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

BREMER REPORTS FOURTH QUARTER 2009 EARNINGS

St. Paul, Minn. (January 26, 2010) — Bremer Financial Corporation reported net income of \$15.5 million for the three months ended December 31, 2009, an increase of \$0.3 million or 2.1% from the \$15.2 million earned for the three months ended December 31, 2008. For the year ended December 31, 2009, net income was \$65.2 million compared to \$72.0 million earned in 2008. Return on average equity for the fourth quarter of 2009 was 8.5% compared to 9.0% for the fourth quarter of 2008, while return on average assets was .79% in the fourth quarter of both 2009 and 2008. For the year just ended, return on average equity was 9.3% compared to 11.0% in 2008, while the return on average assets declined to .85% from .97% a year earlier. The decline in 2009 earnings compared to 2008 was primarily due to higher loan loss provisions and higher FDIC insurance costs.

Net interest income for the fourth quarter of 2009 was \$71.6 million, an increase of \$4.2 million or 6.2% from the \$67.4 million reported for the same period a year ago. Our net interest margin was 4.03% for the quarter ended December 31, 2009 compared to 3.89% for the quarter ended December 31, 2008. On a year-to-date basis, our net interest income increased \$9.6 million or 3.6% to \$273.4 million in 2009 from \$263.8 million in 2008, while our net interest margin was 3.93% for the year ended December 31, 2009 compared to 3.91% for the year ended December 31, 2008.

“It’s often been said that Bremer performs best in times of stress – I witnessed that first-hand this year,” said Stan Dardis, CEO. “Despite one of the most economically challenging years in history, the employees of Bremer remained focused on meeting the needs of our clients and our communities. As a result, the company is profitable, stable and well-capitalized. I’m extremely proud of our performance and I believe the efforts of our team position us well as we enter 2010.”

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Noninterest income increased 11.6% to \$28.0 million in the fourth quarter of 2009 from \$25.1 million in the fourth quarter of 2008. On a year-to-date basis, noninterest income increased \$20.1 million or 21.2% to \$114.9 million in 2009, on the strength of \$12.7 million in securities gains recorded in the first quarter of 2009 and an increase in mortgage activity in 2009. Gains on the sale of loans increased by 124.6% to \$23.2 million in 2009 compared to \$10.3 million in 2008.

Noninterest expense increased \$9.8 million or 17.8% to \$64.7 million in the fourth quarter of 2009 from \$54.9 million in the fourth quarter of 2008. On a year-to-date basis, noninterest expense increased 10.1% to \$235.0 million in 2009 from \$213.5 million in 2008, primarily as a result of increased FDIC insurance assessments and increased pension expense in 2009.

Nonperforming assets were \$125.0 million at December 31, 2009 compared to \$114.8 million at September 30, 2009, and \$89.9 million at December 31, 2008. Correspondingly, the ratio of nonperforming assets to total loans, leases and other real estate owned (OREO) increased to 2.24% at December 31, 2009 from 2.03% at September 30, 2009, and 1.55% at December 31, 2008.

Net charge-offs in fourth quarter of 2009 were \$10.7 million, compared to \$9.7 million in the third quarter of 2009 and \$13.5 million in the fourth quarter of 2008. We recorded a provision for loan losses of \$13.1 million in the fourth quarter of 2009, down from the \$14.3 million recorded in the prior quarter. Our ratio of allowance for loan losses to total loans and leases was 1.62% at December 31, 2009, 1.56% at September 30, 2009, and 1.35% at December 31, 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 FINANCIAL CORPORATION AND SUBSIDIARIES
FINANCIAL HIGHLIGHTS
(dollars in thousands, except per share amounts)

	Three months ended December 31,			Twelve months ended December 31,		
	2009	2008	Change	2009	2008	Change
Operating Results:						
Total interest income	\$ 93,961	\$ 101,950	(7.8) %	\$ 378,117	\$ 424,721	(11.0) %
Total interest expense	22,402	34,563	(35.2)	104,745	160,959	(34.9)
Net interest income	71,559	67,387	6.2	273,372	263,762	3.6
Provision for loan losses	13,086	16,388	(20.1)	59,394	41,807	42.1
Net interest income after provision for loan losses	58,473	50,999	14.7	213,978	221,955	(3.6)
Noninterest income	27,976	25,063	11.6	114,909	94,820	21.2
Noninterest expense	64,716	54,943	17.8	235,002	213,485	10.1
Income before income tax expense	21,733	21,119	2.9	93,885	103,290	(9.1)
Income tax expense	6,217	5,928	4.9	28,728	31,267	(8.1)
Net income	\$ 15,516	\$ 15,191	2.1 %	\$ 65,157	\$ 72,023	(9.5) %
Net income per share - basic and diluted	\$ 1.29	\$ 1.27	2.1 %	\$ 5.43	\$ 6.00	(9.5) %
Dividends paid per share	0.50	0.62	(19.4)	2.00	2.48	(19.4)
Tax equivalent net interest income	\$ 74,946	\$ 70,695	6.0 %	\$ 286,604	\$ 276,705	3.6 %
Net charge-offs	10,739	13,498	(20.4)	47,086	27,688	70.1
Selected Financial Ratios:						
Return on average assets	0.79 %	0.79 %	-	0.85 %	0.97 %	(0.12)
Return on average equity (1)	8.5	9.0	(0.5)	9.3	11.0	(1.7)
Average equity to average assets (1)	9.31	8.84	0.47	9.15	8.77	0.38
Net interest margin (2)	4.03	3.89	0.14	3.93	3.91	0.02
Operating efficiency ratio (3)	62.9	57.4	5.5	58.5	57.5	1.0
Net charge-offs to average loans and leases	0.76	0.94	(0.18)	0.83	0.50	0.33
	December 31,	December 31,				
	2009	2008				
Balance Sheet Data:						
Total assets	\$ 7,799,981	\$ 7,719,803	1.0 %			
Securities (4)	1,585,362	1,530,365	3.6			
Loans and leases (5)	5,542,253	5,773,100	(4.0)			
Total deposits	6,075,871	5,404,462	12.4			
Short-term borrowings	610,197	1,130,352	(46.0)			
Long-term debt	322,845	437,443	(26.2)			
Redeemable class A common stock	57,762	53,970	7.0			
Shareholders' equity	664,265	620,660	7.0			
Per share book value of common stock	60.17	56.22	7.0			
Asset Quality:						
Allowance for loan losses	\$ 89,961	\$ 77,653	15.8 %			
Nonperforming assets	124,990	89,875	39.1			
Nonperforming assets to total loans, leases and OREO	2.24 %	1.55 %	0.69			
Allowance for loan losses to total loans and leases	1.62	1.35	0.27			

- (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,			
	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)	\$5,571,464	5.58 %	\$ 5,685,779	5.96 %	\$5,667,489	5.56 %	\$5,493,757	6.45 %
Total securities (3)	1,524,660	4.89	1,513,788	5.25	1,490,431	5.10	1,548,678	5.34
Total other earning assets	289,190	0.25	25,803	0.96	141,656	0.26	26,058	1.84
Total interest-earning assets (4)	\$7,385,314	5.23 %	\$ 7,225,370	5.80 %	\$7,299,576	5.36 %	\$7,068,493	6.19 %
Total non-interest-earning assets	383,476		400,224		381,531		391,416	
Total assets	<u>\$7,768,790</u>		<u>\$ 7,625,594</u>		<u>\$7,681,107</u>		<u>\$7,459,909</u>	
Non-interest-bearing deposits	\$ 915,478		\$ 822,507		\$ 847,110		\$ 776,258	
Interest-bearing deposits	5,107,228	1.41 %	4,461,442	2.29 %	4,950,675	1.70 %	4,399,511	2.64 %
Short-term borrowings	619,424	0.72	1,133,191	1.20	743,480	0.82	1,096,759	2.03
Long-term debt	322,856	3.84	448,429	4.80	353,897	4.09	447,022	5.07
Total interest-bearing liabilities	\$6,049,508	1.47 %	\$ 6,043,062	2.28 %	\$6,048,052	1.73 %	\$5,943,292	2.71 %
Other non-interest-bearing liabilities	80,334		86,151		83,216		86,270	
Redeemable class A common stock	58,064		53,910		56,266		52,331	
Shareholders' equity	665,406		619,964		646,463		601,758	
Total liabilities and equity	<u>\$7,768,790</u>		<u>\$ 7,625,594</u>		<u>\$7,681,107</u>		<u>\$7,459,909</u>	

	Three months ended December 31,				Twelve months ended December 31,			
	2009	2008	\$ Change	% Change	2009	2008	\$ Change	% Change
Summary Income Statement:								
Total interest income	\$ 93,961	\$101,950	\$ (7,989)	(7.8) %	\$ 378,117	\$ 424,721	\$ (46,604)	(11.0) %
Total interest expense	22,402	34,563	(12,161)	(35.2)	104,745	160,959	(56,214)	(34.9)
Net interest income	71,559	67,387	4,172	6.2	273,372	263,762	9,610	3.6
Provision for loan losses	13,086	16,388	(3,302)	(20.1)	59,394	41,807	17,587	42.1
Net interest income after provision for loan losses	58,473	50,999	7,474	14.7	213,978	221,955	(7,977)	(3.6)
Service charges	8,847	9,698	(851)	(8.8)	36,266	38,613	(2,347)	(6.1)
Insurance	5,858	7,063	(1,205)	(17.1)	14,745	15,638	(893)	(5.7)
Investment management and trust fees	3,537	3,133	404	12.9	12,430	13,151	(721)	(5.5)
Brokerage	2,297	1,760	537	30.5	6,644	7,326	(682)	(9.3)
Gain on sale of loans	5,357	2,196	3,161	143.9	23,156	10,308	12,848	124.6
Gain on sale of securities	-	-	-	-	12,675	295	12,380	NM
Other	2,080	1,213	867	71.5	8,993	9,489	(496)	(5.2)
Total noninterest income	27,976	25,063	2,913	11.6	114,909	94,820	20,089	21.2
Salaries and wages	28,566	25,991	2,575	9.9	109,524	105,892	3,632	3.4
Employee benefits	8,721	5,453	3,268	59.9	33,088	26,580	6,508	24.5
Occupancy	3,512	3,447	65	1.9	14,374	13,944	430	3.1
Furniture and equipment	3,115	3,288	(173)	(5.3)	12,551	12,597	(46)	(0.4)
Data processing fees	2,530	2,607	(77)	(3.0)	10,535	10,765	(230)	(2.1)
FDIC premiums and examination fees	4,829	1,163	3,666	NM	14,651	3,681	10,970	NM
Amortization of intangibles	490	536	(46)	(8.6)	1,961	2,144	(183)	(8.5)
Other	12,953	12,458	495	4.0	38,318	37,882	436	1.2
Total noninterest expense	64,716	54,943	9,773	17.8	235,002	213,485	21,517	10.1
Income before income tax expense	21,733	21,119	614	2.9	93,885	103,290	(9,405)	(9.1)
Income tax expense	6,217	5,928	289	4.9	28,728	31,267	(2,539)	(8.1)
Net income	<u>\$ 15,516</u>	<u>\$ 15,191</u>	<u>\$ 325</u>	2.1 %	<u>\$ 65,157</u>	<u>\$ 72,023</u>	<u>\$ (6,866)</u>	(9.5) %

- (1) Calculation is based on interest income including \$3,387 and \$3,308 for the three months ended December 31, 2009 and December 31, 2008 and \$13,232 and \$12,943 for the twelve months ended December 31, 2009 and December 31, 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.