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## **BREMER REPORTS FOURTH QUARTER 2006 EARNINGS**

**St. Paul, Minn.** (January 23, 2007) — Bremer Financial Corporation reported net income of \$72.1 million for the year ended December 31, 2006, compared to \$72.0 million earned for the year ended December 31, 2005. For the quarter ended December 31, 2006, net income was \$20.4 million, a decrease of 1.7% from the \$20.7 million earned for the same three-month period in 2005. Return on average equity for the fourth quarter of 2006 was 13.9% compared to 15.2% for the fourth quarter of 2005, while return on average assets decreased to 1.21% in the fourth quarter of 2006 from 1.30% in the fourth quarter of 2005.

Net interest income for the fourth quarter of 2006 was \$57.4 million, an increase of \$625 thousand or 1.1% from the \$56.8 million reported for the same period a year ago. Our net interest margin was 3.81% for the quarter ended December 31, 2006, compared to 3.95% for the quarter ended December 31, 2005. On a year-to-date basis, our net interest income increased \$4.6 million or 2.1% to \$227.0 million in 2006 from \$222.4 million in 2005, while our net interest margin dropped 5 basis points from 3.90% for the year ended December 31, 2005 to 3.85% for year ended December 31, 2006. Our net interest margin has declined over the past year due primarily to very competitive conditions in lending markets.

“In 2005, we posted record financial numbers and we exceeded those numbers in 2006 – that’s a year that you can be proud of, and one that can only happen with the dedication of nearly 2,000 employees working to

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meet their clients' needs," said CEO Stan Dardis. "The effort to meet our clients' needs is matched only by the community commitment our employees display when they contribute their time and talents as volunteers. Last year, Bremer employees committed nearly 76,000 volunteer hours to organizations in their communities – and this was in addition to the \$1.2 million in charitable dollars that our banks donated to nonprofits and the nearly \$29 million in charitable gifts made by our Otto Bremer Foundation. Those are truly numbers in which we can all take great pride."

Noninterest income decreased \$1.3 million or 5.4% to \$22.1 million in the fourth quarter of 2006 from \$23.3 million for the fourth quarter of 2005. The decrease was largely due to a decrease in gains on sale of loans from \$4.9 million in the fourth quarter of 2005 to \$1.4 million in the fourth quarter of 2006. On a year-to-date basis, noninterest income was flat, as we recorded \$85.2 million in both 2005 and 2006.

Noninterest expense increased \$2.1 million or 4.3% to \$49.3 million in the fourth quarter of 2006 from \$47.3 million in the fourth quarter of 2005. On a year-to-date basis, noninterest expense increased \$11.1 million, or 6.0%, to \$195.9 million in 2006 from \$184.7 million in 2005. Increases in personnel costs accounted for nearly 60% of the increase in noninterest expense when comparing the two year-to-date periods. In addition, 2006 expenses included a one-time charge of \$1.9 million, before-tax, to write off unamortized issuance costs in connection with the early redemption of \$60 million of Cumulative Capital Securities.

Nonperforming assets were \$25.7 million at December 31, 2006 compared to \$21.5 million at September 30, 2006 and \$14.1 million at December 31, 2005. Correspondingly, the ratio of nonperforming assets to total loans, leases and other real estate owned (OREO) increased to 0.52% at December 31, 2006 from 0.44% at September 30, 2006 and 0.30% at December 31, 2005.

Net charge-offs in the fourth quarter of 2006 were \$2.1 million compared to \$1.5 million in the fourth quarter of 2005. For the full year 2006, net charge-offs were \$5.5 million compared to \$13.9 million in 2005. We recorded a provision for loan losses of \$7.6 million in 2006 compared to \$12.4 million in 2005. Our ratio of reserve for loan losses to total loans and leases was 1.17% at December 31, 2006, a slight decline from both the 1.22% at September 30, 2006 and the 1.20% at December 31, 2005.

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Bremer Financial Corporation is a privately-held, \$6.8 billion regional financial services company jointly owned by its employees and the Otto Bremer Foundation. Founded in 1943 by Otto Bremer, the company is headquartered in St. Paul, Minnesota and provides a comprehensive range of banking, investment, trust and insurance services to over 100 locations in Minnesota, North Dakota and Wisconsin. Company profits are distributed in the form of charitable grants by the Otto Bremer Foundation to communities served by Bremer.

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**BREMER FINANCIAL CORPORATION AND SUBSIDIARIES**

**FINANCIAL HIGHLIGHTS**

(dollars in thousands, except per share amounts)

	Three months ended December 31,			Twelve months ended December 31,		
	2006	2005	Change	2006	2005	Change
<b>Operating Results:</b>						
Total interest income	\$ 111,645	\$ 95,811	16.5 %	\$ 426,082	\$ 357,230	19.3 %
Total interest expense	54,238	39,029	39.0	199,053	134,831	47.6
Net interest income	57,407	56,782	1.1	227,029	222,399	2.1
Provision for loan losses	(38)	1,529	NM	7,644	12,365	(38.2)
Net interest income after provision for loan losses	57,445	55,253	4.0	219,385	210,034	4.5
Noninterest income	22,079	23,348	(5.4)	85,185	85,227	(0.0)
Noninterest expense	49,320	47,268	4.3	195,851	184,730	6.0
Income before income tax expense	30,204	31,333	(3.6)	108,719	110,531	(1.6)
Income tax expense	9,816	10,597	(7.4)	36,649	38,500	(4.8)
Net income	\$ 20,388	\$ 20,736	(1.7) %	\$ 72,070	\$ 72,031	0.1 %
Net income per share - basic and diluted	\$ 1.70	\$ 1.72	(1.7) %	\$ 6.01	\$ 6.00	0.1 %
Dividends paid per share	0.58	0.58	-	2.32	2.08	11.5
Tax equivalent net interest income	\$ 60,334	\$ 59,330	1.7 %	\$ 238,031	\$ 231,845	2.7 %
Net charge-offs	2,137	1,534	39.3	5,542	13,902	(60.1)
<b>Selected Financial Ratios:</b>						
Return on average assets	1.21 %	1.30 %	(0.09)	1.10 %	1.14 %	(0.04)
Return on average equity (1)	13.9	15.2	(1.3)	12.7	13.7	(1.0)
Average equity to average assets (1)	8.75	8.53	0.22	8.65	8.33	0.32
Net interest margin (2)	3.81	3.95	(0.14)	3.85	3.90	(0.05)
Operating efficiency ratio (3)	59.9	57.2	2.7	60.6	58.3	2.3
Net charge-offs to average loans and leases	0.17	0.13	0.04	0.12	0.30	(0.18)
<b>Balance Sheet Data:</b>						
Total assets	\$ 6,751,806	\$ 6,555,895	3.0 %			
Securities (4)	1,369,037	1,374,065	(0.4)			
Loans and leases (5)	4,922,728	4,639,766	6.1			
Total deposits	5,053,763	4,878,352	3.6			
Short-term borrowings	706,675	736,560	(4.1)			
Long-term debt	334,556	322,016	3.9			
Redeemable class A common stock	47,022	43,730	7.5			
Shareholders' equity	540,755	502,904	7.5			
Per share book value of common stock	48.98	45.55	7.5			
<b>Asset Quality:</b>						
Reserve for loan losses	\$ 57,730	\$ 55,628	3.8 %			
Nonperforming assets	25,684	14,107	82.1			
Nonperforming assets to total loans, leases and OREO	0.52 %	0.30 %	0.22			
Reserve for loan losses to total loans and leases	1.17	1.20	(0.03)			

- (1) Calculation includes shareholders' equity and redeemable class A common stock.
- (2) Tax-equivalent basis (TEB).
- (3) Noninterest expense as a percentage of tax-equivalent net interest income and noninterest income.
- (4) Includes securities held-to-maturity and securities available-for-sale.
- (5) Net of unearned discount and includes nonaccrual loans and leases.

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**BREMER FINANCIAL CORPORATION AND SUBSIDIARIES**  
**SUMMARY BALANCE SHEET AND INCOME STATEMENT**  
(dollars in thousands)

	Three months ended December 31,				Twelve months ended December 31,			
	2006		2005		2006		2005	
	Average Balance	Average Rate/ Yield (1)	Average Balance	Average Rate/ Yield (1)	Average Balance	Average Rate/ Yield (1)	Average Balance	Average Rate/ Yield (1)
<b>Summary Average Balance Sheet:</b>								
Total loans and leases (2)	\$4,863,858	7.83 %	\$4,621,190	7.15 %	\$4,769,628	7.68 %	\$4,679,784	6.72 %
Total securities (3)	1,380,354	5.12	1,298,767	4.40	1,379,632	4.94	1,237,951	4.12
Total other earning assets	38,725	7.53	40,002	6.20	39,299	6.84	24,544	3.99
Total interest earning assets (4)	\$6,282,937	7.23 %	\$5,959,959	6.55 %	\$6,188,559	7.06 %	\$5,942,279	6.17 %
Total noninterest earning assets	392,246		382,080		368,828		364,055	
Total assets	\$6,675,183		\$6,342,039		\$6,557,387		\$6,306,334	
Noninterest bearing deposits	\$ 791,096		\$ 825,734		\$ 775,834		\$ 795,617	
Interest bearing deposits	4,165,723	3.90 %	3,847,524	2.83 %	4,026,607	3.57 %	3,653,511	2.38 %
Short-term borrowings	752,291	4.76	730,498	3.52	795,781	4.55	914,266	2.84
Long-term debt	299,190	5.70	328,181	6.20	312,711	6.08	356,407	6.10
Total interest bearing liabilities	\$5,217,204	4.12 %	\$4,906,203	3.16 %	\$5,135,099	3.88 %	\$4,924,184	2.74 %
Other noninterest bearing liabilities	83,034		68,808		79,136		60,970	
Minority interest	-		150		112		150	
Redeemable class A common stock	45,376		43,291		45,377		42,033	
Shareholders' equity	538,473		497,853		521,829		483,380	
Total liabilities and equity	\$6,675,183		\$6,342,039		\$6,557,387		\$6,306,334	
<b>Summary Income Statement:</b>								
	Three months ended December 31,				Twelve months ended December 31,			
	2006	2005	\$ Change	% Change	2006	2005	\$ Change	% Change
Total interest income	\$ 111,645	\$ 95,811	\$ 15,834	16.5 %	\$ 426,082	\$ 357,230	\$ 68,852	19.3 %
Total interest expense	54,238	39,029	15,209	39.0	199,053	134,831	64,222	47.6
Net interest income	57,407	56,782	625	1.1	227,029	222,399	4,630	2.1
Provision for loan losses	(38)	1,529	(1,567)	NM	7,644	12,365	(4,721)	(38.2)
Net interest income after provision for loan losses	57,445	55,253	2,192	4.0	219,385	210,034	9,351	4.5
Service charges	8,671	8,286	385	4.6	33,425	31,524	1,901	6.0
Insurance	4,047	3,696	351	9.5	12,033	11,606	427	3.7
Investment management and trust fees	3,358	3,150	208	6.6	12,538	11,796	742	6.3
Brokerage	1,603	1,368	235	17.2	6,435	6,369	66	1.0
Gain on sale of loans	1,420	4,912	(3,492)	(71.1)	11,493	16,926	(5,433)	(32.1)
Loss on sale of securities	-	-	-	NM	(505)	-	(505)	NM
Other	2,980	1,936	1,044	53.9	9,766	7,006	2,760	39.4
Total noninterest income	22,079	23,348	(1,269)	(5.4)	85,185	85,227	(42)	(0.0)
Salaries and wages	22,486	21,627	859	4.0	90,509	86,915	3,594	4.1
Employee benefits	7,066	6,405	661	10.3	28,116	25,363	2,753	10.9
Occupancy	3,165	3,141	24	0.8	12,770	12,523	247	2.0
Furniture and equipment	3,050	3,093	(43)	(1.4)	11,855	11,826	29	0.2
Data processing fees	3,026	2,889	137	4.7	11,685	11,362	323	2.8
FDIC premiums and examination fees	496	485	11	2.3	1,992	1,920	72	3.8
Amortization of intangibles	613	650	(37)	(5.7)	2,452	2,601	(149)	(5.7)
Other	9,418	8,978	440	4.9	36,472	32,220	4,252	13.2
Total noninterest expense	49,320	47,268	2,052	4.3	195,851	184,730	11,121	6.0
Income before income tax expense	30,204	31,333	(1,129)	(3.6)	108,719	110,531	(1,812)	(1.6)
Income tax expense	9,816	10,597	(781)	(7.4)	36,649	38,500	(1,851)	(4.8)
Net income	\$ 20,388	\$ 20,736	\$ (348)	(1.7) %	\$ 72,070	\$ 72,031	\$ 39	0.1 %

- (1) Calculation is based on interest income including \$2,927 and \$2,548 for the three months ended December 31, 2006 and December 31, 2005 and \$11,002 and \$9,446 for the twelve months ended December 31, 2006 and December 31, 2005 to adjust to a fully taxable basis using the federal statutory rate of 35%.
- (2) Net of unearned discount and includes nonaccrual loans and leases.
- (3) Excluding net unrealized gain (loss) on securities available-for-sale.
- (4) Before deducting the reserve for loan losses.