



FOR IMMEDIATE RELEASE

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BREMER REPORTS SECOND QUARTER 2010 EARNINGS

St. Paul, Minn. (July 27, 2010) — Bremer Financial Corporation reported net income of \$15.6 million for the three months ended June 30, 2010, an increase of \$1.8 million or 13.2% from the \$13.8 million earned for the three months ended June 30, 2009. On a year-to-date basis through June 30, 2010, net income was \$37.0 million compared to \$34.0 million earned in the first six months of 2009, an increase of 8.9%. Return on average equity for the second quarter of 2010 was 8.4% compared to 7.9% for the second quarter of 2009, while return on average assets was .82% in the second quarter of 2010 compared to .73% in the second quarter of 2009. On a year-to-date basis, return on average equity and return on average assets were 10.1% and .98%, respectively, compared to 9.9% and .90%, respectively, in the first six months of 2009. The increase in second quarter 2010 earnings compared to second quarter 2009 earnings was driven by higher net interest income and a slightly lower loan loss provision.

Net interest income for the second quarter of 2010 was \$69.0 million, an increase of \$3.1 million or 4.8% from the \$65.9 million reported for the same period a year ago. Our net interest margin was 4.01% for the quarter ended June 30, 2010 compared to 3.86% for the quarter ended June 30, 2009. On a year-to-date basis, our net interest margin was 4.05% compared to 3.85% a year earlier. Our higher net interest margin is primarily the result of a decline in our cost of obtaining funds in the current low interest rate environment.

“I’m extremely optimistic about our future, based solely on the performance of our employees,” said CEO and President Pat Donovan. “The commitment, focus and passion they have brought to our efforts to generate revenue and manage expenses are impressive. However, we recognize there are many challenges outside our control that also have the ability to impact Bremer’s performance and we will be cautious as we move forward into the second half of the year.”

- more -

Bremer Reports Second Quarter 2010 Earnings

Page 2

Noninterest income increased slightly to \$27.6 million in the second quarter of 2010 from \$27.4 million in the second quarter of 2009, as securities gains of \$5.7 million offset a \$4.5 million decline in gains on the sale of loans, most of which are generated from residential mortgage origination activities. On a year-to-date basis, noninterest income declined by \$7.7 million or 11.8%, as the reduced level of residential mortgage activity caused the gain on sale of loans to decline to \$6.3 million compared to \$14.2 million in the first six months of 2009.

Noninterest expense of \$62.0 million in the second quarter of 2010 represented a \$2.4 million or 4.1% increase from the \$59.6 million of noninterest expense that was recorded in the second quarter of 2009. On a year-to-date basis, noninterest expense increased \$2.4 million or 2.1%. Included in second quarter 2010 expenses was a \$4.7 million charge to earnings resulting from the early termination of a derivatives transaction. Excluding this charge, noninterest expense, on a year-to-date basis, would have been down \$2.2 million or 1.9% when comparing the first six months of 2010 with the first six months of 2009.

Nonperforming assets were \$113.0 million at June 30, 2010 compared to \$111.4 million at December 31, 2009 and \$120.3 million at June 30, 2009. Correspondingly, the ratio of nonperforming assets to total loans, leases and other real estate owned (OREO) was 2.04% at June 30, 2010, 2.00% at December 31, 2009 and 2.10% at June 30, 2009.

Net charge-offs in second quarter of 2010 were \$12.7 million, compared to \$6.9 million in the first quarter of 2010 and \$13.3 million in the second quarter of 2009. We recorded a provision for loan losses of \$12.7 million in the second quarter of 2010, up slightly from the \$12.3 million recorded in the prior quarter and down from the \$14.3 million recorded in the quarter ended June 30, 2009. Our ratio of allowance for loan losses to total loans and leases was 1.73% at June 30, 2010, 1.62% at December 31, 2009, and 1.46% at June 30, 2009.

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 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 Second Quarter 2010 Earnings
Page 3

BREMER FINANCIAL CORPORATION AND SUBSIDIARIES
FINANCIAL HIGHLIGHTS

(dollars in thousands, except per share amounts)

	Three months ended June 30,			Six months ended June 30,		
	2010	2009	Change	2010	2009	Change
Operating Results:						
Total interest income	\$ 87,678	\$ 93,684	(6.4) %	\$ 177,314	\$ 189,085	(6.2) %
Total interest expense	18,629	27,775	(32.9)	38,235	57,288	(33.3)
Net interest income	69,049	65,909	4.8	139,079	131,797	5.5
Provision for loan losses	12,661	14,321	(11.6)	24,993	32,028	(22.0)
Net interest income after provision for loan losses	56,388	51,588	9.3	114,086	99,769	14.4
Noninterest income	27,612	27,414	0.7	\$ 57,223	64,875	(11.8)
Noninterest expense	61,997	59,575	4.1	117,396	114,966	2.1
Income before income tax expense	22,003	19,427	13.3	53,913	49,678	8.5
Income tax expense	6,413	5,659	13.3	16,885	15,683	7.7
Net income	\$ 15,590	\$ 13,768	13.2 %	\$ 37,028	\$ 33,995	8.9 %
Net income per share - basic and diluted	\$ 1.30	\$ 1.15	13.2 %	\$ 3.09	\$ 2.83	8.9 %
Dividends paid per share	0.50	0.50	-	1.00	1.00	-
Tax equivalent net interest income	\$ 72,440	\$ 69,172	4.7 %	\$ 145,838	\$ 138,312	5.4 %
Net charge-offs	12,710	13,277	(4.3)	19,624	26,666	(26.4)
Selected Financial Ratios:						
Return on average assets	0.82 %	0.73 %	0.09	0.98	0.90	0.08
Return on average equity (1)	8.4	7.9	0.5	10.1	9.9	0.2
Average equity to average assets (1)	9.78	9.20	0.58	9.65	9.05	0.60
Net interest margin (2)	4.01	3.86	0.15	4.05	3.85	0.20
Operating efficiency ratio (3)	62.0	61.7	0.3	57.8	56.6	1.2
Net charge-offs to average loans and leases	0.94	0.94	0.00	0.73	0.94	(0.21)
Balance Sheet Data:						
	June 30,	June 30,		December 31,	Change	
	2010	2009		2009		
Total assets	\$ 7,635,498	\$ 7,625,136	0.1 %	\$ 7,799,981	(2.1) %	
Securities (4)	1,519,960	1,529,542	(0.6)	1,585,362	(4.1)	
Loans and leases (5)	5,504,336	5,704,145	(3.5)	5,542,253	(0.7)	
Total deposits	5,956,604	5,889,309	1.1	6,075,871	(2.0)	
Short-term borrowings	571,281	652,481	(12.4)	610,197	(6.4)	
Long-term debt	292,774	313,867	(6.7)	322,845	(9.3)	
Redeemable class A common stock	59,985	55,497	8.1	57,762	3.8	
Shareholders' equity	689,831	638,215	8.1	664,265	3.8	
Per share book value of common stock	62.48	57.81	8.1	60.17	3.8	
Asset Quality:						
Allowance for loan losses	\$ 95,330	\$ 83,015	14.8 %	\$ 89,961	6.0 %	
Nonperforming assets	112,969	120,285	(6.1)	111,392	1.4	
Accruing loans and leases 90 days or more past due	7,340	3,562	106.1	4,495	63.3	
Nonperforming assets to total loans, leases and OREO	2.04 %	2.10 %	(0.06)	2.00	0.04	
Allowance for loan losses to total loans and leases	1.73	1.46	0.27	1.62	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.

- more -

Bremer Reports Second Quarter 2010 Earnings
Page 4

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

	Three months ended June 30,				Six months ended June 30,			
	2010		2009		2010		2009	
	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)	\$5,450,405	5.54 %	\$ 5,679,454	5.55 %	\$5,450,696	5.56 %	\$5,717,592	5.54 %
Total securities (3)	1,392,059	4.48	1,429,069	5.13	1,450,063	4.61	1,487,871	5.21
Total other earning assets	399,213	0.27	74,137	0.30	362,751	0.26	47,219	0.30
Total interest-earning assets (4)	\$7,241,677	5.04 %	\$ 7,182,660	5.41 %	\$7,263,510	5.11 %	\$7,252,682	5.44 %
Total non-interest-earning assets	383,563		381,695		391,173		384,742	
Total assets	<u>\$7,625,240</u>		<u>\$ 7,564,355</u>		<u>\$7,654,683</u>		<u>\$7,637,424</u>	
Non-interest-bearing deposits	\$ 908,125		\$ 812,925		\$ 894,849		\$ 804,974	
Interest-bearing deposits	5,050,390	1.18 %	4,984,219	1.84 %	5,065,602	1.21 %	4,818,477	1.90 %
Short-term borrowings	561,032	0.67	629,692	0.87	581,546	0.65	850,867	0.86
Long-term debt	293,994	3.93	355,907	4.07	305,566	3.94	389,674	4.31
Total interest-bearing liabilities	\$5,905,416	1.27 %	\$ 5,969,818	1.87 %	\$5,952,714	1.30 %	\$6,059,018	1.91 %
Other non-interest-bearing liabilities	65,846		85,523		68,147		82,420	
Redeemable class A common stock	59,668		55,687		59,118		55,279	
Shareholders' equity	686,185		640,402		679,855		635,733	
Total liabilities and equity	<u>\$7,625,240</u>		<u>\$ 7,564,355</u>		<u>\$7,654,683</u>		<u>\$7,637,424</u>	
Summary Income Statement:								
	2010	2009	\$ Change	% Change	2010	2009	\$ Change	% Change
Total interest income	\$ 87,678	\$ 93,684	\$ (6,006)	(6.4) %	\$ 177,314	\$ 189,085	\$ (11,771)	(6.2) %
Total interest expense	18,629	27,775	(9,146)	(32.9)	38,235	57,288	(19,053)	(33.3)
Net interest income	69,049	65,909	3,140	4.8	139,079	131,797	7,282	5.5
Provision for loan losses	12,661	14,321	(1,660)	(11.6)	24,993	32,028	(7,035)	(22.0)
Net interest income after provision for loan losses	56,388	51,588	4,800	9.3	114,086	99,769	14,317	14.4
Service charges	8,375	9,294	(919)	(9.9)	16,686	18,122	(1,436)	(7.9)
Insurance	2,996	3,067	(71)	(2.3)	6,305	6,045	260	4.3
Investment management and trust fees	3,465	2,992	473	15.8	6,830	5,822	1,008	17.3
Brokerage	1,686	1,552	134	8.6	3,033	3,094	(61)	(2.0)
Gain on sale of loans	3,494	8,021	(4,527)	(56.4)	6,323	14,188	(7,865)	(55.4)
Gain on sale of securities	5,735	-	5,735	NM	14,168	12,677	1,491	11.8
Other	1,861	2,488	(627)	(25.2)	3,878	4,927	(1,049)	(21.3)
Total noninterest income	27,612	27,414	198	0.7	57,223	64,875	(7,652)	(11.8)
Salaries and wages	27,569	27,729	(160)	(0.6)	53,413	53,874	(461)	(0.9)
Employee benefits	7,828	7,840	(12)	(0.2)	15,950	16,888	(938)	(5.6)
Occupancy	3,566	3,626	(60)	(1.7)	7,189	7,460	(271)	(3.6)
Furniture and equipment	3,207	3,089	118	3.8	6,469	6,292	177	2.8
Data processing fees	2,526	2,629	(103)	(3.9)	5,285	5,421	(136)	(2.5)
FDIC premiums and examination fees	2,837	5,962	(3,125)	(52.4)	5,798	7,209	(1,411)	(19.6)
Amortization of intangibles	429	491	(62)	(12.6)	860	981	(121)	(12.3)
Other	14,035	8,209	5,826	71.0	22,432	16,841	5,591	33.2
Total noninterest expense	61,997	59,575	2,422	4.1	117,396	114,966	2,430	2.1
Income before income tax expense	22,003	19,427	2,576	13.3	53,913	49,678	4,235	8.5
Income tax expense	6,413	5,659	754	13.3	16,885	15,683	1,202	7.7
Net income	<u>\$ 15,590</u>	<u>\$ 13,768</u>	<u>\$ 1,822</u>	13.2 %	<u>\$ 37,028</u>	<u>\$ 33,995</u>	<u>\$ 3,033</u>	8.9 %

- (1) Calculation is based on interest income including \$3,391 and \$3,263 for the three months ended June 30, 2010 and June 30, 2009 and \$6,759 and \$6,515 for the six months ended June 30, 2010 and June 30, 2009 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.