



FOR IMMEDIATE RELEASE

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BREMER REPORTS THIRD QUARTER 2008 EARNINGS

St. Paul, Minn. (October 28, 2008) — Bremer Financial Corporation reported net income of \$20.7 million for the three months ended September 30, 2008, an increase of 74.7% from the \$11.8 million earned for the three months ended September 30, 2007. On a year-to-date basis through September 30, 2008, net income was \$56.8 million compared to \$47.5 million earned in 2007, an increase of 19.6%. Return on average equity for the third quarter of 2008 was 12.4% compared to 7.7% for the third quarter of 2007, while return on average assets increased to 1.09% in the third quarter of 2008 from 0.66% in the third quarter of 2007. Results for the comparable periods in 2007 were negatively impacted by a one-time \$10.2 million impairment charge in the third quarter of 2007 to adjust the value of residual interests in securitized assets.

Net interest income for the third quarter of 2008 was \$67.6 million, an increase of \$7.5 million or 12.5% from the \$60.1 million reported for the same period a year ago. Our net interest margin increased 20 basis points to 3.94% for the quarter ended September 30, 2008, compared to 3.74% for the quarter ended September 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 \$22.3 million or 12.8% to \$196.4 million in 2008 from \$174.1 million in 2007, while our net interest margin increased to 3.92% for the nine-month period ended September 30, 2008 from 3.75% for the nine-month period ended September 30, 2007.

“Given the financial turmoil we’ve witnessed in our economy, it is especially gratifying to release earnings that reflect Bremer is stable and well-capitalized,” said **Stan Dardis, CEO**. “Bremer’s ownership structure insulates the company from many of the erratic swings that organizations influenced by the stock market experience - providing Bremer with significant stability. Our capital and liquidity doesn’t come from Wall

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Street – it comes from our earnings and the deposits we generate from clients with whom we have relationships. I'm proud of the work our employees have done to reinforce those relationships during these challenging times.”

Noninterest income increased 88.6% to \$22.3 million in the third quarter of 2008 from \$11.8 million for the third quarter of 2007. On a year-to-date basis, noninterest income increased 22.4% to \$69.8 million in 2008 from \$57.0 million in 2007. Exclusive of the one-time impairment charge of \$10.2 million, which was recorded as an adjustment to gain on sale of loans in 2007, total noninterest income increased \$245 thousand or 1.1% when comparing the third quarter of 2008 to the third quarter of 2007. Noninterest expense increased \$4.9 million or 10.1% to \$52.8 million in the third quarter of 2008 from \$47.9 million in the third quarter of 2007. On a year-to-date basis, noninterest expense increased 7.6% to \$158.5 million in 2008 from \$147.4 million in 2007.

Nonperforming assets were \$75.5 million at September 30, 2008 compared to \$40.6 million at December 31, 2007 and \$35.0 million at September 30, 2007. Correspondingly, the ratio of nonperforming assets to total loans, leases and other real estate owned (OREO) increased to 1.33% at September 30, 2008 from 0.77% at December 31, 2007 and 0.66% at September 30, 2007.

Net charge-offs in the third quarter of 2008 were \$5.9 million, compared to \$2.7 million in the third quarter of 2007. We recorded a provision for loan losses of \$9.0 million in the third quarter of 2008 compared to \$7.4 million in the third quarter of 2007. As a result, our ratio of allowance for loan losses to total loans and leases increased to 1.32% at September 30, 2008, compared to 1.20% at December 31, 2007 and 1.23% at September 30, 2007.

Bremer Financial Corporation is a privately-held, \$7.6 billion regional financial services company jointly owned by its employees and the Otto Bremer Foundation (OBF). This unique ownership structure is the only one of its kind in the nation. 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 more than 100 locations in Minnesota, North Dakota and Wisconsin. OBF uses its share of dividends to distribute charitable grants to Bremer bank communities.

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BREMER FINANCIAL CORPORATION AND SUBSIDIARIES
FINANCIAL HIGHLIGHTS
(dollars in thousands, except per share amounts)

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|---|----------------------------------|----------------------|----------|---------------------------------|---------------|---------|
| | 2008 | 2007 | Change | 2008 | 2007 | Change |
| Operating Results: | | | | | | |
| Total interest income | \$ 106,273 | \$ 119,226 | (10.9) % | \$ 322,771 | \$ 344,866 | (6.4) % |
| Total interest expense | 38,636 | 59,107 | (34.6) | 126,396 | 170,744 | (26.0) |
| Net interest income | 67,637 | 60,119 | 12.5 | 196,375 | 174,122 | 12.8 |
| Provision for loan losses | 9,023 | 7,356 | 22.7 | 25,419 | 13,084 | 94.3 |
| Net interest income after provision for loan losses | 58,614 | 52,763 | 11.1 | 170,956 | 161,038 | 6.2 |
| Noninterest income | 22,336 | 11,846 | 88.6 | 69,757 | 56,994 | 22.4 |
| Noninterest expense | 52,771 | 47,912 | 10.1 | 158,542 | 147,373 | 7.6 |
| Income before income tax expense | 28,179 | 16,697 | 68.8 | 82,171 | 70,659 | 16.3 |
| Income tax expense | 7,503 | 4,862 | 54.3 | 25,339 | 23,135 | 9.5 |
| Net income | \$ 20,676 | \$ 11,835 | 74.7 % | \$ 56,832 | \$ 47,524 | 19.6 % |
| Net income per share - basic and diluted | \$ 1.72 | \$ 0.99 | 74.7 % | \$ 4.74 | \$ 3.96 | 19.6 % |
| Dividends paid per share | 0.62 | 0.62 | - | 1.86 | 1.86 | - |
| Tax equivalent net interest income | \$ 70,963 | \$ 63,199 | 12.3 % | \$ 206,010 | \$ 183,122 | 12.5 % |
| Net charge-offs | 5,935 | 2,708 | 119.2 | 14,190 | 5,814 | 144.1 |
| Selected Financial Ratios: | | | | | | |
| Return on average assets | 1.09 % | 0.66 % | 0.43 | 1.03 % | 0.92 % | 0.11 |
| Return on average equity (1) | 12.4 | 7.7 | 4.7 | 11.6 | 10.6 | 1.0 |
| Average equity to average assets (1) | 8.76 | 8.59 | 0.17 | 8.82 | 8.69 | 0.13 |
| Net interest margin (2) | 3.94 | 3.74 | 0.20 | 3.92 | 3.75 | 0.17 |
| Operating efficiency ratio (3) | 56.6 | 63.8 | (7.3) | 57.5 | 61.4 | (3.9) |
| Net charge-offs to average loans and leases | 0.42 | 0.21 | 0.21 | 0.35 | 0.15 | 0.20 |
| | September 30, | September 30, | | December 31, | Change | |
| | 2008 | 2007 | | 2007 | | |
| Balance Sheet Data: | | | | | | |
| Total assets | \$ 7,633,014 | \$ 7,200,111 | 6.0 % | \$ 7,249,650 | 5.3 % | |
| Securities (4) | 1,531,067 | 1,480,869 | 3.4 | 1,478,774 | 3.5 | |
| Loans and leases (5) | 5,658,558 | 5,299,207 | 6.8 | 5,290,434 | 7.0 | |
| Total deposits | 5,182,155 | 5,143,143 | 0.8 | 5,295,458 | (2.1) | |
| Short-term borrowings | 1,231,319 | 911,945 | 35.0 | 850,082 | 44.8 | |
| Long-term debt | 472,453 | 455,495 | 3.7 | 390,484 | 21.0 | |
| Redeemable class A common stock | 53,811 | 49,098 | 9.6 | 50,678 | 6.2 | |
| Shareholders' equity | 618,829 | 564,625 | 9.6 | 582,802 | 6.2 | |
| Per share book value of common stock | 56.05 | 51.14 | 9.6 | 52.79 | 6.2 | |
| Asset Quality: | | | | | | |
| Allowance for loan losses | \$ 74,763 | \$ 65,000 | 15.0 % | \$ 63,534 | 17.7 % | |
| Nonperforming assets | 75,519 | 34,967 | 116.0 | 40,619 | 85.9 | |
| Nonperforming assets to total loans, leases and OREO | 1.33 % | 0.66 % | 0.67 | 0.77 % | 0.56 | |
| Allowance for loan losses to total loans and leases | 1.32 | 1.23 | 0.09 | 1.20 | 0.12 | |

- (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 September 30, | | | | Nine months ended September 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) | \$5,577,384 | 6.32 % | \$ 5,195,004 | 7.83 % | \$ 5,429,282 | 6.63 % | \$ 5,062,855 | 7.82 % |
| Total securities (3) | 1,555,678 | 5.34 | 1,460,900 | 5.24 | 1,560,393 | 5.36 | 1,430,598 | 5.25 |
| Total other earning assets | 28,366 | 1.68 | 49,928 | 4.27 | 26,144 | 2.13 | 40,661 | 5.14 |
| Total interest earning assets (4) | \$7,161,428 | 6.09 % | \$ 6,705,832 | 7.24 % | \$ 7,015,819 | 6.33 % | \$ 6,534,114 | 7.24 % |
| Total noninterest earning assets | 385,731 | | 366,161 | | 390,301 | | 366,331 | |
| Total assets | <u>\$7,547,159</u> | | <u>\$ 7,071,993</u> | | <u>\$ 7,406,120</u> | | <u>\$ 6,900,445</u> | |
| Noninterest bearing deposits | \$ 791,209 | | \$ 750,141 | | \$ 760,730 | | \$ 740,832 | |
| Interest bearing deposits | 4,369,527 | 2.44 % | 4,272,734 | 3.94 % | 4,378,716 | 2.76 % | 4,228,897 | 3.94 % |
| Short-term borrowings | 1,179,409 | 2.03 | 887,045 | 4.57 | 1,086,105 | 2.31 | 824,078 | 4.67 |
| Long-term debt | 471,179 | 4.93 | 469,416 | 5.47 | 446,549 | 5.16 | 422,192 | 5.50 |
| Total interest bearing liabilities | \$6,020,115 | 2.55 % | \$ 5,629,195 | 4.17 % | \$ 5,911,370 | 2.86 % | \$ 5,475,167 | 4.17 % |
| Other noninterest bearing liabilities | 74,750 | | 84,930 | | 80,960 | | 84,459 | |
| Redeemable class A common stock | 52,887 | | 48,618 | | 52,245 | | 47,999 | |
| Shareholders' equity | 608,198 | | 559,109 | | 600,815 | | 551,988 | |
| Total liabilities and equity | <u>\$7,547,159</u> | | <u>\$ 7,071,993</u> | | <u>\$ 7,406,120</u> | | <u>\$ 6,900,445</u> | |
| Summary Income Statement: | | | | | | | | |
| | 2008 | 2007 | \$ Change | % Change | 2008 | 2007 | \$ Change | % Change |
| Total interest income | \$ 106,273 | \$ 119,226 | \$ (12,953) | (10.9) % | \$ 322,771 | \$ 344,866 | \$ (22,095) | (6.4) % |
| Total interest expense | 38,636 | 59,107 | (20,471) | (34.6) | 126,396 | 170,744 | (44,348) | (26.0) |
| Net interest income | 67,637 | 60,119 | 7,518 | 12.5 | 196,375 | 174,122 | 22,253 | 12.8 |
| Provision for loan losses | 9,023 | 7,356 | 1,667 | 22.7 | 25,419 | 13,084 | 12,335 | 94.3 |
| Net interest income after provision for loan losses | 58,614 | 52,763 | 5,851 | 11.1 | 170,956 | 161,038 | 9,918 | 6.2 |
| Service charges | 9,924 | 9,545 | 379 | 4.0 | 28,915 | 27,041 | 1,874 | 6.9 |
| Insurance | 2,750 | 2,659 | 91 | 3.4 | 8,575 | 8,836 | (261) | (3.0) |
| Investment management and trust fees | 3,333 | 3,301 | 32 | 1.0 | 10,018 | 9,721 | 297 | 3.1 |
| Brokerage | 1,875 | 1,740 | 135 | 7.8 | 5,566 | 5,370 | 196 | 3.6 |
| Gain (loss) on sale of loans (5) | 2,673 | (7,438) | 10,111 | NM | 8,112 | (706) | 8,818 | NM |
| Gain on sale of securities | - | 54 | (54) | NM | 295 | 54 | 241 | NM |
| Other | 1,781 | 1,985 | (204) | (10.3) | 8,276 | 6,678 | 1,598 | 23.9 |
| Total noninterest income | 22,336 | 11,846 | 10,490 | 88.6 | 69,757 | 56,994 | 12,763 | 22.4 |
| Salaries and wages | 27,627 | 24,018 | 3,609 | 15.0 | 79,901 | 72,992 | 6,909 | 9.5 |
| Employee benefits | 6,648 | 6,277 | 371 | 5.9 | 21,127 | 20,140 | 987 | 4.9 |
| Occupancy | 3,296 | 3,156 | 140 | 4.4 | 10,497 | 9,878 | 619 | 6.3 |
| Furniture and equipment | 2,919 | 2,999 | (80) | (2.7) | 9,309 | 9,120 | 189 | 2.1 |
| Data processing fees | 2,658 | 2,657 | 1 | 0.0 | 8,158 | 8,273 | (115) | (1.4) |
| FDIC premiums and examination fees | 879 | 536 | 343 | 64.0 | 2,518 | 1,581 | 937 | 59.3 |
| Amortization of intangibles | 536 | 578 | (42) | (7.3) | 1,608 | 1,732 | (124) | (7.2) |
| Other | 8,208 | 7,691 | 517 | 6.7 | 25,424 | 23,657 | 1,767 | 7.5 |
| Total noninterest expense | 52,771 | 47,912 | 4,859 | 10.1 | 158,542 | 147,373 | 11,169 | 7.6 |
| Income before income tax expense | 28,179 | 16,697 | 11,482 | 68.8 | 82,171 | 70,659 | 11,512 | 16.3 |
| Income tax expense | 7,503 | 4,862 | 2,641 | 54.3 | 25,339 | 23,135 | 2,204 | 9.5 |
| Net income | <u>\$ 20,676</u> | <u>\$ 11,835</u> | <u>\$ 8,841</u> | 74.7 % | <u>\$ 56,832</u> | <u>\$ 47,524</u> | <u>\$ 9,308</u> | 19.6 % |

(1) Calculation is based on interest income including \$3,326 and \$3,080 for the three months ended September 30, 2008 and September 30, 2007 and \$9,635 and \$9,000 for the nine months ended September 30, 2008 and September 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.

(5) For 2007, includes impairment charges to adjust the value of residual interests in securitized assets.