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BREMER REPORTS THIRD QUARTER 2009 EARNINGS

St. Paul, Minn. (October 27, 2009) — Bremer Financial Corporation reported net income of \$15.6 million for the three months ended September 30, 2009, a decrease of \$4.9 million or 24.3% from the \$20.7 million earned for the three months ended September 30, 2008. On a year-to-date basis through September 30, 2009, net income was \$49.6 million compared to \$56.8 million earned in 2008, a decrease of 12.7%. Return on average equity for the third quarter of 2009 was 8.8% compared to 12.4% for the third quarter of 2008, while return on average assets declined to 0.81% in the third quarter of 2009 from 1.09% in the third quarter of 2008. The decline in third quarter 2009 earnings compared to the third quarter of 2008 was primarily due to higher loan loss provisions and higher FDIC insurance costs.

Net interest income for the third quarter of 2009 was \$70.0 million, an increase from the \$67.6 million reported for the same period a year ago. Our net interest margin was 3.98% for the quarter ended September 30, 2009 compared to 3.94% for the quarter ended September 30, 2008, while our average loans and leases outstanding for the quarter increased \$87.6 million or 1.6% from last year. On a year-to-date basis, our net interest income increased \$5.4 million or 2.8% to \$201.8 million in 2009 from \$196.4 million in 2008, while our net interest margin declined to 3.89% for the nine-month period ended September 30, 2009 from 3.92% for the nine-month period ended September 30, 2008.

“Despite a mixed economic outlook and uncertainty over the prospects for a sustainable recovery, we remain cautiously optimistic about how the year is progressing,” said Stan Dardis, CEO. “We recognize we’re still in an uncertain environment, but we now have three quarters behind us and the bank continues to be profitable, stable and well-capitalized. This performance results from Bremer staying true to our principles

- more -

Bremer Reports Third Quarter 2009 Earnings

Page 2

by staying close to our employees, our clients and our communities. In other words, we remain focused on the basics!”

Noninterest income decreased 1.2% to \$22.1 million in the third quarter of 2009 from \$22.3 million in the third quarter of 2008. On a year-to-date basis, noninterest income increased \$17.2 million or 24.6%, 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 nine months of the year. Gains on the sale of loans increased by 119.4% to \$17.8 million in the first nine months of 2009 from \$8.1 million in the first nine months of 2008.

Noninterest expense increased \$2.5 million or 4.8% to \$55.3 million in the third quarter of 2009 from \$52.8 million in the third quarter of 2008 primarily as a result of the increase in FDIC insurance assessments and increased pension expense in 2009.

Nonperforming assets were \$114.8 million at September 30, 2009 compared to \$89.9 million at December 31, 2008 and \$75.5 million at September 30, 2008. Correspondingly, the ratio of nonperforming assets to total loans, leases and other real estate owned (OREO) increased to 2.03% at September 30, 2009 from 1.55% at December 31, 2008 and 1.33% at September 30, 2008.

Net charge-offs in the third quarter of 2009 were \$9.7 million, compared to \$13.3 million in the second quarter of 2009 and \$5.9 million in the third quarter of 2008. We recorded a provision for loan losses of \$14.3 million in the third quarter of 2009, the same amount that was recorded in the second quarter of 2009. Our ratio of allowance for loan losses to total loans and leases was 1.56% at September 30, 2009, 1.35% at December 31, 2008 and 1.32% at September 30, 2008.

Bremer Financial Corporation is a privately-held, \$7.8 billion regional financial services company jointly owned by its employees and the Otto Bremer Foundation (OBF). 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 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 Reports Third Quarter 2009 Earnings
Page 3

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

	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	Change	2009	2008	Change
Operating Results:						
Total interest income	\$ 95,071	\$ 106,273	(10.5) %	\$ 284,156	\$ 322,771	(12.0) %
Total interest expense	25,055	38,636	(35.2)	82,343	126,396	(34.9)
Net interest income	70,016	67,637	3.5	201,813	196,375	2.8
Provision for loan losses	14,280	9,023	58.3	46,308	25,419	82.2
Net interest income after provision for loan losses	55,736	58,614	(4.9)	155,505	170,956	(9.0)
Noninterest income	22,058	22,336	(1.2)	86,933	69,757	24.6
Noninterest expense	55,320	52,771	4.8	170,286	158,542	7.4
Income before income tax expense	22,474	28,179	(20.2)	72,152	82,171	(12.2)
Income tax expense	6,828	7,503	(9.0)	22,511	25,339	(11.2)
Net income	\$ 15,646	\$ 20,676	(24.3) %	\$ 49,641	\$ 56,832	(12.7) %
Net income per share - basic and diluted	\$ 1.30	\$ 1.72	(24.3) %	\$ 4.14	\$ 4.74	(12.7) %
Dividends paid per share	0.50	0.62	(19.4)	1.50	1.86	(19.4)
Tax equivalent net interest income	\$ 73,346	\$ 70,963	3.4 %	\$ 211,658	\$ 206,010	2.7 %
Net charge-offs	9,681	5,935	63.1	36,347	14,190	156.1
Selected Financial Ratios:						
Return on average assets	0.81 %	1.09 %	(0.28)	0.87 %	1.03 %	(0.16)
Return on average equity (1)	8.8	12.4	(3.6)	9.5	11.6	(2.1)
Average equity to average assets (1)	9.18	8.76	0.42	9.09	8.82	0.27
Net interest margin (2)	3.98	3.94	0.04	3.89	3.92	(0.03)
Operating efficiency ratio (3)	58.0	56.6	1.4	57.0	57.5	(0.5)
Net charge-offs to average loans and leases	0.68	0.42	0.26	0.85	0.35	0.50
	September 30,	September 30,		December 31,	Change	
	2009	2008		2008		
Balance Sheet Data:						
Total assets	\$ 7,781,402	\$ 7,633,014	1.9 %	\$ 7,719,803	0.8 %	
Securities (4)	1,469,134	1,531,067	(4.0)	1,530,365	(4.0)	
Loans and leases (5)	5,618,215	5,658,558	(0.7)	5,773,100	(2.7)	
Total deposits	6,029,884	5,182,155	16.4	5,404,462	11.6	
Short-term borrowings	643,605	1,231,319	(47.7)	1,130,352	(43.1)	
Long-term debt	322,867	472,453	(31.7)	437,443	(26.2)	
Redeemable class A common stock	56,963	53,811	5.9	53,970	5.5	
Shareholders' equity	655,082	618,829	5.9	620,660	5.5	
Per share book value of common stock	59.34	56.05	5.9	56.22	5.5	
Asset Quality:						
Allowance for loan losses	\$ 87,614	\$ 74,763	17.2 %	\$ 77,653	12.8 %	
Nonperforming assets	114,790	75,519	52.0	89,875	27.7	
Nonperforming assets to total loans, leases and OREO	2.03 %	1.33 %	0.70	1.55 %	0.48	
Allowance for loan losses to total loans and leases	1.56	1.32	0.24	1.35	0.21	

- (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.

- more -

Bremer Reports Third Quarter 2009 Earnings
Page 4

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

	Three months ended September 30,				Nine months ended September 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)	\$5,664,940	5.57 %	\$ 5,577,384	6.32 %	\$5,699,849	5.55 %	\$5,429,282	6.63 %
Total securities (3)	1,461,237	5.09	1,555,678	5.34	1,478,896	5.17	1,560,393	5.36
Total other earning assets	179,921	0.27	28,366	1.68	91,938	0.28	26,144	2.13
Total interest-earning assets (4)	<u>\$7,306,098</u>	5.34 %	<u>\$ 7,161,428</u>	6.09 %	<u>\$7,270,683</u>	5.41 %	<u>\$7,015,819</u>	6.33 %
Total non-interest-earning assets	373,267		385,731		380,875		390,301	
Total assets	<u>\$7,679,365</u>		<u>\$ 7,547,159</u>		<u>\$7,651,558</u>		<u>\$7,406,120</u>	
Non-interest-bearing deposits	\$ 861,639		\$ 791,209		\$ 824,070		\$ 760,730	
Interest-bearing deposits	5,054,205	1.63 %	4,369,527	2.44 %	4,897,916	1.80 %	4,378,716	2.76 %
Short-term borrowings	656,264	0.79	1,179,409	2.03	785,287	0.84	1,086,105	2.31
Long-term debt	314,552	3.81	471,179	4.93	364,358	4.16	446,549	5.16
Total interest-bearing liabilities	<u>\$6,025,021</u>	1.65 %	<u>\$ 6,020,115</u>	2.55 %	<u>\$6,047,561</u>	1.82 %	<u>\$5,911,370</u>	2.86 %
Other non-interest-bearing liabilities	87,667		74,750		84,188		80,960	
Redeemable class A common stock	56,406		52,887		55,659		52,245	
Shareholders' equity	648,632		608,198		640,080		600,815	
Total liabilities and equity	<u>\$7,679,365</u>		<u>\$ 7,547,159</u>		<u>\$7,651,558</u>		<u>\$7,406,120</u>	
Summary Income Statement:								
	<u>2009</u>	<u>2008</u>	<u>\$ Change</u>	<u>% Change</u>	<u>2009</u>	<u>2008</u>	<u>\$ Change</u>	<u>% Change</u>
Total interest income	\$ 95,071	\$106,273	\$ (11,202)	(10.5) %	\$ 284,156	\$ 322,771	\$ (38,615)	(12.0) %
Total interest expense	<u>25,055</u>	<u>38,636</u>	<u>(13,581)</u>	(35.2)	<u>82,343</u>	<u>126,396</u>	<u>(44,053)</u>	(34.9)
Net interest income	70,016	67,637	2,379	3.5	201,813	196,375	5,438	2.8
Provision for loan losses	14,280	9,023	5,257	58.3	46,308	25,419	20,889	82.2
Net interest income after provision for loan losses	55,736	58,614	(2,878)	(4.9)	155,505	170,956	(15,451)	(9.0)
Service charges	9,297	9,924	(627)	(6.3)	27,419	28,915	(1,496)	(5.2)
Insurance	2,842	2,750	92	3.3	8,887	8,575	312	3.6
Investment management and trust fees	3,071	3,333	(262)	(7.9)	8,893	10,018	(1,125)	(11.2)
Brokerage	1,253	1,875	(622)	(33.2)	4,347	5,566	(1,219)	(21.9)
Gain on sale of loans	3,611	2,673	938	35.1	17,799	8,112	9,687	119.4
(Loss) gain on sale of securities	(2)	-	(2)	NM	12,675	295	12,380	NM
Other	1,986	1,781	205	11.5	6,913	8,276	(1,363)	(16.5)
Total noninterest income	22,058	22,336	(278)	(1.2)	86,933	69,757	17,176	24.6
Salaries and wages	27,084	27,627	(543)	(2.0)	80,958	79,901	1,057	1.3
Employee benefits	7,479	6,648	831	12.5	24,367	21,127	3,240	15.3
Occupancy	3,402	3,296	106	3.2	10,862	10,497	365	3.5
Furniture and equipment	3,144	2,919	225	7.7	9,436	9,309	127	1.4
Data processing fees	2,584	2,658	(74)	(2.8)	8,005	8,158	(153)	(1.9)
FDIC premiums and examination fees	2,613	879	1,734	197.3	9,822	2,518	7,304	NM
Amortization of intangibles	490	536	(46)	(8.6)	1,471	1,608	(137)	(8.5)
Other	8,524	8,208	316	3.8	25,365	25,424	(59)	(0.2)
Total noninterest expense	<u>55,320</u>	<u>52,771</u>	<u>2,549</u>	4.8	<u>170,286</u>	<u>158,542</u>	<u>11,744</u>	7.4
Income before income tax expense	22,474	28,179	(5,705)	(20.2)	72,152	82,171	(10,019)	(12.2)
Income tax expense	6,828	7,503	(675)	(9.0)	22,511	25,339	(2,828)	(11.2)
Net income	<u>\$ 15,646</u>	<u>\$ 20,676</u>	<u>\$ (5,030)</u>	(24.3) %	<u>\$ 49,641</u>	<u>\$ 56,832</u>	<u>\$ (7,191)</u>	(12.7) %

- (1) Calculation is based on interest income including \$3,330 and \$3,326 for the three months ended September 30, 2009 and September 30, 2008 and \$9,845 and \$9,635 for the nine months ended September 30, 2009 and September 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.