1	14.6	0.0
Mpls MSA	644	177,105	93.7	67,953	83.5	40.5	46.6	7.2	59.5	9.3	0.0
Total	687	187,375	100.0	70,583	83.2	40.2	46.7	7.2	59.8	9.6	0.0
<i>Source: 2016 D&B Data; 01/01/2015 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data Due to rounding, totals may not equal 100.0</i>											

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues											2017
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= IMM			Businesses with Revenues > IMM		Businesses with Revenues Not Available	
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Duluth MSA	55	11,181	12.6	2,671	78.7	36.4	56.0	6.6	63.6	14.7	0.0
Mpls MSA	380	109,127	87.4	57,782	83.7	43.9	56.0	7.1	56.1	9.2	0.0
Total	435	120,308	100.0	60,453	83.4	43.0	56.0	7.1	57.0	9.5	0.0
<i>Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2017 CRA Aggregate Data Due to rounding, totals may not equal 100.0</i>											

Grand Forks MMSA

Table O : Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																				2015-16		
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts					
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate			
Grand Forks MMSA	542	93,838	100.0	2,932	0.6	0.2	0.3	14.0	14.9	14.5	68.0	59.8	62.7	17.4	25.1	22.5	0.0	0.0	0.0			
Total	542	93,838	100.0	2,932	0.6	0.2	0.3	14.0	14.9	14.5	68.0	59.8	62.7	17.4	25.1	22.5	0.0	0.0	0.0			

*Source: 2010 U.S. Census; 01/01/2015 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data
Due to rounding, totals may not equal 100.0*

Table O : Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																				2017		
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts					
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate			
Grand Forks MMSA	200	37,708	100.0	2,375	0.4	1.0	0.3	11.7	7.5	9.9	61.6	49.0	58.1	26.3	42.5	31.6	0.0	0.0	0.0			
Total	200	37,708	100.0	2,375	0.4	1.0	0.3	11.7	7.5	9.9	61.6	49.0	58.1	26.3	42.5	31.6	0.0	0.0	0.0			

*Source: 2015 ACS Census; 01/01/2017 - 12/31/2017 Bank Data, 2017 HMDA Aggregate Data
Due to rounding, totals may not equal 100.0*

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2015-16
	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
Assessment Area:	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Grand Forks MMSA	542	93,838	100.0	2,932	18.8	6.3	3.8	17.9	16.8	16.4	24.0	26.0	22.7	39.3	47.8	38.0	0.0	3.1	19.1
Total	542	93,838	100.0	2,932	18.8	6.3	3.8	17.9	16.8	16.4	24.0	26.0	22.7	39.3	47.8	38.0	0.0	3.1	19.1

*Source: 2010 U.S Census; 01/01/2015 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data
Due to rounding, totals may not equal 100.0*

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2017
	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
Assessment Area:	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Grand Forks MMSA	200	37,708	100.0	2,375	19.6	2.5	3.2	18.7	13.5	19.6	20.8	26.5	22.0	40.9	52.5	38.8	0.0	5.0	16.4
Total	200	37,708	100.0	2,375	19.6	2.5	3.2	18.7	13.5	19.6	20.8	26.5	22.0	40.9	52.5	38.8	0.0	5.0	16.4

*Source: 2015 ACS Census; 01/01/2017 - 12/31/2017 Bank Data, 2017 HMDA Aggregate Data
Due to rounding, totals may not equal 100.0*

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																				2015-16
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	
Grand Forks MMSA	235	61,793	100.0	1,558	2.5	3.0	1.3	16.4	18.7	16.8	67.9	58.7	67.5	13.1	19.6	14.3	0.0	0.0	0.0	
Total	235	61,793	100.0	1,558	2.5	3.0	1.3	16.4	18.7	16.8	67.9	58.7	67.5	13.1	19.6	14.3	0.0	0.0	0.0	

*Source: 2016 D&B Data; 01/01/2015 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data
Due to rounding, totals may not equal 100.0*

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																				2017
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	
Grand Forks MMSA	126	33,509	100.0	1,596	2.4	0.8	1.1	14.3	4.8	13.9	57.1	48.4	53.2	26.2	46.0	31.8	0.0	0.0	0.0	
Total	126	33,509	100.0	1,596	2.4	0.8	1.1	14.3	4.8	13.9	57.1	48.4	53.2	26.2	46.0	31.8	0.0	0.0	0.0	

*Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2017 CRA Aggregate Data
Due to rounding, totals may not equal 100.0*

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues											2015-16	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans	
Grand Forks MMSA	235	61,793	100.0	1,558	74.8	39.6	44.5	7.6	60.4	17.6	0.0	
Total	235	61,793	100.0	1,558	74.8	39.6	44.5	7.6	60.4	17.6	0.0	
<i>Source: 2016 D&B Data; 01/01/2015 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data</i>												
<i>Due to rounding, totals may not equal 100.0</i>												

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues											2017	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans	
Grand Forks MMSA	126	33,509	100.0	1,596	74.6	42.9	49.9	7.7	57.1	17.7	0.0	
Total	126	33,509	100.0	1,596	74.6	42.9	49.9	7.7	57.1	17.7	0.0	
<i>Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2017 CRA Aggregate Data</i>												
<i>Due to rounding, totals may not equal 100.0</i>												

Table S - Assessment Area Distribution of Loans to Farms by Income Category of the Geography																			2015-16
Assessment Area:	Total Loans to Farms				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate
Grand Forks MMSA	89	17,924	100.0	560	0.3	0.0	0.0	2.4	2.2	1.4	90.7	92.1	92.1	6.6	5.6	6.4	0.0	0.0	0.0
Total	89	17,924	100.0	560	0.3	0.0	0.0	2.4	2.2	1.4	90.7	92.1	92.1	6.6	5.6	6.4	0.0	0.0	0.0

Source: 2016 D&B Data; 01/01/2015 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data
 Due to rounding, totals may not equal 100.0

Table S - Assessment Area Distribution of Loans to Farms by Income Category of the Geography																			2017
Assessment Area:	Total Loans to Farms				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate
Grand Forks MMSA	40	8,013	100.0	598	0.3	0.0	0.0	2.0	0.0	1.7	79.1	80.0	83.9	18.6	20.0	14.4	0.0	0.0	0.0
Total	40	8,013	100.0	598	0.3	0.0	0.0	2.0	0.0	1.7	79.1	80.0	83.9	18.6	20.0	14.4	0.0	0.0	0.0

Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2017 CRA Aggregate Data
 Due to rounding, totals may not equal 100.0

Table T: Assessment Area Distribution of Loans to Farms by Gross Annual Revenues											2015-16
Assessment Area:	Total Loans to Farms				Farms with Revenues <= 1MM			Farms with Revenues > 1MM		Farms with Revenues Not Available	
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	% Farms	% Bank Loans
Grand Forks MMSA	89	17,924	100.0	560	95.1	69.7	57.9	4.1	30.3	0.8	0.0
Total	89	17,924	100.0	560	95.1	69.7	57.9	4.1	30.3	0.8	0.0
<i>Source: 2016 D&B Data; 01/01/2015 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data</i>											
<i>Due to rounding, totals may not equal 100.0</i>											

Table T: Assessment Area Distribution of Loans to Farms by Gross Annual Revenues											2017
Assessment Area:	Total Loans to Farms				Farms with Revenues <= 1MM			Farms with Revenues > 1MM		Farms with Revenues Not Available	
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	% Farms	% Bank Loans
Grand Forks MMSA	40	8,013	100.0	598	95.3	75.0	56.4	3.9	25.0	0.8	0.0
Total	40	8,013	100.0	598	95.3	75.0	56.4	3.9	25.0	0.8	0.0
<i>Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2017 CRA Aggregate Data</i>											
<i>Due to rounding, totals may not equal 100.0</i>											

Fargo MMSA

Table O : Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																			2015-16	
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Fargo MMSA	582	142,629	100.0	9,826	0.7	0.9	1.0	10.5	5.2	7.4	59.9	47.4	48.5	28.9	46.6	43.2	0.0	0.0	0.0	
Total	582	142,629	100.0	9,826	0.7	0.9	1.0	10.5	5.2	7.4	59.9	47.4	48.5	28.9	46.6	43.2	0.0	0.0	0.0	

Source: 2010 U.S Census; 01/01/2015 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data
Due to rounding, totals may not equal 100.0

Table O : Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																			2017	
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Fargo MMSA	165	34,154	100.0	7,859	0.0	0.0	0.0	15.8	12.1	14.0	47.5	35.8	38.9	36.1	52.1	46.3	0.6	0.0	0.8	
Total	165	34,154	100.0	7,859	0.0	0.0	0.0	15.8	12.1	14.0	47.5	35.8	38.9	36.1	52.1	46.3	0.6	0.0	0.8	

Source: 2015 ACS Census; 01/01/2017 - 12/31/2017 Bank Data, 2017 HMDA Aggregate Data
Due to rounding, totals may not equal 100.0

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2015-16		
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers				
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate		
Fargo MMSA	582	142,629	100.0	9,826	18.2	4.0	4.3	17.7	18.4	15.4	24.6	23.9	19.9	39.4	46.0	32.3	0.0	7.7	28.2		
Total	582	142,629	100.0	9,826	18.2	4.0	4.3	17.7	18.4	15.4	24.6	23.9	19.9	39.4	46.0	32.3	0.0	7.7	28.2		

*Source: 2010 U.S Census; 01/01/2015 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data
Due to rounding, totals may not equal 100.0*

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2017		
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers				
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate		
Fargo MMSA	165	34,154	100.0	7,859	19.0	5.5	5.3	19.1	19.4	18.4	22.7	21.8	21.3	39.2	50.9	30.7	0.0	2.4	24.4		
Total	165	34,154	100.0	7,859	19.0	5.5	5.3	19.1	19.4	18.4	22.7	21.8	21.3	39.2	50.9	30.7	0.0	2.4	24.4		

*Source: 2015 ACS Census; 01/01/2017 - 12/31/2017 Bank Data, 2017 HMDA Aggregate Data
Due to rounding, totals may not equal 100.0*

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																				2015-16
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	
Fargo MMSA	374	72,385	100.0	5,307	4.0	2.7	3.0	21.3	30.7	21.9	48.9	34.5	42.6	25.8	32.1	32.5	0.0	0.0	0.0	
Total	374	72,385	100.0	5,307	4.0	2.7	3.0	21.3	30.7	21.9	48.9	34.5	42.6	25.8	32.1	32.5	0.0	0.0	0.0	

*Source: 2016 D&B Data; 01/01/2015 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data
Due to rounding, totals may not equal 100.*

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																				2017
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	
Fargo MMSA	139	30,840	100.0	4,911	0.0	0.0	0.0	34.8	41.0	34.2	35.0	24.5	31.0	29.7	33.8	34.4	0.5	0.7	0.4	
Total	139	30,840	100.0	4,911	0.0	0.0	0.0	34.8	41.0	34.2	35.0	24.5	31.0	29.7	33.8	34.4	0.5	0.7	0.4	

*Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2017 CRA Aggregate Data
Due to rounding, totals may not equal 100.0*

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues											2015-16	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= IMM			Businesses with Revenues > IMM		Businesses with Revenues Not Available		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans	
Fargo MMSA	374	72,385	100.0	5,307	77.5	46.8	43.9	8.3	52.7	14.2	0.5	
Total	374	72,385	100.0	5,307	77.5	46.8	43.9	8.3	52.7	14.2	0.5	
<i>Source: 2016 D&B Data; 01/01/2015 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data Due to rounding, totals may not equal 100.0</i>												

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues											2017	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= IMM			Businesses with Revenues > IMM		Businesses with Revenues Not Available		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans	
Fargo MMSA	139	30,840	100.0	4,911	77.8	43.9	49.8	8.4	56.1	13.8	0.0	
Total	139	30,840	100.0	4,911	77.8	43.9	49.8	8.4	56.1	13.8	0.0	
<i>Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2017 CRA Aggregate Data Due to rounding, totals may not equal 100.0</i>												

Table S - Assessment Area Distribution of Loans to Farms by Income Category of the Geography																			2015-16		
Assessment Area:	Total Loans to Farms				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts				
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate		
Fargo MMSA	55	10,487	100.0	556	0.1	0.0	0.9	6.3	0.0	2.2	69.4	56.4	71.4	24.1	43.6	25.5	0.0	0.0	0.0		
Total	55	10,487	100.0	556	0.1	0.0	0.9	6.3	0.0	2.2	69.4	56.4	71.4	24.1	43.6	25.5	0.0	0.0	0.0		

Source: 2016 D&B Data; 01/01/2015 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data
 Due to rounding, totals may not equal 100.0

Table S - Assessment Area Distribution of Loans to Farms by Income Category of the Geography																			2017		
Assessment Area:	Total Loans to Farms				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts				
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate		
Fargo MMSA	34	7,061	100.0	610	0.0	0.0	0.0	9.9	0.0	2.3	61.5	58.8	70.2	28.4	41.2	27.4	0.3	0.0	0.2		
Total	34	7,061	100.0	610	0.0	0.0	0.0	9.9	0.0	2.3	61.5	58.8	70.2	28.4	41.2	27.4	0.3	0.0	0.2		

Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2017 CRA Aggregate Data
 Due to rounding, totals may not equal 100.0

Table T: Assessment Area Distribution of Loans to Farms by Gross Annual Revenues											2015-16
Assessment Area:	Total Loans to Farms				Farms with Revenues <= 1MM			Farms with Revenues > 1MM		Farms with Revenues Not Available	
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	% Farms	% Bank Loans
Fargo MMSA	55	10,487	100.0	556	95.9	76.4	55.0	2.7	23.6	1.4	0.0
Total	55	10,487	100.0	556	95.9	76.4	55.0	2.7	23.6	1.4	0.0
<i>Source: 2016 D&B Data; 01/01/2015 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data Due to rounding, totals may not equal 100.0</i>											

Table T: Assessment Area Distribution of Loans to Farms by Gross Annual Revenues											2017
Assessment Area:	Total Loans to Farms				Farms with Revenues <= 1MM			Farms with Revenues > 1MM		Farms with Revenues Not Available	
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	% Farms	% Bank Loans
Fargo MMSA	34	7,061	100.0	610	95.4	73.5	54.6	3.2	26.5	1.4	0.0
Total	34	7,061	100.0	610	95.4	73.5	54.6	3.2	26.5	1.4	0.0
<i>Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2017 CRA Aggregate Data Due to rounding, totals may not equal 100.0</i>											

State of Arizona

Table O : Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																				2015-16
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Phoenix MSA	87	20,514	100.0	214,408	3.6	0.0	1.8	20.7	12.6	13.7	35.8	26.4	36.9	39.9	60.9	47.3	0.0	0.0	0.4	
Total	87	20,514	100.0	214,408	3.6	0.0	1.8	20.7	12.6	13.7	35.8	26.4	36.9	39.9	60.9	47.3	0.0	0.0	0.4	

Source: 2010 U.S Census; 01/01/2015 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data
 Due to rounding, totals may not equal 100.0

Table O : Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																				2017
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Phoenix MSA	44	16,768	100.0	193,600	4.6	2.3	3.8	18.8	2.3	15.7	34.7	20.5	35.8	41.9	72.7	44.2	0.0	2.3	0.5	
Total	44	16,768	100.0	193,600	4.6	2.3	3.8	18.8	2.3	15.7	34.7	20.5	35.8	41.9	72.7	44.2	0.0	2.3	0.5	

Source: 2015 ACS Census; 01/01/2017 - 12/31/2017 Bank Data, 2017 HMDA Aggregate Data
 Due to rounding, totals may not equal 100.0

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2015-16
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Phoenix MSA	87	20,514	167.3	214,408	20.9	2.3	4.0	17.4	10.3	13.2	20.2	9.2	18.9	41.5	77.0	41.1	0.0	1.1	22.8
Total	87	20,514	167.3	214,408	20.9	2.3	4.0	17.4	10.3	13.2	20.2	9.2	18.9	41.5	77.0	41.1	0.0	1.1	22.8

Source: 2010 U.S Census ; 01/01/2015 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data
Due to rounding, totals may not equal 100.0

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2017
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Phoenix MSA	44	16,768	100.0	193,600	21.8	0.0	5.0	16.9	11.4	14.6	19.2	4.5	21.2	42.2	81.8	40.1	0.0	2.3	19.2
Total	44	16,768	100.0	193,600	21.8	0.0	5.0	16.9	11.4	14.6	19.2	4.5	21.2	42.2	81.8	40.1	0.0	2.3	19.2

Source: 2015 ACS Census; 01/01/2017 - 12/31/2017 Bank Data, 2017 HMDA Aggregate Data
Due to rounding, totals may not equal 100.0

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																				2015-16
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	
Phoenix MSA	276	86,954	179.2	119,871	6.5	16.3	6.4	15.4	24.3	14.2	29.4	26.8	26.9	48.1	31.2	52.1	0.6	1.4	0.4	
Total	276	86,954	179.2	119,871	6.5	16.3	6.4	15.4	24.3	14.2	29.4	26.8	26.9	48.1	31.2	52.1	0.6	1.4	0.4	

*Source: 2016 D&B Data; 01/01/2015 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data
Due to rounding, totals may not equal 100.0*

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																				2017
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	
Phoenix MSA	130	40,385	100.0	95,510	6.6	23.8	7.1	16.2	30.0	16.7	28.2	22.3	27.0	48.5	23.8	48.5	0.6	0.0	0.6	
Total	130	40,385	100.0	95,510	6.6	23.8	7.1	16.2	30.0	16.7	28.2	22.3	27.0	48.5	23.8	48.5	0.6	0.0	0.6	

*Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2017 CRA Aggregate Data
Due to rounding, totals may not equal 100.0*

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues											2015-16	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans	
Phoenix MSA	276	86,954	100.0	119,871	87.3	33.7	41.4	4.5	66.3	8.2	0.0	
Total	276	86,954	100.0	119,871	87.3	33.7	41.4	4.5	66.3	8.2	0.0	

*Source: 2016 D&B Data; 01/01/2015 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data
Due to rounding, totals may not equal 100.0*

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues											2017	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans	
Phoenix MSA	130	40,385	100.0	95,510	87.7	28.5	50.6	4.4	71.5	7.9	0.0	
Total	130	40,385	100.0	95,510	87.7	28.5	50.6	4.4	71.5	7.9	0.0	

*Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2017 CRA Aggregate Data
Due to rounding, totals may not equal 100.0*