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Contact: Corporate Communications Director
Teresa M. Morrow
651-312-3570
tmmorrow@bremer.com

BREMER REPORTS SECOND QUARTER 2009 EARNINGS

St. Paul, Minn. (August 4, 2009) — Bremer Financial Corporation reported net income of \$13.8 million for the three months ended June 30, 2009, a decrease of \$5.5 million or 28.5% from the \$19.3 million earned for the three months ended June 30, 2008. On a year-to-date basis through June 30, 2009, net income was \$34.0 million compared to \$36.2 million earned in 2008, a decrease of 6.0%. Return on average equity for the second quarter of 2009 was 7.9% compared to 12.1% for the second quarter of 2008, while return on average assets declined to 0.73% in the second quarter of 2009 from 1.04% in the second quarter of 2008. Second quarter 2009 earnings were negatively impacted by higher loan loss provisions and a \$3.6 million FDIC insurance special assessment, which more than offset a \$4.9 million increase in mortgage banking revenue.

Net interest income for the second quarter of 2009 was \$65.9 million, a slight decrease from the \$66.3 million reported for the same period a year ago. Our net interest margin was 3.86% for the quarter ended June 30, 2009 compared to 3.96% for the quarter ended June 30, 2008, while our average loans and leases outstanding for the quarter increased \$247.6 million or 4.6% from last year. On a year-to-date basis, our net interest income increased \$3.1 million or 2.4% to \$131.8 million in 2009 from \$128.7 million in 2008, while our net interest margin declined to 3.85% for the six-month period ended June 30, 2009 from 3.91% for the six-month period ended June 30, 2008.

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“Challenges permeate our economy – for every up-side, we must also manage potential down-sides,” explained **Stan Dardis, CEO**. “We continue to closely monitor credit quality and set aside adequate loan-loss provisions. And we try to prepare for unexpected challenges, such as the special FDIC assessment. On the bright side, we are experiencing record levels of mortgage activity and Bremer is now ranked in the 82nd percentile among its peer group -- we are fortunate to be faring so well in comparison to many. I credit that good fortune to the more than 1,800 Bremer employees who continue to stay close to our clients and our communities – in good times and in bad.”

Noninterest income increased 11.2% to \$27.4 million in the second quarter of 2009 from \$24.7 million in the second quarter of 2008. On a year-to-date basis, noninterest income increased \$17.5 million or 36.8%, on the strength of \$12.7 million in securities gains recorded in the first quarter of 2009 and an increase in mortgage activity in the first half of the year. Gains on the sale of loans increased by 160.9% to \$14.2 million in the first six months of 2009 from \$5.4 million in the first six months of 2008.

Noninterest expense increased \$5.4 million or 9.9% to \$59.6 million in the second quarter of 2009 from \$54.2 million in the second quarter of 2008 primarily as a result of the FDIC insurance special assessment recorded in the second quarter of this year.

Nonperforming assets were \$120.5 million at June 30, 2009 compared to \$89.9 million at December 31, 2008 and \$53.2 million at June 30, 2008. Correspondingly, the ratio of nonperforming assets to total loans, leases and other real estate owned (OREO) increased to 2.10% at June 30, 2009 from 1.55% at December 31, 2008 and 0.96% at June 30, 2008.

Net charge-offs in the second quarter of 2009 were \$13.3 million, compared to \$13.4 million in the first quarter of 2009 and \$4.9 million in the second quarter of 2008. We recorded a provision for loan losses of \$14.3 million in the second quarter of 2009 compared to \$17.7 million in the prior quarter. Our ratio of allowance for loan losses to total loans and leases was 1.46% at June 30, 2009, 1.35% at December 31, 2008 and 1.30% at June 30, 2008.

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). Founded in 1943 by Otto Bremer, the

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company is headquartered in St. Paul, Minnesota and provides a comprehensive range of banking, investment, trust and insurance products and 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 June 30,			Six months ended June 30,		
	2009	2008	Change	2009	2008	Change
Operating Results:						
Total interest income	\$ 93,684	\$ 106,011	(11.6) %	\$ 189,085	\$ 216,498	(12.7) %
Total interest expense	27,775	39,662	(30.0)	57,288	87,760	(34.7)
Net interest income	65,909	66,349	(0.7)	131,797	128,738	2.4
Provision for loan losses	14,321	7,873	81.9	32,028	16,396	95.3
Net interest income after provision for loan losses	51,588	58,476	(11.8)	99,769	112,342	(11.2)
Noninterest income	27,414	24,661	11.2	64,875	47,421	36.8
Noninterest expense	59,575	54,219	9.9	114,966	105,771	8.7
Income before income tax expense	19,427	28,918	(32.8)	49,678	53,992	(8.0)
Income tax expense	5,659	9,667	(41.5)	15,683	17,836	(12.1)
Net income	\$ 13,768	\$ 19,251	(28.5) %	\$ 33,995	\$ 36,156	(6.0) %
Net income per share - basic and diluted	\$ 1.15	\$ 1.60	(28.5) %	\$ 2.83	\$ 3.01	(6.0) %
Dividends paid per share	0.50	0.62	(19.4)	1.00	1.24	(19.4)
Tax equivalent net interest income	\$ 69,172	\$ 69,528	(0.5) %	\$ 138,312	\$ 135,047	2.4 %
Net charge-offs	13,277	4,913	170.2	26,666	8,255	223.0
Selected Financial Ratios:						
Return on average assets	0.73 %	1.04 %	(0.31)	0.90 %	0.99 %	(0.09)
Return on average equity (1)	7.9	11.9	(4.2)	9.9	11.3	(1.4)
Average equity to average assets (1)	9.20	8.74	0.62	9.05	8.75	0.30
Net interest margin (2)	3.86	3.96	(0.10)	3.85	3.91	(0.06)
Operating efficiency ratio (3)	61.7	57.6	4.1	56.6	58.0	(1.4)
Net charge-offs to average loans and leases	0.94	0.36	0.64	0.94	0.31	0.63
	June 30,	June 30,		December 31,		
	2009	2008		2008	Change	
Balance Sheet Data:						
Total assets	\$ 7,625,136	\$ 7,689,199	(0.8) %	\$ 7,719,803	(1.2) %	
Securities (4)	1,529,542	1,681,266	(9.0)	1,530,365	(0.1)	
Loans and leases (5)	5,704,145	5,530,987	3.1	5,773,100	(1.2)	
Total deposits	5,889,309	5,102,953	15.4	5,404,462	9.0	
Short-term borrowings	652,481	1,387,826	(53.0)	1,130,352	(42.3)	
Long-term debt	313,867	479,464	(34.5)	437,443	(28.2)	
Redeemable class A common stock	55,497	51,963	6.8	53,970	2.8	
Shareholders' equity	638,215	597,567	6.8	620,660	2.8	
Per share book value of common stock	57.81	54.13	6.8	56.22	2.8	
Asset Quality:						
Allowance for loan losses	\$ 83,015	\$ 71,675	15.8 %	\$ 77,653	6.9 %	
Nonperforming assets	120,285	53,223	126.4	89,875	34.1	
Nonperforming assets to total loans, leases and OREO	2.10 %	0.96 %	1.14	1.55 %	0.55	
Allowance for loan losses to total loans and leases	1.46	1.30	0.16	1.35	0.11	

- (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,			
	2009		2008		2009		2008	
	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)	\$5,679,454	5.55 %	\$ 5,431,870	6.49 %	\$5,717,592	5.54 %	\$5,354,416	6.79 %
Total securities (3)	1,429,069	5.13	1,605,884	5.35	1,487,871	5.21	1,562,776	5.37
Total other earning assets	74,137	0.30	22,800	1.85	47,219	0.30	25,021	2.39
Total interest-earning assets (4)	\$7,182,660	5.41 %	\$ 7,060,554	6.22 %	\$7,252,682	5.44 %	\$6,942,213	6.45 %
Total non-interest-earning assets	381,695		391,097		384,742		392,605	
Total assets	<u>\$7,564,355</u>		<u>\$7,451,651</u>		<u>\$7,637,424</u>		<u>\$7,334,818</u>	
Non-interest-bearing deposits	\$ 812,925		\$ 749,989		\$ 804,974		\$ 745,323	
Interest-bearing deposits	4,984,219	1.84 %	4,325,758	2.57 %	4,818,477	1.90 %	4,383,361	2.92 %
Short-term borrowings	629,692	0.87	1,165,729	2.07	850,867	0.86	1,038,940	2.48
Long-term debt	355,907	4.07	474,362	5.09	389,674	4.31	434,099	5.28
Total interest-bearing liabilities	\$5,969,818	1.87 %	\$ 5,965,849	2.67 %	\$6,059,018	1.91 %	\$5,856,400	3.01 %
Other non-interest-bearing liabilities	85,523		84,230		82,420		91,590	
Redeemable class A common stock	55,687		52,127		55,279		51,320	
Shareholders' equity	640,402		599,456		635,733		590,185	
Total liabilities and equity	<u>\$7,564,355</u>		<u>\$7,451,651</u>		<u>\$7,637,424</u>		<u>\$7,334,818</u>	
Summary Income Statement:								
	2009	2008	\$ Change	% Change	2009	2008	\$ Change	% Change
Total interest income	\$ 93,684	\$106,011	\$ (12,327)	(11.6) %	\$ 189,085	\$ 216,498	\$ (27,413)	(12.7) %
Total interest expense	27,775	39,662	(11,887)	(30.0)	57,288	87,760	(30,472)	(34.7)
Net interest income	65,909	66,349	(440)	(0.7)	131,797	128,738	3,059	2.4
Provision for loan losses	14,321	7,873	6,448	81.9	32,028	16,396	15,632	95.3
Net interest income after provision for loan losses	51,588	58,476	(6,888)	(11.8)	99,769	112,342	(12,573)	(11.2)
Service charges	9,294	9,759	(465)	(4.8)	18,122	18,991	(869)	(4.6)
Insurance	3,067	2,612	455	17.4	6,045	5,825	220	3.8
Investment management and trust fees	2,992	3,439	(447)	(13.0)	5,822	6,685	(863)	(12.9)
Brokerage	1,552	1,928	(376)	(19.5)	3,094	3,691	(597)	(16.2)
Gain on sale of loans	8,021	3,113	4,908	157.7	14,188	5,439	8,749	160.9
Gain on sale of securities	-	-	-	NM	12,677	295	12,382	NM
Other	2,488	3,810	(1,322)	(34.7)	4,927	6,495	(1,568)	(24.1)
Total noninterest income	27,414	24,661	2,753	11.2	64,875	47,421	17,454	36.8
Salaries and wages	27,729	27,091	638	2.4	53,874	52,274	1,600	3.1
Employee benefits	7,840	7,082	758	10.7	16,888	14,479	2,409	16.6
Occupancy	3,626	3,595	31	0.9	7,460	7,201	259	3.6
Furniture and equipment	3,089	3,086	3	0.1	6,292	6,390	(98)	(1.5)
Data processing fees	2,629	2,792	(163)	(5.8)	5,421	5,500	(79)	(1.4)
FDIC premiums and examination fees	5,962	836	5,126	NM	7,209	1,639	5,570	NM
Amortization of intangibles	491	536	(45)	(8.4)	981	1,072	(91)	(8.5)
Other	8,209	9,201	(992)	(10.8)	16,841	17,216	(375)	(2.2)
Total noninterest expense	59,575	54,219	5,356	9.9	114,966	105,771	9,195	8.7
Income before income tax expense	19,427	28,918	(9,491)	(32.8)	49,678	53,992	(4,314)	(8.0)
Income tax expense	5,659	9,667	(4,008)	(41.5)	15,683	17,836	(2,153)	(12.1)
Net income	<u>\$ 13,768</u>	<u>\$ 19,251</u>	<u>\$ (5,483)</u>	(28.5) %	<u>\$ 33,995</u>	<u>\$ 36,156</u>	<u>\$ (2,161)</u>	(6.0) %

(1) Calculation is based on interest income including \$3,263 and \$3,179 for the three months ended June 30, 2009 and June 30, 2008 and \$6,515 and \$6,309 for the six months ended June 30, 2009 and June 30, 2008 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.