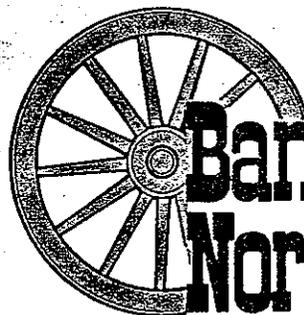


**1973  
Annual  
Report**



**Bank of  
North Dakota**

## TO THE CITIZENS OF NORTH DAKOTA:

The Bank of North Dakota continued its record of service to the citizens of the state in 1973. The Industrial Commission is pleased with the large expansion of participation loans with other financial institutions throughout North Dakota. The Bank of North Dakota has become a "partner in progress" for other banks, savings and loan associations and credit unions in the state.

The Industrial Commission committed the Bank of North Dakota to continue its leadership position in helping our young citizens further their education and training by continuing the Federally Insured Student Loan Program. It is gratifying to note that the Bank made or purchased from other institutions 7,757 student loans, amounting to \$7,025,686 in 1973. We know of no other investment that will return such rich rewards as this investment in our state's greatest asset, our young people.

The Bank of North Dakota continues to play an important part in helping to solve some of the financial problems of our state's communities. The Bank of North Dakota underwrote 56 bond issues, amounting to \$7,975,000 for the state's political subdivisions in 1973. It is committed to continue this service and leadership.

I urge you to read this report. North Dakota can be proud of the Bank of North Dakota's record in 1973, and its 54 years of service to the state and its citizens.

*Arthur A. Link*

ARTHUR A. LINK, Governor  
Chairman of the Industrials Commission



### FINANCIAL HIGHLIGHTS

AT YEAR END:	1973	1972	Increase	% Increase
<b>RESOURCES</b>	\$266,700,666	\$206,349,925	+60,350,741	+ 29.24 %
Deposits	200,857,236	168,155,303	+32,701,933	+ 19.44 %
Student Loans	24,360,273	20,289,566	+ 4,070,707	+ 20.06 %
Real Estate Loans	34,204,963	26,897,216	+ 7,307,747	+ 27.17 %
All Other Loans	34,559,917	19,607,377	+14,952,540	+ 76.25 %
<b>FOR THE YEAR:</b>				
Total Income	16,522,508	10,999,576	+ 5,522,932	+ 50.21 %
Interest Paid	7,578,873	4,031,060	+ 3,547,813	+ 88.01 %
Expenses Paid	862,830	895,238	(- 32,408)	(- 3.62 %)
<b>NET INCOME</b>	<b>8,066,384</b>	<b>6,082,929</b>	<b>+ 1,983,455</b>	<b>+ 32.61 %</b>
<b>EARNINGS (DIVIDEND)</b>				
Paid to State of N. D.	4,125,000	3,250,000	+ 875,000	+25 %
No. of Checks Processed	18,008,564	15,926,342	+ 2,082,222	+12.05 %
Total Fed. Fds. Purchased	4,287,000,000	1,565,650,000	+ 2,721,350,000	+155 %
Total Fed. Fds. Sold	7,355,000,000	2,098,600,000	+5,256,400,000	+160 %

## TO THE NORTH DAKOTA INDUSTRIAL COMMISSION:

Nineteen hundred seventy-three was the most outstanding year in the Bank of North Dakota's fifty-four year history. Resources reached an all time high of \$288,241,051 on November 6, 1973, and totaled \$266,700,666 at year end, an increase of \$60,350,741, or 29.2 percent over year-end, 1972. This is the first time North Dakota has had a quarter-billion dollar financial institution. We anticipate total resources to exceed \$300,000,000 in 1974.

Net income totaled \$8,066,384, an increase of \$1,983,455, up 32.6 percent over 1972. Operating expenses totaled \$862,830, a decrease of \$32,508, or 3.6 percent. Interest on time money and purchased funds totaled \$7,578,873, an increase of \$3,547,813, up 88.7 percent. We believe the Bank will have a substantial profit in its securities portfolio in 1974, and as loans expend, so should income. It will again be the bank's policy not to charge any service fees on demand accounts in 1974. All Bank of North Dakota checking accounts are "free" accounts. We anticipate interest expense to be down in 1974. We anticipate net operating income to again be up in 1974.

The exterior of the Bank was remodeled during the year, and we purchased two lots to the east of our property for parking space. A cafe building, presently on one of the lots, will be torn down in the spring of 1974, and both lots paved for parking for the Bank's customers and employees. The Bank is becoming desperate for more space. We will not be able to occupy the third or fourth floors of our building until 1975, when it is anticipated the State Laboratory Department will move to their new building.

This is the first year that a Certified Public Accountant has audited the Bank, and the statements in this Report are certified. The accountants requested us to place a valuation (cost less accumulated depreciation) on our building, furniture, fixtures and equipment, which resulted in an extraordinary increase in the changes of capital funds of \$555,419. This figure was in addition to the \$8,066,384 in net income.

The Bank transferred \$3,000,000 to its capital account from Undivided Profits during 1973. The Bank now has a legal lending limit to any one borrower of \$3,250,000 (.25 percent of combined capital and surplus).

I refer you to the Comparative Balance Sheet, Statement of Income, Statement of Changes in Capital Accounts,

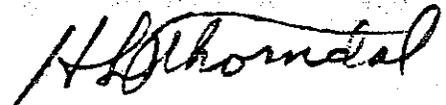
and the departments narrative in the Report. We point with pride to the comparative graphs and charts at the back of the Report, which reflect the progress and expansion that has taken place the past few years.

David C. Kierland, Vice President, Operations, reached mandatory retirement age, after 43 years, and one month of service (the second longest in the Bank's history) on December 31, 1973. Ms. Martha Huber, Asst. Auditor, retired on March 1, 1973, after 27 years and 10 months of service, Mrs. Eva Goetz, Investment Secretary, retired in August, 1973, after 27 years and 11 months of service, and Mrs. Charlotte Chase, secretary, Loan Department, retired on December 31, 1973, after nearly thirteen years of service.

The Industrial Commission named five new officers during the year. Named Assistant Cashiers were Mrs. Ila Eckroth in the Cashier's Department, Ms. Gwen Larson and Mrs. Betty Zeeb in the Student Loan Department, Mr. Edward Sather in the Securities Department and Mrs. Evelyn Zelmer in the Operations Department.

The Governor appointed Dan J. O'Day and John J. O'Keefe to the Bank's Advisory Board on July 1, 1973, replacing Mr. Noel Fedje and Dr. William E. Koenker. We wish to express our appreciation to Mr. Fedje and Dr. Koenker for their advice and counsel while they were members of the advisory Board.

We look forward to continued growth and progress in 1974. The Bank of North Dakota will continue its dedication to be of service to North Dakota and its citizens.



H. L. THORNDAL  
President and Manager,  
Bank of North Dakota

**STATEMENTS OF CONDITION**  
December 31, 1973 and 1972

<b>ASSETS</b>	<u>1973</u>	<u>1972</u> (unaudited)
CASH AND DUE FROM BANKS	\$20,214,906	\$20,544,474
INVESTMENT SECURITIES (Notes 1 and 2):		
U. S. Government Obligations	\$ 20,795,751	\$ 14,153,600
Federal Agencies Obligations	64,511,339	36,497,770
State and Municipal Obligations	16,332,308	13,744,458
Other Securities	<u>14,862,008</u>	<u>31,887,700</u>
Total Investment Securities	<u>\$116,501,406</u>	<u>\$96,283,528</u>
FEDERAL FUNDS SOLD	<u>\$18,250,000</u>	<u>\$ 5,620,000</u>
LOANS:		
FHA and GI Home Loans	\$ 31,713,717	\$26,086,819
Bank Participation Loans	27,745,899	9,779,150
Federally Insured Student Loans	24,360,273	20,289,566
Farmers Home Administration Notes	13,266,383	18,158,160
SBA Participation Loans	5,174,461	3,812,131
Farm Real Estate Loans	2,491,246	810,397
State Institution Loans	<u>1,639,557</u>	<u>1,016,096</u>
Total Loans	<u>\$106,391,536</u>	<u>\$ 79,952,319</u>
BANK PREMISES AND EQUIPMENT (Notes 1 and 4)	<u>\$ 944,500</u>	<u>\$ 555,421</u>
ACCRUED INTEREST RECEIVABLE (Note 4)	<u>\$ 4,398,318</u>	<u>\$ 3,394,183</u>
Total Assets	<u>\$266,700,666</u>	<u>\$206,349,925</u>
<b>LIABILITIES</b>		
DEMAND DEPOSITS:		
State Treasurer	\$ 66,766,931	\$ 44,314,607
Political Subdivisions	30,181,278	33,874,402
Deposits of Banks	9,764,776	5,938,581
Individuals, Partnerships and Corporations	9,363,364	2,556,357
U. S. Government	37,895	2,447,311
Official Checks	<u>1,322,680</u>	<u>335,479</u>
Total Demand Deposits	<u>\$117,436,924</u>	<u>\$ 89,466,737</u>
TIME AND SAVINGS DEPOSITS:		
State Treasurer	\$ 54,943,242	\$ 43,033,236
Political Subdivisions	14,382,217	21,246,824
Individuals, Partnerships and Corporations	<u>14,094,853</u>	<u>14,408,506</u>
Total Time and Savings Deposits	<u>\$ 83,420,312</u>	<u>\$ 78,688,566</u>
Total Deposits	<u>\$200,857,236</u>	<u>\$168,155,303</u>
OTHER LIABILITIES:		
Federal Funds Purchased	\$ 14,804,000	\$ 5,145,000
Securities Sold Under Agreement to Repurchase (Note 2)	<u>18,614,170</u>	<u>5,015,000</u>
Accrued Expenses (Note 4)	<u>\$ 33,418,170</u>	<u>\$ 10,160,000</u>
Appropriation Due State General Fund (Note 5)	1,167,332	718,078
Total Other Liabilities	<u>7,500,000</u>	<u>1,625,000</u>
Total Other Liabilities	<u>\$ 42,085,502</u>	<u>\$ 12,503,078</u>
RESERVE FOR LOAN AND INVESTMENT LOSSES (Note 1)	<u>\$ 1,974,021</u>	<u>\$ 1,974,021</u>
CAPITAL FUNDS:		
Capital (Note 6)	\$ 5,000,000	\$ 2,000,000
Surplus	8,000,000	8,000,000
Undivided Profits	8,783,465	13,018,915
Reserve for Purchase of Land and Building Improvements	<u>30,442</u>	<u>698,608</u>
Total Capital Funds	<u>\$ 21,783,907</u>	<u>\$ 23,717,523</u>
Total Liabilities and Capital	<u>\$266,700,666</u>	<u>\$206,349,925</u>

See Notes to Financial Statements

**STATEMENT OF INCOME**  
For the Years Ended December 31, 1973 and 1972

	1973	1972 (Unaudited)
<b>OPERATING INCOME:</b>		
Interest on Loans	\$ 7,502,128	\$ 4,850,588
Interest on Investment Securities—		
U. S. Government Obligations	1,201,607	628,003
Federal Agencies Obligations	3,642,828	2,085,618
State and Municipal Obligations	728,997	653,590
Other Securities	1,591,240	2,368,139
Interest on Federal Funds	1,728,125	313,202
Service Charges and Other Income	127,583	100,436
<b>Total</b>	<b>\$ 16,522,508</b>	<b>\$ 10,999,576</b>
<b>OPERATING EXPENSES:</b>		
Interest Expense—		
Interest on Deposits	\$ 5,187,861	\$ 3,829,894
Interest on Funds Borrowed	1,240,482	6,880
Interest on Federal Funds Purchased	1,150,530	194,286
<b>Total</b>	<b>\$ 7,578,873</b>	<b>\$ 4,031,060</b>
Other Expenses (appropriated)—		
Salaries	\$ 528,184	\$ 493,903
Employee Benefits (Note 1)	46,789	42,057
Fees and Services	175,428	152,424
Equipment Rental	81,931	77,331
Supplies and Materials	30,498	31,763
Equipment	—	97,760
<b>Total</b>	<b>\$ 862,830</b>	<b>\$ 895,238</b>
Depreciation (Notes 1 and 4)	\$ 59,475	\$ —
<b>Total Operating Expenses</b>	<b>\$ 8,501,178</b>	<b>\$ 4,926,298</b>
Income Before Security gains	\$ 8,021,330	\$ 6,073,278
<b>SECURITY GAINS</b>	<b>45,054</b>	<b>9,651</b>
<b>Net Income for the Year</b>	<b>\$ 8,066,384</b>	<b>\$ 6,082,929</b>

See Notes to Financial Statements.

**STATEMENT OF CHANGES IN CAPITAL FUNDS**  
For the Years Ended December 31, 1973 and 1972

	Capital	Surplus	Undivided Profits	Reserve for Purchase of Land and Building Improvements	Total
BALANCE, DECEMBER 31, 1971 (Unaudited)	\$ 2,000,000	\$ 4,000,000	\$ 9,679,986	\$ 742,375	\$ 16,422,361
Net Income for the Year 1972	—	—	6,082,929	—	6,082,929
Transfer to Surplus	—	4,000,000	( 4,000,000)	—	—
Transfer to Reserve for Purchase of Land and building Improvements	—	—	( 400,000)	400,000	—
Remodeling Costs Paid	—	—	—	( 443,767)	( 443,767)
Other	—	—	21,088	—	21,088
<b>BALANCE, DECEMBER 31, 1972 as Previously stated (Unaudited)</b>	<b>\$ 2,000,000</b>	<b>\$ 8,000,000</b>	<b>\$ 11,384,003</b>	<b>\$ 698,608</b>	<b>\$ 22,082,611</b>
Adjustments to accrued interest receivable and accrued expenses (Note 4)	—	—	1,079,493	—	1,079,493
Adjustment to record bank premises and equipment, net of depreciation (Note 4)	—	—	555,419	—	555,419
<b>BALANCE, DECEMBER 31, 1972, as restated (Unaudited)</b>	<b>\$ 2,000,000</b>	<b>\$ 8,000,000</b>	<b>\$ 13,018,915</b>	<b>\$ 698,608</b>	<b>\$ 23,717,523</b>
Net income for the Year 1973	—	—	8,066,384	—	8,066,384
Transfer to State of North Dakota General Fund	—	—	( 10,000,000)	—	( 10,000,000)
Transfer to Capital	3,000,000	—	( 3,000,000)	—	—
Transfer from reserve for purchase of land and building improvements	—	—	250,000	( 250,000)	—
Remodeling Costs Paid and Capitalized	—	—	418,166	( 418,166)	—
<b>BALANCE, DECEMBER 31, 1973</b>	<b>\$ 5,000,000</b>	<b>\$ 8,000,000</b>	<b>\$ 8,763,465</b>	<b>\$ 30,442</b>	<b>\$ 21,783,907</b>

See Notes to Financial Statements.

## SIX YEAR SUMMARY

	1973	1972	1971	1970	1969	1968
<b>OPERATING RESULTS (000 omitted)</b>						
Total Income	\$16,523	\$11,000	\$9,502	\$8,703	\$6,271	\$6,004
Interest Expense	7,579	4,031	3,722	3,656	2,622	3,629
Other Oper. Expenses	863	895	941	719	537	461
<b>NET EARNINGS (PROFITS)</b>	<b>8,066</b>	<b>6,083</b>	<b>4,839</b>	<b>4,328</b>	<b>3,112</b>	<b>1,914</b>
Paid to St. Treas. (Dividend)	4,125	3,250	3,000	2,750	2,875	3,000
<b>BALANCE AT YEAR END (000 omitted)</b>						
Total Resources	\$266,700	206,349	178,070	143,920	128,750	119,911
Total Deposits	200,857	168,156	153,964	122,150	108,837	99,992
Demand Deposits	117,437	89,467	84,638	65,875	55,801	47,268
Time Deposits	83,420	78,689	69,326	56,275	53,036	52,724
Fed. Fds. Purchased/R.P.'s	33,418	10,160	-0-	-0-	-0-	-0-
Fed. Fds. Sold	18,250	5,620	8,100	3,300	5,000	-0-
<b>TOTAL INVESTMENT SECUR.</b>	<b>116,501</b>	<b>96,284</b>	<b>92,311</b>	<b>82,401</b>	<b>78,573</b>	<b>82,023</b>
U. S. Government	20,796	14,154	17,421	25,569	20,800	27,357
Federal Agencies	64,511	36,498	31,008	24,014	28,168	29,744
Other Money Market Instruments	14,862	31,888	32,685	11,591	130	120
N. D. Political Sub. Bds.	16,332	13,744	11,197	21,231	29,475	24,802
<b>TOTAL LOANS</b>	<b>106,392</b>	<b>79,952</b>	<b>62,338</b>	<b>46,818</b>	<b>35,998</b>	<b>76,675</b>
Farm Home Adm. Loans	13,266	18,158	19,686	16,446	13,024	9,163
Fed. Insured St. Lns.	24,360	20,290	15,195	8,492	5,043	2,209
Farm Real Estate Loans	2,343	636	78	95	109	140
FHA Home Loans	16,169	15,223	12,999	10,340	9,707	8,131
GI Home Loans	15,544	10,871	4,869	3,695	3,583	3,448
Small Business Adm. Loans	5,174	3,812	4,008	3,390	2,325	791
Bk. Participation Lns.	27,746	9,779	5,082	2,730	1,825	68
Other Loans	1,788	1,190	422	1,631	382	2,725
<b>CAPITAL AND RESERVES</b>	<b>23,759</b>	<b>25,692</b>	<b>17,654</b>	<b>19,132</b>	<b>14,620</b>	<b>17,040</b>
Capital	5,000	2,000	2,000	2,000	2,000	2,000
Surplus	8,000	8,000	4,000	3,000	3,000	3,000
Undivided Profits	8,753	13,019	9,680	12,158	7,306	9,695
Reserves	2,006	2,673	1,974	1,974	2,314	2,345
<b>OTHER DATA (numbers)</b>						
N. D. Banks with BND Accts.	159	157	140	124	114	113
Individual Checking Accts.	2,909	2,306	1,945	1,875	1,434	1,456
Individual Savings Accts.	1,043	744	785	618	647	597
Fed. Insured Student Ln. (made or purchased)	7,757	9,083	7,317	4,694	3,360	2,162
FHA House Lns., Made or Purch.	101	201	151	122	96	187
GI House Lns., Made or Purch.	279	321	45	27	33	58
SBA Loans Purchased	14	13	8	12	7	10
Bank Participation Loans	59	43	17	9	20	3
 Number of Employees	 80	 73	 69	 67	 62	 59