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BREMER REPORTS FOURTH QUARTER 2008 EARNINGS

St. Paul, Minn. (January 27, 2009) — Bremer Financial Corporation reported net income of \$15.2 million for the three months ended December 31, 2008, a decline of \$5.4 million or 26.2% from the \$20.6 million earned for the three months ended December 31, 2007. For the year ended December 31, 2008, net income was \$72.0 million compared to \$68.1 million earned in 2007. Return on average equity for the fourth quarter of 2008 was 9.0% compared to 13.1% for the fourth quarter of 2007, while return on average assets decreased to .79% in the fourth quarter of 2008 from 1.14% in the fourth quarter of 2007. For the year just ended, return on average equity was 11.0% compared to 11.2% in 2007, while the return on average assets declined slightly to .97% from .98% a year earlier. The increase in 2008 earnings compared to 2007 occurred in spite of an 85.9% increase in loan loss provisions, as this increase in credit costs was offset by increases in both net interest income and non interest income.

Net interest income for the fourth quarter of 2008 was \$67.4 million, an increase of \$5.9 million or 9.5% from the \$61.5 million reported for the same period a year ago. Our net interest margin was 3.89% for the quarter ended December 31, 2008 compared to 3.79% for the quarter ended December 31, 2007. On a year-to-date basis, our net interest income increased \$28.1 million or 11.9% to \$263.8 million in 2008 from \$235.7 million in 2007, while our net interest margin was 3.91% for the year ended December 31, 2008 compared to 3.76% for the year ended December 31, 2007.

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“Given the incredible challenges faced in 2008, I’m extremely proud that we met our Plan,” said **Stan Dardis, CEO**. “None of that would have been possible without our incredible employees, whose efforts continue to impact our communities. The best example of that is the just-announced Bremer Emergency Fund. This joint effort by the Otto Bremer Foundation and Bremer Bank will distribute \$4.2 million in charitable grants to nonprofits, which in turn can provide direct financial assistance to people who are struggling to meet basic needs. Timely financial assistance can sometimes mean the difference between instability and security and I’m hopeful that this fund will provide the helping hand that people in crisis need this winter.”

Noninterest income decreased 17.5% to \$25.1 million in the fourth quarter of 2008 from \$30.4 million in the fourth quarter of 2007, reflecting the impact of \$5.0 million of securities gains recorded in the fourth quarter of last year. On a year-to-date basis, noninterest income increased 8.5% or \$7.4 million to \$94.8 million in 2008 from \$87.4 million in 2007. Noninterest income for 2007 was impacted by a one-time impairment charge of \$10.2 million, which was recorded as an adjustment to gain on sale of loans, to write down the value of residual interests in a securitized home equity portfolio. Noninterest income in 2008 was helped by a \$1.6 million or 11.2% increase in insurance revenues.

Noninterest expense increased \$3.1 million or 6.2% to \$54.9 million in the fourth quarter of 2008 from \$51.8 million in the fourth quarter of 2007. On a year-to-date basis, noninterest expense increased 7.2% to \$213.5 million in 2008 from \$199.1 million in 2007.

Nonperforming assets were \$89.9 million at December 31, 2008 compared to \$75.5 million at September 30, 2008 and \$40.6 million at December 31, 2007. Correspondingly, the ratio of nonperforming assets to total loans, leases and other real estate owned (OREO) increased to 1.55% at December 31, 2008 from 1.33% at September 30, 2008 and 0.77% at December 31, 2007.

Net charge-offs in the fourth quarter of 2008 were \$13.5 million, compared to \$10.9 million in the fourth quarter of 2007 and \$5.9 million in the third quarter of 2008. We recorded a provision for loan losses of \$16.4 million in the fourth quarter of 2008 compared to \$9.0 million in the prior quarter. Our ratio of allowance for loan losses to total loans and leases was 1.35% at December 31, 2008, 1.32% at September 30, 2008 and 1.20% at December 31, 2007.

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Bremer Financial Corporation is a privately-held, \$7.7 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 December 31,			Twelve months ended December 31,		
	2008	2007	Change	2008	2007	Change
Operating Results:						
Total interest income	\$ 101,950	\$ 118,385	(13.9) %	\$ 424,721	\$ 463,251	(8.3) %
Total interest expense	34,563	56,840	(39.2)	160,959	227,584	(29.3)
Net interest income	67,387	61,545	9.5	263,762	235,667	11.9
Provision for loan losses	16,388	9,402	74.3	41,807	22,486	85.9
Net interest income after provision for loan losses	50,999	52,143	(2.2)	221,955	213,181	4.1
Noninterest income	25,063	30,376	(17.5)	94,820	87,370	8.5
Noninterest expense	54,943	51,750	6.2	213,485	199,123	7.2
Income before income tax expense	21,119	30,769	(31.4)	103,290	101,428	1.8
Income tax expense	5,928	10,188	(41.8)	31,267	33,323	(6.2)
Net income	\$ 15,191	\$ 20,581	(26.2) %	\$ 72,023	\$ 68,105	5.8 %
Net income per share - basic and diluted	\$ 1.27	\$ 1.72	(26.2) %	\$ 6.00	\$ 5.68	5.8 %
Dividends paid per share	0.62	0.62	-	2.48	2.48	-
Tax equivalent net interest income	\$ 70,695	\$ 64,724	(0.4) %	\$ 276,705	\$ 247,846	11.6 %
Net charge-offs	13,498	10,868	24.2	27,688	16,682	66.0
Selected Financial Ratios:						
Return on average assets	0.79 %	1.14 %	(0.35)	0.97 %	0.98 %	(0.01)
Return on average equity (1)	9.0	13.1	(4.1)	11.0	11.2	(0.2)
Average equity to average assets (1)	8.84	8.69	0.15	8.77	8.75	0.02
Net interest margin (2)	3.89	3.79	0.10	3.91	3.76	0.15
Operating efficiency ratio (3)	57.4	54.4	3.0	57.5	59.4	(1.9)
Net charge-offs to average loans and leases	0.94	0.82	0.12	0.50	0.33	0.17
	December 31,	December 31,				
	2008	2007				
Balance Sheet Data:						
Total assets	\$ 7,719,803	\$ 7,249,650	6.5 %			
Securities (4)	1,530,365	1,478,774	3.5			
Loans and leases (5)	5,773,100	5,290,434	9.1			
Total deposits	5,404,462	5,295,458	2.1			
Short-term borrowings	1,130,352	850,082	33.0			
Long-term debt	437,443	390,484	12.0			
Redeemable class A common stock	53,970	50,678	6.5			
Shareholders' equity	620,660	582,802	6.5			
Per share book value of common stock	56.22	52.79	6.5			
Asset Quality:						
Allowance for loan losses	\$ 77,653	\$ 63,534	22.2 %			
Nonperforming assets	89,875	40,619	121.3			
Nonperforming assets to total loans, leases and OREO	1.55 %	0.77 %	(0.78)			
Allowance for loan losses to total loans and leases	1.35	1.20	0.15			

- (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,			
	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)	\$5,685,779	5.96 %	\$5,259,283	7.64 %	\$5,493,757	6.45 %	\$5,112,366	7.77 %
Total securities (3)	1,513,788	5.25	1,481,654	5.34	1,548,678	5.34	1,443,467	5.27
Total other earning assets	25,803	0.96	35,660	4.28	26,058	1.84	39,399	4.94
Total interest earning assets (4)	\$7,225,370	5.80 %	\$6,776,597	7.12 %	\$7,068,493	6.19 %	\$6,595,232	7.21 %
Total noninterest earning assets	400,224		396,237		391,416		373,044	
Total assets	\$7,625,594		\$7,172,834		\$7,459,909		\$6,968,276	
Noninterest bearing deposits	\$ 822,507		\$ 771,551		\$ 776,258		\$ 748,575	
Interest bearing deposits	4,461,442	2.29 %	4,425,212	3.79 %	4,399,511	2.64 %	4,278,381	3.90 %
Short-term borrowings	1,133,191	1.20	822,492	4.09	1,096,759	2.03	823,678	4.52
Long-term debt	448,429	4.80	439,570	5.53	447,022	5.07	426,573	5.51
Total interest bearing liabilities	\$6,043,062	2.28 %	\$5,687,274	3.97 %	\$5,943,292	2.71 %	\$5,528,632	4.12 %
Other noninterest bearing liabilities	86,151		90,407		86,270		81,204	
Redeemable class A common stock	53,910		49,888		52,331		48,789	
Shareholders' equity	619,964		573,714		601,758		561,076	
Total liabilities and equity	\$7,625,594		\$7,172,834		\$7,459,909		\$6,968,276	

	Three months ended December 31,				Twelve months ended December 31,			
	2008	2007	\$ Change	% Change	2008	2007	\$ Change	% Change
Summary Income Statement:								
Total interest income	\$ 101,950	\$118,385	\$ (16,435)	(13.9) %	\$ 424,721	\$ 463,251	\$ (38,530)	(8.3) %
Total interest expense	34,563	56,840	(22,277)	(39.2)	160,959	227,584	(66,625)	(29.3)
Net interest income	67,387	61,545	5,842	9.5	263,762	235,667	28,095	11.9
Provision for loan losses	16,388	9,402	6,986	74.3	41,807	22,486	19,321	85.9
Net interest income after provision for loan losses	50,999	52,143	(1,144)	(2.2)	221,955	213,181	8,774	4.1
Service charges	9,698	9,616	82	0.9	38,613	36,657	1,956	5.3
Insurance	7,063	5,230	1,833	35.0	15,638	14,066	1,572	11.2
Investment management and trust fees	3,133	3,651	(518)	(14.2)	13,151	13,372	(221)	(1.7)
Brokerage	1,760	1,737	23	1.3	7,326	7,107	219	3.1
Gain on sale of loans (5)	2,196	2,939	(743)	(25.3)	10,308	2,233	8,075	NM
Gain on sale of securities	-	4,992	(4,992)	NM	295	5,046	(4,751)	(94.2)
Other	1,213	2,211	(998)	(45.1)	9,489	8,889	600	6.7
Total noninterest income	25,063	30,376	(5,313)	(17.5)	94,820	87,370	7,450	8.5
Salaries and wages	25,991	24,913	1,078	4.3	105,892	97,906	7,986	8.2
Employee benefits	5,453	6,377	(924)	(14.5)	26,580	26,516	64	0.2
Occupancy	3,447	3,327	120	3.6	13,944	13,205	739	5.6
Furniture and equipment	3,288	3,290	(2)	(0.1)	12,597	12,410	187	1.5
Data processing fees	2,607	2,625	(18)	(0.7)	10,765	10,898	(133)	(1.2)
FDIC premiums and examination fees	1,163	813	350	43.1	3,681	2,394	1,287	53.8
Amortization of intangibles	536	579	(43)	(7.4)	2,144	2,311	(167)	(7.2)
Other	12,458	9,826	2,632	26.8	37,882	33,483	4,399	13.1
Total noninterest expense	54,943	51,750	3,193	6.2	213,485	199,123	14,362	7.2
Income before income tax expense	21,119	30,769	(9,650)	(31.4)	103,290	101,428	1,862	1.8
Income tax expense	5,928	10,188	(4,260)	(41.8)	31,267	33,323	(2,056)	(6.2)
Net income	\$ 15,191	\$ 20,581	\$ (5,390)	(26.2) %	\$ 72,023	\$ 68,105	\$ 3,918	5.8 %

(1) Calculation is based on interest income including \$3,308 and \$3,179 for the three months ended December 31, 2008 and December 31, 2007 and \$12,943 and \$12,179 for the twelve months ended December 31, 2008 and December 31, 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.