



FOR IMMEDIATE RELEASE

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BREMER REPORTS SECOND QUARTER 2008 EARNINGS

St. Paul, Minn. (July 29, 2008) — Bremer Financial Corporation reported net income of \$19.3 million for the three months ended June 30, 2008, an increase of 2.7% from the \$18.7 million earned for the three months ended June 30, 2007. On a year-to-date basis through June 30, 2008, net income was \$36.2 million compared to \$35.7 million earned in 2007, an increase of 1.3%. Return on average equity for the second quarter of 2008 was 11.9% compared to 12.5% for the second quarter of 2007, while return on average assets decreased to 1.04% in the second quarter of 2008 from 1.09% in the second quarter of 2007.

Net interest income for the second quarter of 2008 was \$66.3 million, an increase of \$8.3 million or 14.4% from the \$58.0 million reported for the same period a year ago. Our net interest margin increased 20 basis points to 3.96% for the quarter ended June 30, 2008, compared to 3.76% for the quarter ended June 30, 2007, primarily as a result of lower interest expense on deposits and short-term borrowings. On a year-to-date basis, our net interest income increased \$14.7 million or 12.9% to \$128.7 million in 2008 from \$114.0 million in 2007, while our net interest margin increased to 3.91% for the six-month period ended June 30, 2008 from 3.75% for the six-month period ended June 30, 2007.

“Credit crises and challenging economic conditions have paved the way for more negative headlines and even isolated bank failures, setting off new concerns for bank clients,” said **Stan Dardis, CEO**. “As we have communicated recently to employees, Bremer has a healthy mix of business across all products and services, is well capitalized with adequate reserves and is profitable. Overall, we are well positioned to deal with these

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continued uncertain and difficult economic conditions. I want to thank our nearly 2,000 employees who continue to work diligently to meet the needs of our clients and communities during these difficult times.”

Noninterest income increased 5.6% to \$24.7 million in the second quarter of 2008 from \$23.4 million for the second quarter of 2007. On a year-to-date basis, noninterest income increased 5.0% to \$47.4 million in 2008 from \$45.1 million in 2007. Noninterest expense increased \$4.1 million or 8.2% to \$54.2 million in the second quarter of 2008 from \$50.1 million in the second quarter of 2007. On a year-to-date basis, noninterest expense increased 6.3% to \$105.8 million in 2008 from \$99.5 million in 2007.

Nonperforming assets were \$53.2 million at June 30, 2008 compared to \$40.6 million at December 31, 2007 and \$30.1 million at June 30, 2007. Correspondingly, the ratio of nonperforming assets to total loans, leases and other real estate owned (OREO) increased to 0.96% at June 30, 2008 from 0.77% at December 31, 2007 and 0.59% at June 30, 2007.

Net charge-offs in the second quarter of 2008 were \$4.9 million, compared to \$1.5 million in the second quarter of 2007. We recorded a provision for loan losses of \$7.9 million in the second quarter of 2008 compared to \$2.8 million in the second quarter of 2007. As a result, our ratio of allowance for loan losses to total loans and leases increased to 1.30% at June 30, 2008, compared to 1.20% at December 31, 2007 and 1.17% at June 30, 2007.

Bremer Financial Corporation is a privately-held, \$7.7 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 June 30, | | | Six months ended June 30, | | Change |
|---|-----------------------------|-----------------|---------|---------------------------|---------------|---------|
| | 2008 | 2007 | Change | 2008 | 2007 | |
| Operating Results: | | | | | | |
| Total interest income | \$ 106,011 | \$ 114,966 | (7.8) % | \$ 216,498 | \$ 225,640 | (4.1) % |
| Total interest expense | 39,662 | 56,955 | (30.4) | 87,760 | 111,637 | (21.4) |
| Net interest income | 66,349 | 58,011 | 14.4 | 128,738 | 114,003 | 12.9 |
| Provision for loan losses | 7,873 | 2,829 | 178.3 | 16,396 | 5,728 | 186.2 |
| Net interest income after provision for loan losses | 58,476 | 55,182 | 6.0 | 112,342 | 108,275 | 3.8 |
| Noninterest income | 24,661 | 23,351 | 5.6 | 47,421 | 45,148 | 5.0 |
| Noninterest expense | 54,219 | 50,128 | 8.2 | 105,771 | 99,461 | 6.3 |
| Income before income tax expense | 28,918 | 28,405 | 1.8 | 53,992 | 53,962 | 0.1 |
| Income tax expense | 9,667 | 9,660 | 0.1 | 17,836 | 18,273 | (2.4) |
| Net income | \$ 19,251 | \$ 18,745 | 2.7 % | \$ 36,156 | \$ 35,689 | 1.3 % |
| Net income per share - basic and diluted | \$ 1.60 | \$ 1.56 | 2.7 % | \$ 3.01 | \$ 2.97 | 1.3 % |
| Dividends paid per share | 0.62 | 0.62 | - | 1.24 | 1.24 | - |
| Tax equivalent net interest income | \$ 69,528 | \$ 61,033 | 13.9 % | \$ 135,047 | \$ 119,923 | 12.6 % |
| Net charge-offs | 4,913 | 1,544 | 218.1 | 8,255 | 3,106 | 165.7 |
| Selected Financial Ratios: | | | | | | |
| Return on average assets | 1.04 % | 1.09 % | (0.05) | 0.99 | 1.06 | (0.07) |
| Return on average equity (1) | 11.9 | 12.5 | (0.6) | 11.3 | 12.1 | (0.8) |
| Average equity to average assets (1) | 8.74 | 8.72 | 0.02 | 8.75 | 8.72 | 0.03 |
| Net interest margin (2) | 3.96 | 3.76 | 0.20 | 3.91 | 3.75 | 0.16 |
| Operating efficiency ratio (3) | 57.6 | 59.4 | (1.8) | 58.0 | 60.3 | (2.3) |
| Net charge-offs to average loans and leases | 0.36 | 0.12 | 0.24 | 0.31 | 0.13 | 0.18 |
| | June 30, | June 30, | | December 31, | Change | |
| | 2008 | 2007 | | 2007 | | |
| Balance Sheet Data: | | | | | | |
| Total assets | \$ 7,689,199 | \$ 7,040,693 | 9.2 % | \$ 7,249,650 | 6.1 % | |
| Securities (4) | 1,681,266 | 1,449,985 | 16.0 | 1,478,774 | 13.7 | |
| Loans and leases (5) | 5,530,987 | 5,137,837 | 7.7 | 5,290,434 | 4.5 | |
| Total deposits | 5,102,953 | 4,916,986 | 3.8 | 5,295,458 | (3.6) | |
| Short-term borrowings | 1,387,826 | 964,274 | 43.9 | 850,082 | 63.3 | |
| Long-term debt | 479,464 | 488,324 | (1.8) | 390,484 | 22.8 | |
| Redeemable class A common stock | 51,962 | 48,138 | 7.9 | 50,678 | 2.5 | |
| Shareholders' equity | 597,567 | 553,592 | 7.9 | 582,802 | 2.5 | |
| Per share book value of common stock | 54.13 | 50.14 | 7.9 | 52.79 | 2.5 | |
| Asset Quality: | | | | | | |
| Allowance for loan losses | \$ 71,675 | \$ 60,352 | 18.8 % | \$ 63,534 | 12.8 % | |
| Nonperforming assets | 53,223 | 30,091 | 76.9 | 40,619 | 31.0 | |
| Nonperforming assets to total loans, leases and OREO | 0.96 % | 0.59 % | 0.37 | 0.77 % | 0.19 | |
| Allowance for loan losses to total loans and leases | 1.30 | 1.17 | 0.13 | 1.20 | 0.10 | |

- (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 June 30, | | | | Six months ended June 30, | | | |
|---|-----------------------------|-------------------------------|---------------------|-------------------------------|---------------------------|-------------------------------|--------------------|-------------------------------|
| | 2008 | | 2007 | | 2008 | | 2007 | |
| | Average Balance | Average Rate/ Yield (1) | Average Balance | Average Rate/ Yield (1) | Average Balance | Average Rate/ Yield (1) | Average Balance | Average Rate/ Yield (1) |
| Summary Average Balance Sheet: | | | | | | | | |
| Total loans and leases (2) | \$5,431,870 | 6.49 % | \$ 5,057,814 | 7.83 % | \$5,354,416 | 6.79 % | \$4,995,686 | 7.82 % |
| Total securities (3) | 1,605,884 | 5.35 | 1,422,949 | 5.29 | 1,562,776 | 5.37 | 1,415,196 | 5.25 |
| Total other earning assets | 22,800 | 1.85 | 37,962 | 5.60 | 25,021 | 2.39 | 35,949 | 5.75 |
| Total interest earning assets (4) | <u>\$7,060,554</u> | 6.22 % | <u>\$ 6,518,725</u> | 7.26 % | <u>\$6,942,213</u> | 6.45 % | <u>\$6,446,831</u> | 7.24 % |
| Total noninterest earning assets | 391,097 | | 360,802 | | 392,605 | | 368,330 | |
| Total assets | <u>\$7,451,651</u> | | <u>\$ 6,879,527</u> | | <u>\$7,334,818</u> | | <u>\$6,815,161</u> | |
| Noninterest bearing deposits | \$ 749,989 | | \$ 734,526 | | \$ 745,323 | | \$ 736,100 | |
| Interest bearing deposits | 4,325,758 | 2.57 % | 4,174,451 | 3.94 % | 4,383,361 | 2.92 % | 4,206,615 | 3.94 % |
| Short-term borrowings | 1,165,729 | 2.07 | 839,034 | 4.71 | 1,038,940 | 2.48 | 794,377 | 4.71 |
| Long-term debt | 474,362 | 5.09 | 450,819 | 5.46 | 434,099 | 5.28 | 398,172 | 5.52 |
| Total interest bearing liabilities | <u>\$5,965,849</u> | 2.67 % | <u>\$ 5,464,304</u> | 4.18 % | <u>\$5,856,400</u> | 3.01 % | <u>\$5,399,164</u> | 4.17 % |
| Other noninterest bearing liabilities | 84,230 | | 80,767 | | 91,590 | | 85,906 | |
| Redeemable class A common stock | 52,127 | | 47,994 | | 51,320 | | 47,520 | |
| Shareholders' equity | 599,456 | | 551,936 | | 590,185 | | 546,471 | |
| Total liabilities and equity | <u>\$7,451,651</u> | | <u>\$ 6,879,527</u> | | <u>\$7,334,818</u> | | <u>\$6,815,161</u> | |
| Summary Income Statement: | | | | | | | | |
| | 2008 | 2007 | \$ Change | % Change | 2008 | 2007 | \$ Change | % Change |
| Total interest income | \$ 106,011 | \$114,966 | \$ (8,955) | (7.8) % | \$ 216,498 | \$ 225,640 | \$ (9,142) | (4.1) % |
| Total interest expense | 39,662 | 56,955 | (17,293) | (30.4) | 87,760 | 111,637 | (23,877) | (21.4) |
| Net interest income | 66,349 | 58,011 | 8,338 | 14.4 | 128,738 | 114,003 | 14,735 | 12.9 |
| Provision for loan losses | 7,873 | 2,829 | 5,044 | 178.3 | 16,396 | 5,728 | 10,668 | 186.2 |
| Net interest income after provision for loan losses | 58,476 | 55,182 | 3,294 | 6.0 | 112,342 | 108,275 | 4,067 | 3.8 |
| Service charges | 9,759 | 9,294 | 465 | 5.0 | 18,991 | 17,496 | 1,495 | 8.5 |
| Insurance | 2,612 | 2,876 | (264) | (9.2) | 5,825 | 6,177 | (352) | (5.7) |
| Investment management and trust fees | 3,439 | 3,260 | 179 | 5.5 | 6,685 | 6,420 | 265 | 4.1 |
| Brokerage | 1,928 | 1,833 | 95 | 5.2 | 3,691 | 3,630 | 61 | 1.7 |
| Gain on sale of loans | 3,113 | 3,546 | (433) | (12.2) | 5,439 | 6,732 | (1,293) | (19.2) |
| Gain on sale of securities | - | - | - | NM | 295 | - | 295 | NM |
| Other | 3,810 | 2,542 | 1,268 | 49.9 | 6,495 | 4,693 | 1,802 | 38.4 |
| Total noninterest income | 24,661 | 23,351 | 1,310 | 5.6 | 47,421 | 45,148 | 2,273 | 5.0 |
| Salaries and wages | 27,091 | 25,172 | 1,919 | 7.6 | 52,274 | 48,974 | 3,300 | 6.7 |
| Employee benefits | 7,082 | 6,681 | 401 | 6.0 | 14,479 | 13,863 | 616 | 4.4 |
| Occupancy | 3,595 | 3,424 | 171 | 5.0 | 7,201 | 6,722 | 479 | 7.1 |
| Furniture and equipment | 3,086 | 2,983 | 103 | 3.5 | 6,390 | 6,121 | 269 | 4.4 |
| Data processing fees | 2,792 | 2,696 | 96 | 3.6 | 5,500 | 5,616 | (116) | (2.1) |
| FDIC premiums and examination fees | 836 | 538 | 298 | 55.4 | 1,639 | 1,045 | 594 | 56.8 |
| Amortization of intangibles | 536 | 581 | (45) | (7.7) | 1,072 | 1,154 | (82) | (7.1) |
| Other | 9,201 | 8,053 | 1,148 | 14.3 | 17,216 | 15,966 | 1,250 | 7.8 |
| Total noninterest expense | 54,219 | 50,128 | 4,091 | 8.2 | 105,771 | 99,461 | 6,310 | 6.3 |
| Income before income tax expense | 28,918 | 28,405 | 513 | 1.8 | 53,992 | 53,962 | 30 | 0.1 |
| Income tax expense | 9,667 | 9,660 | 7 | 0.1 | 17,836 | 18,273 | (437) | (2.4) |
| Net income | <u>\$ 19,251</u> | <u>\$ 18,745</u> | <u>\$ 506</u> | 2.7 % | <u>\$ 36,156</u> | <u>\$ 35,689</u> | <u>\$ 467</u> | 1.3 % |

- (1) Calculation is based on interest income including \$3,179 and \$3,022 for the three months ended June 30, 2008 and June 30, 2007 and \$6,309 and \$5,920 for the six months ended June 30, 2008 and June 30, 2007 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 allowance for loan losses.