



1975 Annual Report



**Bank of
North Dakota**

This year's Bank of North Dakota "Annual Report" is dedicated to our pioneer heritage. It is part of the Bank of North Dakota's Bicentennial participation. The Bank of North Dakota is a unique accomplishment in North Dakota's political history.



JAMES R. WATERS
First Manager



F. W. CATHRO
First and Only
Director General

FINANCIAL HIGHLIGHTS

FOR THE YEAR:	1975	1974	1919	1975 - 1974 % Increase
RESOURCES				
Deposits	\$401,434,501	\$316,508,149	\$17,982,000	+ 26.8%
Student Loans	311,719,912	253,630,029	15,620,000	+ 22.9%
Real Estate Loans	27,993,206	26,836,456	N/A	+ 4.3%
All Other Loans	41,955,502	37,785,822	617,000	+ 11.0%
	49,080,546	57,530,620	N/A	- 14.7%
FOR THE YEAR:				
Total Income	25,445,964	23,023,880	204,000	+ 10.5%
Interest Paid	15,504,385	12,718,223	89,000	+ 21.9%
Expenses Paid	1,606,701	1,036,886	45,000	+ 54.5%
NET INCOME	8,334,878	9,268,771	70,000	- 10.1%
EARNINGS (DIVIDEND)				
Paid to State of N.D.	6,500,000	5,000,000	N/A	+ 30.0%
No. of Checks Processed	22,109,026	20,091,298	463,000	+ 10.0%
Total Fed. Fds. Purchased	8,911,521,000	7,133,899,000	N/A	+ 24.9%
Total Fed. Fds. Sold	12,448,150,000	14,822,588,000	N/A	- 16.0%

OUR HERITAGE



WILLIAM LANGER
Attorney General



LYNN J. FRAZIER
Governor



JOHN N. HAGEN
Commissioner of
Agriculture & Labor

During our nation's Bicentennial celebration, North Dakota emerges as a State with a rich and rewarding future. Our two most valuable assets in North Dakota are the land and the people.

Homesteading opened in our State in 1863, and large scale wheat farming began in 1875, after the railroad made transportation easier. The black soil, rich in organic matter, is our most valuable natural resource.

The geographical location, right in the middle of the United States, and the climate, both played a role in shaping the character of the

men and women who settled here. They knew loneliness, and labored hard hours of work under severe conditions, just to survive. The industriousness of the people today, the friendliness, the neighborliness, and the thoughtfulness, are part of our heritage.

North Dakotans have a lifestyle that is envied in many parts of our nation. We live in an area where each individual is important, and we work together for the good of all. North Dakotans can take pride in a long list of achievements, and look forward to the challenges of the future with confidence.

To the Citizens of North Dakota:

The Bank of North Dakota is the most successful example of North Dakota's populist heritage. The Enabling Act, passed by the legislature in 1919, states "for the purpose of encouraging and promoting agriculture, commerce, and industry, the state of North Dakota shall engage in the business of banking . . ."

The present Industrial Commission has priorities, and approved procedures enabling the Bank of North Dakota to continue to "encourage and promote" agriculture, commerce, and industry in North Dakota.

Through the Bank's Student Loan Program, North Dakota continued to lead the nation in making financial assistance available to our young citizens seeking higher education and vocational training. We have established farm ownership loans as the number two lending priority by the Bank, and believe these loans will increase in volume in the years ahead. The Bank of North Dakota has truly become a "Partner in Progress" by its loan participation programs with other financial institutions in the state.

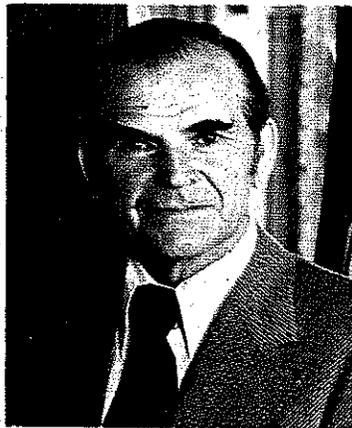
The Industrial Commission has directed the Bank to implement the "North Dakota Bond Bank" in 1976, and believes this aim of the Bank of North Dakota will save substantially on interest costs to the state's political subdivisions.

We can all be proud of the Bank of North Dakota—an institution unique to our state's heritage. We urge you to read this report.

Our Philosophy

- To encourage and promote agriculture, commerce and industry in North Dakota.
- To provide the most efficient and economical financial service to the state, its agencies, and instrumentalities.
- To provide professional assistance whenever possible and wherever it will encourage and promote the well being and advancement of North Dakota and its citizens.

The Bank of North Dakota is owned, operated and controlled by the State of North Dakota under the supervision of the Industrial Commission.



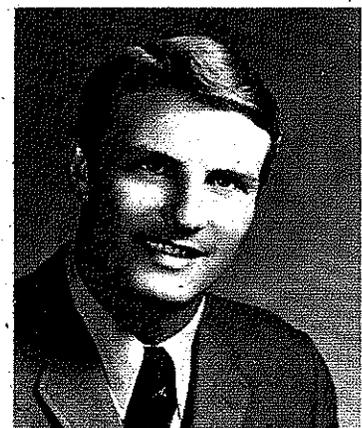
Arthur A. Link

ARTHUR A. LINK
Governor, Chairman



Allen I. Olson

ALLEN I. OLSON
Attorney General



Myron Just

MYRON JUST
Commissioner of Agriculture

To the North Dakota Industrial Commission:

The Bank of North Dakota reached an all time high early in 1975, and had total resources in excess of \$400 million for most of the year. Total resources at year end were \$401,434,501, an increase of \$84,926,352 over the previous year, up 27%. We anticipate "peaking" between \$450 and \$475 million in 1976.

Net income for 1975 totaled \$8,334,878, down \$933,893, or off 10%. The decrease in net income was due mainly to two factors: lower short term rates, and increased interest expense on deposits, up 50%. We had not anticipated this large an increase in interest expenses. We had anticipated the decline in short term rates, and the decline in net income was about what we predicted a year ago. We predict net income will be up slightly in 1976.

The Industrial Commission authorized the Bank to increase its capital from \$6 million to \$8 million, by transfer from Undivided Profits in 1975. The Bank also transferred \$16 million to "Appropriated to the North Dakota General Fund" from Undivided Profits during the year. Reserves for loans and investment losses remain the same, after charging off \$97,300 on loans and \$151,674 on securities to current operating income. We are not anticipating any charge-offs in 1976. We will probably request authorization to increase surplus \$2 million, and if loan volume increases, we will request an increase in reserves.

The Bank will occupy the third and fourth floors of our building during the summer of 1976, after the State Laboratories Department moves to their new building. This will alleviate our present crowded condition. We had originally planned to rent out the fourth floor, but because of growth and expanded activities, we plan to utilize the entire building.

Please refer to the Comparative Statement of Condition, Statement of Income, Statement of Changes in Capital Funds, and the Department's narratives, graphs, and charts at the back of the Report, which reflect the progress and expansion that has taken place during the past few years.

The Bank started a special Interest Supplement Home Loan Program late in 1975. We expect this Program to make home ownership available to many of North Dakota's citizens in the years ahead. The Bank will have the North Dakota Bond Bank activated in 1976, and believes this program will save substantial amounts in interest costs to the State's political subdivisions.

The Industrial Commission named Mrs. Freda Rubbelke Assistant Cashier and Assistant Manager of the Mineral Trust Division, and Craig Sorenson Assistant Auditor. Maurice Cook joined the Bank in January as our Attorney. Robert E. Caudel joined the Bank as Vice President in charge of the Commercial Banking Department in November. The Advisory Board has been meeting monthly and has adopted operating policies and procedures for the Bank. Their advice to management has been most helpful. The Advisory Board approved the restructuring of the table of organization into three departments:

- (1) Administrative and Retail Banking
- (2) Commercial Banking
- (3) Investments and Trusts

An Executive Committee was also appointed.

During 1975, the Bank received over 70 inquiries from other states about our operation. The undersigned testified before the Banking Committee of the New York Assembly and the Council of State Governments. We are proud to be part of North Dakota's heritage and serve as a model for the states thinking about starting a state-owned bank.

The Bank of North Dakota looks forward to 1976 with confidence in our state's economy, our staff, and the ability to continue to "aid and encourage agriculture, commerce, and industry" in North Dakota.



H. L. Thorndal

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



Threshing scene near the turn of the century



Group photo taken in front of the early 1900s

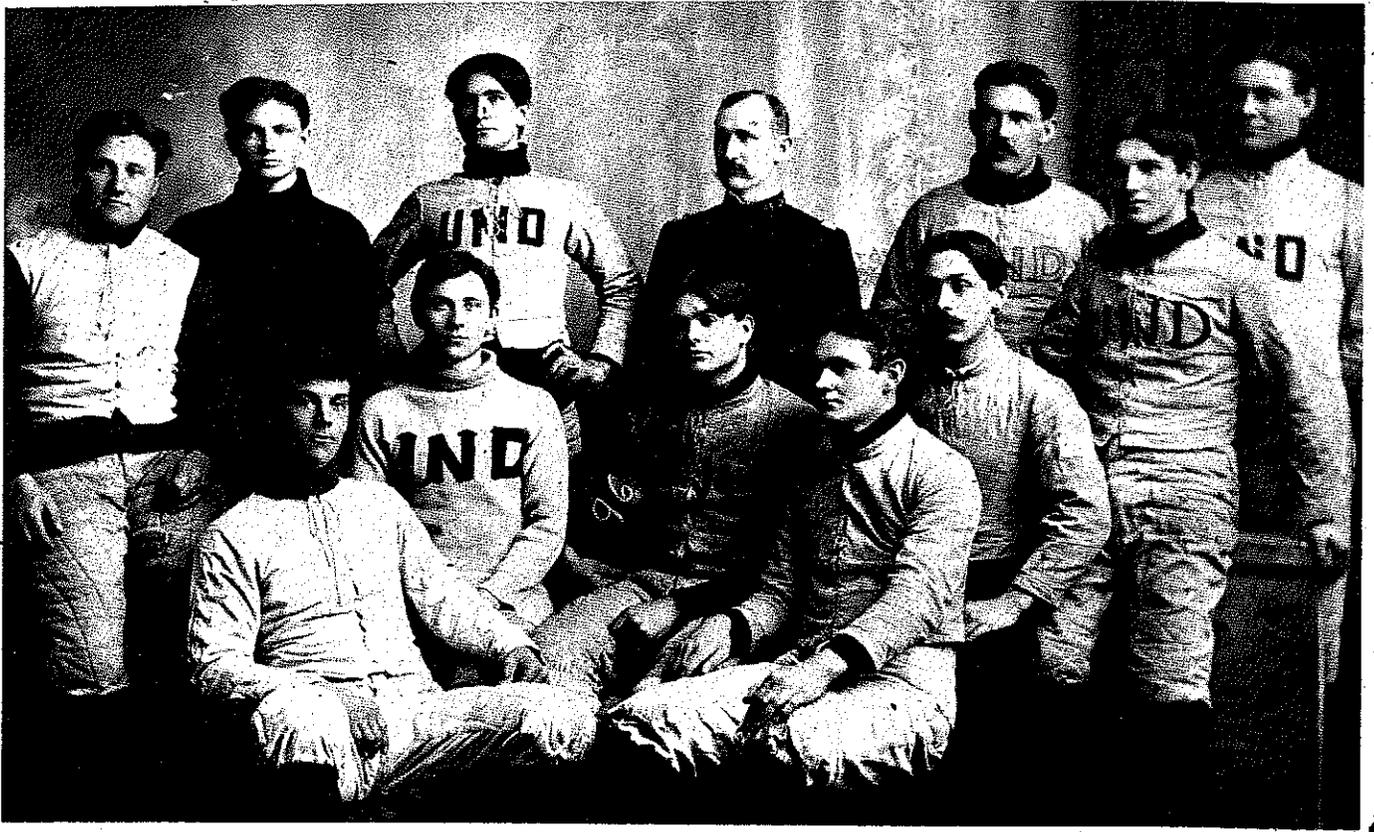
Agriculture



North Dakota's basic and largest industry is, and always has been, agriculture. From the time the first pioneer turned over the soil with his primitive plow until today, with mechanized farm equipment to increase production, North Dakota has had a history of hard working, industrious farmers.

The Bank of North Dakota supports agriculture and the agricultural community. At the end of 1975, the Bank had loans over \$39 million in support of this industry. This support includes real estate, operating and working capital, agriculture related industry, small businesses, electric power companies serving rural areas, home loans and social services in small communities.

According to the American Banker issue of November 19, 1975, the Bank of North Dakota ranked 15th in lending for farm real estate and 52nd in total agricultural lending out of more than 14,000 banks in the United States. We are proud of this record, and we will continue to meet the needs of our agricultural communities in North Dakota.



University of North Dakota 1896 football team.



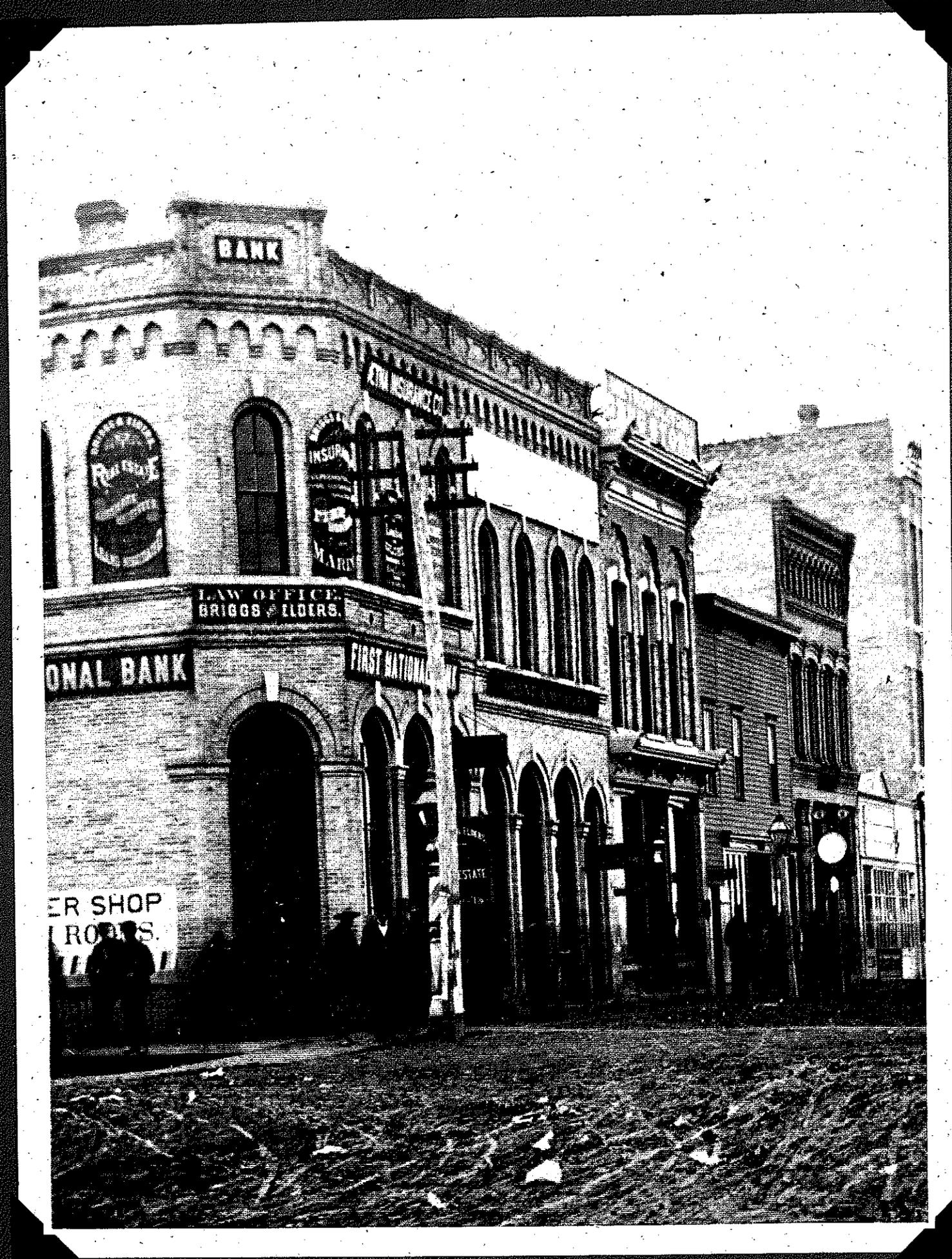
Student Loans



The one room schoolhouse still has warm memories for some of us, and you can still see a few of them on the prairies and by-ways of North Dakota. In 1900 there were about 78,000 children enrolled in public schools. Today there are about 150,000, and our technology has increased to the point where higher education is necessary to meet the future needs for technicians within the state.

The Bank of North Dakota has made available over 42 million dollars in federally insured loans, and almost 15 million dollars has already been repaid. A default rate of less than 2% is being maintained, which reflects the character and positive attitude of the people we are privileged to work with.

The lending institutions in this state have provided over 80 million dollars to students, and the Bank of North Dakota will continue to sponsor workshops for local lenders and school officials so that all North Dakota students will have the opportunity to experience post secondary education.



The National Bank on Front Street, Main Ave. & Broadway, Chicago, Ill. 1881

Other Lending Activities



Banking has progressed from hand-written ledgers to complex computers in our history. But from the first bank to today's modern institutions, agriculture and industry have been primary concerns of bankers. Directly and indirectly, the Bank of North Dakota works for the people of North Dakota.

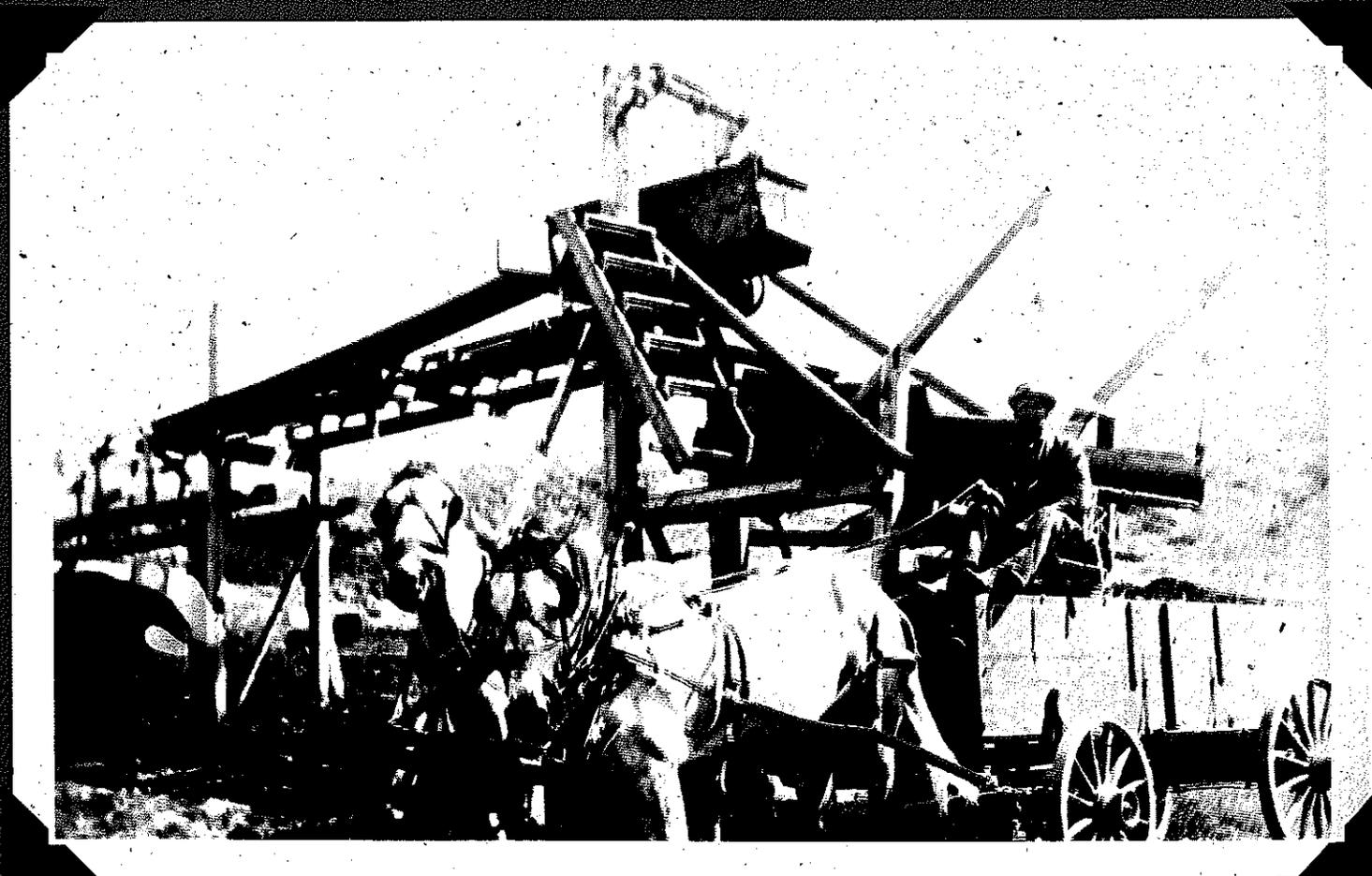
As the capital needs of our state grow, the Bank of North Dakota has developed a variety of unique services. As the primary source of secondary funding, our Bank can furnish a financial analysis on almost any type of business in the state. Our lending officers are available to assist and document any commercial or agricultural loan at any bank within the state.

Correspondent banking activities continue to grow as we serve 163 of North Dakota's 170 commercial banks, along with seven savings and loan associations and three credit unions.

The Bank's philosophy states: "To provide the most efficient and economical financial services to the State, its agencies and instrumentalities." Through our correspondent banking, we practice these principles, as financial institutions are the key to the functioning of our economy.

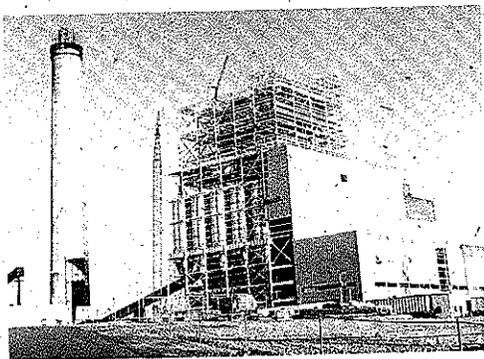


Early mining scene in Moran County



Early mining scene in Moran County

Mineral Leasing



This Bicentennial year finds America measuring its progress and taking stock of its resources, just as North Dakota looks to its gas, oil, lignite and other natural resources in relation to their significance with the energy crisis.

North Dakota has more than 350 billion tons of lignite, a most valuable asset in the power generating field and allied industry. Lignite can play an important role in the nation's future as long term solutions are sought in the energy crisis.

Mining of lignite in the "early days" was accomplished by genuine horsepower and manpower. Today, giant draglines, unit trains and mine-mouth plants have modernized the extraction and utilization of the fuel.

REAL ESTATE AND MINERAL TRUST

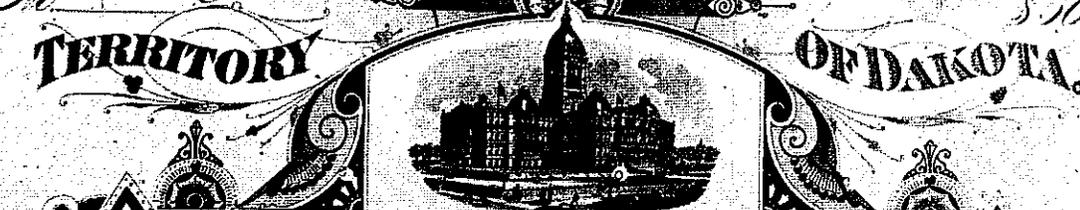
Three oil and gas leasing auctions were held in 1975. Bonuses in the amount of \$177,729.23 were received on 27,929.79 mineral acres, making an overall average of \$6.36 per mineral acre. Income from this, plus rentals and royalties, totaled \$718,836.40 for the year. This was paid directly to the State Treasurer and not included in the Bank of North Dakota's gross income.

SERIES OF 1885.

UNITED STATES OF AMERICA
TERRITORY OF DAKOTA.

No.

\$ 500.



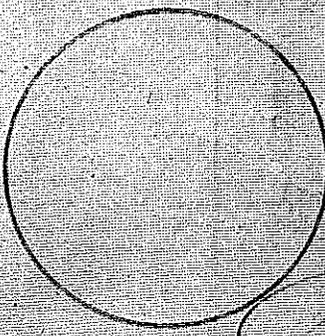
UNIVERSITY OF NORTH DAKOTA.

Know all men by these presents, that the Territory of Dakota is justly indebted and for value received promises to pay to Trustees or bearer the sum of **FIVE HUNDRED DOLLARS**, twenty years after date, or at any time after ten years from date, and within twenty years at the option of the Territory of Dakota, with interest thereon from date at the rate of six per cent per annum, payable semi-annually on the first day of July and the first day of January in each year, at the Chemical National Bank in the City of New York, upon presentation and surrender of the interest coupons hereto attached.

This Bond is one of a series of forty-eight Bonds of like amount and date and is issued under the provisions of an act of the Legislative Assembly of the Territory of Dakota, entitled an act to provide funds to pay the deficiency caused by the construction of the University of North Dakota and for other purposes.

Approved March 14, 1885

In Testimony whereof the Territory of Dakota has caused these presents to be executed under the great seal by the Governor and Treasurer and attested by the Secretary of said Territory this first day of July A. D. 1885.



Attest:

[Signature]
Governor

[Signature] *[Signature]*
Secretary Treasurer

Investments



In the 56 years since our inception, there have been many "ups and downs", but we're happy to report that the economy greeted 1976 with an enthusiasm that had been strangely somnolent throughout 1975.

Total financial transactions for the year amounted to 22.07 billion dollars, which was constituted primarily of federal fund transactions. The year-end total of the Bank's portfolio was \$222,152,537.

The Bond and Safekeeping Division experienced the greatest growth, as a result of absorption of the entire safekeeping requirements of respondent banks.

Implementation of the 1975 Enabling Act for the North Dakota Bond Bank was started late in the

year, and is now coming into existence. It should provide access to funds at a rate level acceptable to all North Dakota municipalities.

The Department looks forward to the inclusion of the third and fourth floors as work area for the Bank, and for the additional scope and increasingly efficient methods that will be implemented.

INDUSTRIAL COMMISSION

Arthur A. Link, Chairman
Governor

Allen I. Olson, Member
Attorney General

Myron Just, Member
Commissioner of Agriculture

ADVISORY BOARD

Eugene Rich, *Chairman*
Exec. V. President, St. Bk. of Fargo
Lloyd K. Everson, *Vice Chairman*
President, Northern Nat. Life Ins. Co.
John H. O'Keefe, *Secretary*
Owner, McDonalds Restaurant, Grd. Fks.
Richard T. Carley, *Member*
President, Casselton State Bank
Dan J. O'Day, *Member*
President, O'Day Equipment Co.

OFFICIAL STAFF

H.L. Thorndal, *President & Manager*
Carl Arndt, *Vice President*
Robert E. Caudel, *Vice President*
John W. Fay, *Vice President*
Ernest Pederson, *Vice President*
R.E. Sailer, *Vice President & Cashier*
Martin E. Stenehjelm, *Vice President*
Maurice Cobb, *Attorney*
Allan Nosbusch, *Auditor*
Jeannine Christy, *Asst. Vice President*
Gene Hetler, *Asst. Vice President*
Shirley Homuth, *Asst. Vice President*
Edward B. Sather, *Asst. Vice President*
Don Anderson, *Asst. Cashier*
Ila Eckroth, *Asst. Cashier*
Al Jahner, *Asst. Cashier*
Delores James, *Asst. Cashier*
Dave Klemmer, *Asst. Cashier*
Freda Rubbelke, *Asst. Cashier*
Gail Vetter, *Asst. Cashier*
Duane Wagner, *Asst. Cashier*
Betty Zeeb, *Asst. Cashier*
Evelyn Zelmer, *Asst. Cashier*

EXECUTIVE COMMITTEE

H.L. Thorndal, *Chairman*
R.E. Sailer, *Vice Chairman*
Robert E. Caudel, *Vice President*
Maurice Cook, *Attorney*
John W. Fay, *Vice President*

INVESTMENT COMMITTEE

H.L. Thorndal, *Chairman*
R.E. Sailer, *Vice Chairman*
Robert E. Caudel, *Vice President*
Maurice Cook, *Attorney*
John W. Fay, *Vice President*
Gene Hetler, *Asst. Vice President*
Edward B. Sather, *Asst. Vice President*

OPERATIONS COMMITTEE

H.L. Thorndal, *Chairman*
R.E. Sailer, *Vice Chairman*
Carl Arndt, *Vice President*
R.E. Caudel, *Vice President*
John W. Fay, *Vice President*
Ernest Pederson, *Vice President*

OPERATIONS COMMITTEE (Continued)

Martin Stenehjelm, *Vice President*
Gene Hetler, *Asst. Vice President*
Shirley Homuth, *Asst. Vice President*
Ila Eckroth, *Asst. Cashier*
Allan Nosbusch, *Auditor*
Dale Eberle, *Control Officer*
Sharon Wehner, *Personnel Officer*

ADMINISTRATIVE & RETAIL BANKING DEPARTMENT

R.E. Sailer, *Vice President & Cashier*
Carl Arndt, *Vice President - Operations*
Ila Eckroth, *Asst. Cashier - Cashier*
Evelyn Zelmer, *Asst. Cashier - Operations*
Dale Eberle, *Control Officer*

COMMERCIAL BANKING DEPARTMENT

R.E. Caudel, *Vice President*
Gene Hetler, *Asst. Vice President*
Loans and Correspondent Banking
Don Anderson, *Asst. Cashier*
Loans and Correspondent Banking
Gail Vetter, *Asst. Cashier*
Loans and Correspondent Banking
Duane Wagner, *Asst. Cashier*
Loans and Correspondent Banking
Ernest Pederson, *Vice President*
Mineral Leasing
Freda Rubbelke, *Asst. Cashier*
Mineral Leasing
Martin Stenehjelm, *Vice President*
Student Loan
Jeannine Christy, *Asst. Vice President*
Student Loan
Betty Zeeb, *Asst. Cashier*
Student Loan

INVESTMENTS AND TRUST DEPARTMENT

John W. Fay, *Vice President*
Edward B. Sather, *Asst. Vice President*
Investments
Shirley Homuth, *Asst. Vice President*
Paying Agent
Allen Jahner, *Asst. Cashier*
Cash Settlement and Federal Funds
David Klemmer, *Asst. Cashier*
Municipals

AUDIT DEPARTMENT

Allan Nosbusch, *Auditor*
Craig Sorenson, *Asst. Auditor*

LEGAL DEPARTMENT

Maurice E. Cook, *Attorney*

PERSONNEL DEPARTMENT

Sharon Wehner, *Personnel Officer*

STATEMENT OF CONDITION

December 31, 1975 and 1974

ASSETS	1975	1974
CASH AND DUE FROM BANKS	\$ 26,751,052	\$ 23,011,329
INVESTMENT SECURITIES (Notes 1 & 2):		
U.S. Government Obligations	\$ 38,788,006	\$ 18,541,971
Federal Agencies Obligations	56,023,788	62,914,403
State and Municipal Obligations	14,760,219	15,487,855
Money Market Investments	116,580,524	51,788,290
Total Investment Securities	<u>\$226,152,537</u>	<u>\$148,732,519</u>
FEDERAL FUNDS SOLD	<u>\$ 22,485,000</u>	<u>\$ 17,190,000</u>
LOANS:		
FHA and GI Home Loans	\$ 35,439,961	\$ 33,500,847
Bank Participation Loans	39,421,519	44,404,493
Federally Insured Student Loans	27,993,206	26,836,456
SBA Participation Loans	7,898,592	6,494,524
Farm Real Estate Loans	6,515,541	4,284,975
Farmers Home Administration Loans	1,665,002	6,408,000
State Institution Loans and Other	95,433	223,603
Total Loans	<u>\$119,029,254</u>	<u>\$122,152,898</u>
BANK PREMISES AND EQUIPMENT (Note 1)	<u>\$ 888,956</u>	<u>\$ 924,906</u>
ACCRUED INTEREST RECEIVABLE	<u>\$ 6,127,702</u>	<u>\$ 4,496,497</u>
Total Assets	<u>\$401,434,501</u>	<u>\$316,508,149</u>
LIABILITIES AND CAPITAL FUNDS		
DEMAND DEPOSITS:		
State Treasurer	\$ 27,616,522	\$ 34,994,008
Political Subdivisions	35,558,543	34,610,828
Banks	15,431,753	8,976,889
Individuals, Partnerships, & Corporations	7,324,292	7,976,751
U.S. Government	63,646	59,323
Official Checks	448,521	458,354
Total Demand Deposits	<u>\$ 86,443,277</u>	<u>\$ 86,476,153</u>
TIME AND SAVINGS DEPOSITS:		
State Treasurer	\$184,644,133	\$140,829,022
Political Subdivisions	24,069,833	13,396,935
Individuals, Partnerships & Corporations	16,562,669	12,927,919
Total Time and Savings Deposits	<u>\$225,276,635</u>	<u>\$167,153,876</u>
Total Deposits	<u>\$311,719,912</u>	<u>\$253,630,029</u>
OTHER LIABILITIES:		
Federal Funds Purchased	\$ 14,830,000	\$ 10,400,000
Securities Sold Under Agreements to Repurchase (Note 2)	34,781,000	15,028,000
Total	<u>\$ 49,611,000</u>	<u>\$ 25,428,000</u>
Accrued Expenses	2,675,903	1,857,312
Appropriation Due State General Fund (Note 4)	12,000,000	2,500,000
Total Other Liabilities	<u>\$ 64,286,903</u>	<u>\$29,785,312</u>
RESERVE FOR LOAN AND INVESTMENT LOSSES (Note 1)	<u>\$ 2,040,130</u>	<u>\$ 2,040,130</u>
CAPITAL FUNDS:		
Capital (Note 5)	\$ 8,000,000	\$ 6,000,000
Surplus	10,000,000	10,000,000
Undivided Profits	5,022,556	14,687,678
Reserve for Purchase of Land and Building Improvements	365,000	365,000
Total Capital Funds	<u>\$ 23,387,556</u>	<u>\$ 31,052,678</u>
Total Liabilities and Capital	<u>\$401,434,501</u>	<u>\$316,508,149</u>

STATEMENT OF INCOME

For the Years Ended December 31, 1975 and 1974

	1975	1974
OPERATING INCOME:		
Interest on Loans	\$ 9,751,722	\$ 9,412,652
Interest on Investment Securities		
U.S. Government Obligations	1,327,540	1,105,180
Federal Agencies Obligations	4,096,760	4,219,400
State and Municipal Obligations	740,549	911,598
Other Money Market Investments	7,366,841	2,765,502
Interest on Federal Funds Sold	2,023,415	4,479,671
Service Charges and Other Income	139,137	129,877
Total Operating Income	<u>\$ 25,445,964</u>	<u>\$ 23,023,880</u>
OPERATING EXPENSES:		
Interest Expense		
Interest on Deposits	\$ 13,449,134	\$ 8,938,691
Interest on Federal Funds Purchased	1,455,994	2,065,901
Interest on Funds Borrowed	599,257	1,713,631
Total Interest Expense	<u>\$ 15,504,385</u>	<u>\$ 12,718,223</u>
Other Expenses		
Salaries	\$ 748,166	\$ 595,035
Employee Benefits (Note 1)	82,973	66,513
Fees and Services	286,430	211,859
Data Processing	110,108	101,515
Supplies and Materials	49,907	36,150
Professional Services	11,256	28,744
Loan - Loss Provision (Note 1)	97,300	—
Depreciation (Note 1)	68,887	67,374
Total Other Expenses	<u>\$ 1,455,027</u>	<u>\$ 1,107,190</u>
Total Operating Expenses	<u>\$ 16,959,412</u>	<u>\$ 13,825,413</u>
Income Before Security Gains (Losses)	\$ 8,486,552	\$ 9,198,467
SECURITY GAINS (Losses)	(151,674)	70,304
Net Income for the Year	<u>\$ 8,334,878</u>	<u>\$ 9,268,771</u>

See Notes to Financial Statement

STATEMENT OF CHANGES IN CAPITAL FUNDS

For the Years Ended December 31, 1975 and 1974

	Capital	Surplus	Undivided Profits	Res. Pur. of Ld. & Bldg. Improvements	Total
BALANCE, DECEMBER 31, 1973	\$5,000,000	\$ 8,000,000	\$ 8,753,465	\$ 30,442	\$21,783,907
Net Income for the Year 1974	—	—	9,268,771	—	9,268,771
Transfer to Surplus	—	2,000,000	(2,000,000)	—	—
Transfer to Capital	1,000,000	—	(1,000,000)	—	—
Remodeling Costs Paid and Capitalized	—	—	30,442	(30,442)	—
Transfer to Reserve for Building Improvements	—	—	(365,000)	365,000	—
BALANCE, DECEMBER 31, 1974	<u>\$6,000,000</u>	<u>\$10,000,000</u>	<u>\$14,687,678</u>	<u>\$365,000</u>	<u>\$31,052,678</u>
Net Income for the Year 1975	—	—	8,334,878	—	8,334,878
Transfer to Capital	2,000,000	—	(2,000,000)	—	—
Transfer to State of North Dakota General Fund (Note 4)	—	—	(16,000,000)	—	(16,000,000)
BALANCE, DECEMBER 31, 1975	<u>\$8,000,000</u>	<u>\$10,000,000</u>	<u>\$ 5,022,556</u>	<u>\$365,000</u>	<u>\$23,387,556</u>

See Notes to Financial Statement

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended December 31, 1975 and 1974

FUNDS PROVIDED FROM:	<u>1975</u>	<u>1974</u>
Operations -		
Net Income for the year	\$ 8,334,878	\$ 9,268,771
Add - Depreciation Expense Not Requiring Expenditure of Funds	<u>68,887</u>	<u>67,374</u>
Total from Operations	\$ 8,403,765	\$ 9,336,145
Increase in Deposit Accounts	58,089,883	52,745,105
Increase in Other Liabilities	34,501,591	—
Decrease in Loans	3,123,644	—
Decrease in Federal Funds Sold	—	1,060,000
Increase in Reserve for Loans and Investments	—	66,109
	<u>\$104,118,883</u>	<u>\$63,207,359</u>
FUNDS USED TO:		
Increase Investments	\$ 77,420,018	\$32,231,113
Transfer to ND State General Fund	16,000,000	—
Increase Federal Funds Sold	5,295,000	—
Increase Cash and Due From Banks	3,739,723	2,796,423
Increase Accrued Interest Receivable	1,631,205	98,179
Purchase Bldg. Improvements and Equipment	32,937	47,780
Increase Loans	—	15,733,674
Decrease Other Liabilities	—	12,300,190
	<u>\$104,118,883</u>	<u>\$63,207,359</u>

See Notes to Financial Statement

NOTES TO FINANCIAL STATEMENT

December 31, 1975

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Investment Securities —

Investment securities are stated at the lower of cost or par value. On certain exchange transactions of like kind securities, the cost basis of the old security is carried over as the basis of the new security. Premiums are written-off at the time of purchase.

B. Loan and Investment Losses —

The balance in the reserve account is based on the Banks' past loan and investment loss experience and such other factors which, in managements' judgement, deserve consideration in estimating possible loan and investment losses.

Transactions affecting the reserve for loan and investment losses for the years ended December 31, 1975 and 1974 were as follows:

	<u>1975</u>	<u>1974</u>
Balance, beginning of year	\$ 2,040,130	\$ 1,974,021
Add (deduct) -		
Provision charged to operating expenses	97,300	—
Loans charged off	(97,300)	(11,114)
Recoveries	—	77,223
Balance, end of year	<u>\$ 2,040,130</u>	<u>\$ 2,040,130</u>

C. Bank Premises and Equipment —

Bank premises and equipment are stated at cost. It is the policy of the Bank to provide depreciation based on the estimated useful life of the individual units. Depreciation methods and estimated useful lives are as follows:

	<u>Methods</u>	<u>Estimated Useful Lives</u>
Bank premises	Straight-line	25 years
Equipment	Straight-line	5-10 years

D. Employee Benefits and Pension Plan —

1. Included in employee benefits for 1975 and 1974 were the following:

	<u>1975</u>	<u>1974</u>
Social Security Taxes	\$39,031	\$30,941
Employee Pension Plan	30,674	22,903
Hospitalization	<u>13,268</u>	<u>12,669</u>
	<u>\$82,973</u>	<u>\$66,513</u>

2. The Bank participates in a retirement plan administered by the North Dakota Public Employees Retirement System covering all full time employees. The employees also contribute to the plan. There are no unfunded past service costs and the value of the pension assets exceeds the vested benefits.

2. PLEDGED ASSETS:

At December 31, 1975, securities with a par value of \$3,000,000 were pledged to secure deposits in the treasury tax and loan account and securities with a par value of \$35,914,000 were pledged to secure securities sold under agreements to repurchase.

3. TRUST FUNCTIONS:

Property (other than cash deposits) held by the bank in fiduciary or agency capacities for its customers is not included in the accompanying financial statements, since such items are not assets of the Bank.

4. APPROPRIATION DUE STATE GENERAL FUND:

In March, 1975, the North Dakota State Legislature authorized a transfer of \$16,000,000 from the Bank's undivided profits to the General Fund of the State of North Dakota. It is the policy of the Bank to make these payments semi-annually during the biennium July 1, 1975 to June 30, 1977.

5. CAPITAL

The Bank of North Dakota is owned and operated by the State of North Dakota under the supervision of the Industrial Commission as provided by Chapter 6-09 of the North Dakota Century Code.

6. COMMITMENTS AND CONTINGENT LIABILITIES:

In the normal course of business there are outstanding various commitments and contingent liabilities, such as guarantees, commitments to extend credit, etc., which are not reflected in the accompanying financial statements. The Bank does not anticipate losses as a result of these transactions.

BROEKER HENDRICKSON & CO.

Certified Public Accountants

BISMARCK, NORTH DAKOTA

To the Industrial Commission
State of North Dakota
Bismarck, North Dakota

We have examined the statement of condition of THE BANK OF NORTH DAKOTA as of December 31, 1975 and 1974, and the related statements of income, changes in capital funds and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of The Bank of North Dakota as of December 31, 1975 and 1974, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Broeker Hendrickson & Co.

Bismarck, North Dakota
January 16, 1976

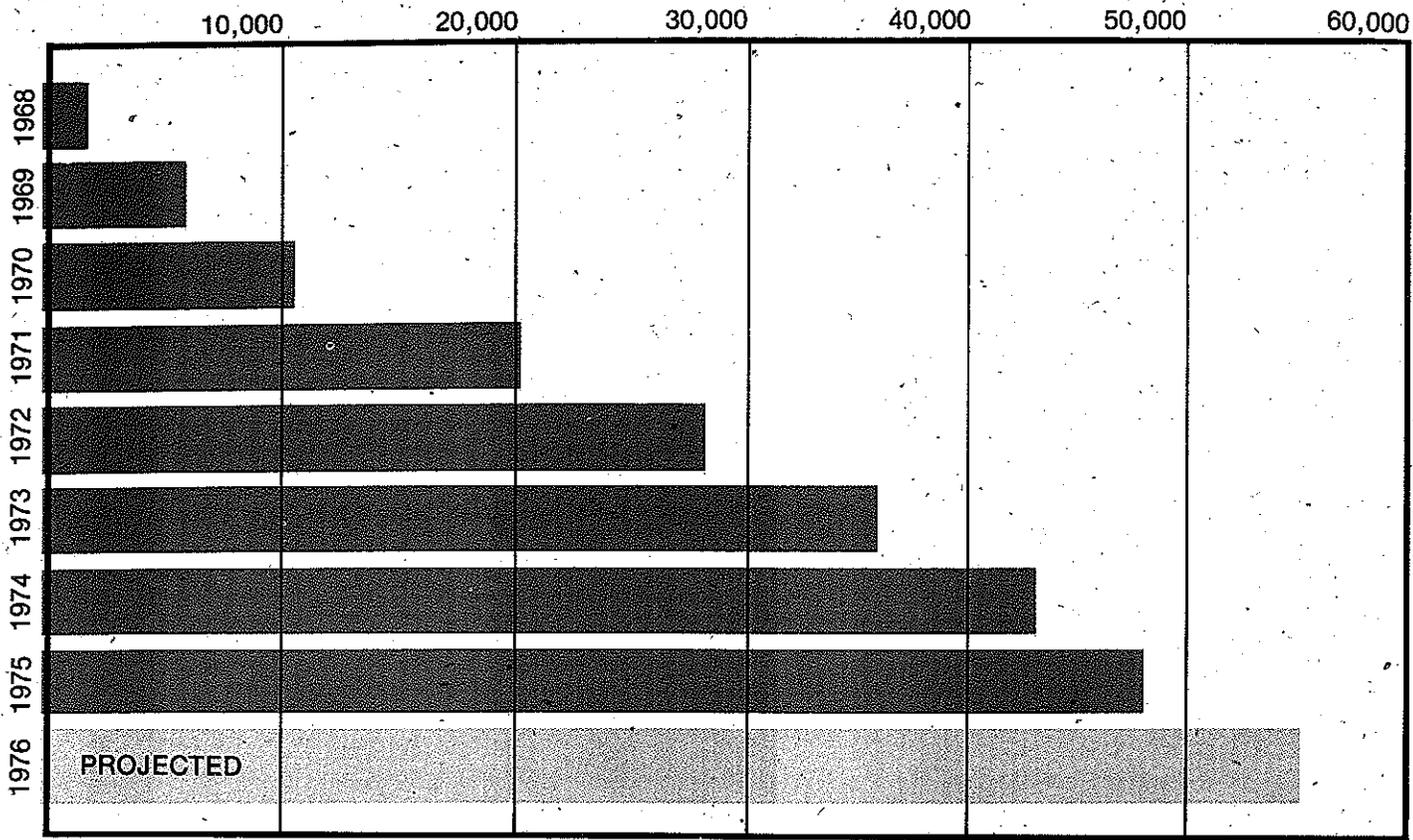
INCOME

FEDERAL AGENCIES, FEDERAL FUNDS AND OTHER SECURITIES 53.6%	INTEREST ON LOANS 38.3%	U.S. TREASURY SECURITIES 5.2%	STATE AND MUNICIPAL SECURITIES 2.9%
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EXPENSES AND PROFITS

PROFIT 32.8%	INTEREST PAID ON STATE TREASURER'S ACCOUNTS 40.9%	ALL OTHER INTEREST PAID 20%	ALL OTHER EXPENSES SALARIES AND EMPLOYEE BENEFITS 3.7% 1.3%
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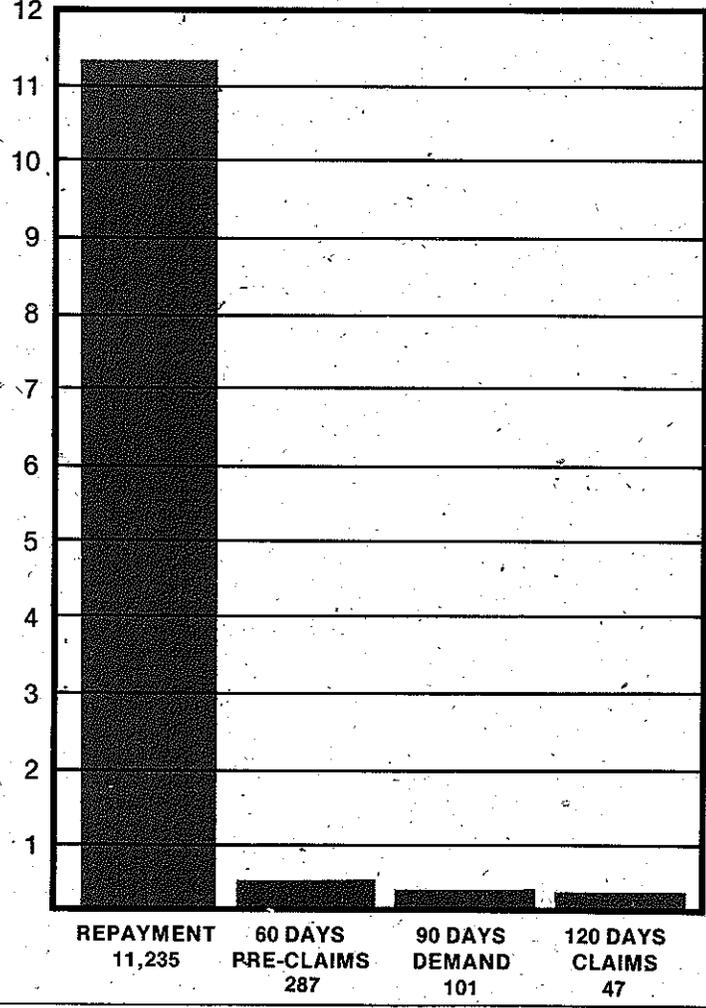
NUMBER OF STUDENT LOANS



CURRENT STATUS OF STUDENT LOANS



F.I.S.L. REPAYMENT [In Thousands]



SIX YEAR SUMMARY

	1975	1974	1973	1972	1971	1919
OPERATING RESULTS (000 omitted)						
Total Income	\$ 25,446	\$ 23,024	\$ 16,523	\$ 11,000	\$ 9,502	\$ 204
Interest Expense	15,504	12,718	7,579	4,031	3,722	89
Other Oper. Expenses	1,607	1,040	863	895	941	45
NET EARNINGS (Profit)	8,335	9,269	8,066	6,083	4,839	70
Paid to St. Treas. (Dividend)	6,500	5,000	4,125	3,250	3,000	N/A
BALANCE AT YEAR END (000 omitted)						
Total Resources	\$401,435	\$316,508	\$266,700	\$206,349	\$178,070	\$17,982
Total Deposits	311,720	253,630	200,857	168,156	153,964	15,620
Demand Deposits	86,443	86,476	117,437	89,467	84,638	15,608
Time Deposits	225,277	167,154	83,420	78,689	69,326	12
Fed. Fds. Purchased/R.P.'s	49,611	25,428	33,418	10,160	-0-	N/A
Fed. Fds. Sold	22,485	17,190	18,250	5,620	8,100	N/A
TOTAL INVESTMENT SECURITIES (000 omitted)	\$226,153	\$148,733	\$116,501	\$ 96,284	\$ 92,311	\$ 2,053
U.S. Government	38,788	18,542	20,796	14,154	17,421	110
Federal Agencies	56,024	62,915	64,511	36,498	31,008	N/A
Other Money Market Instruments	116,581	51,788	14,862	31,888	32,685	1,943
N.D. Political Sub. Bds.	14,760	15,488	16,332	13,744	11,197	N/A
TOTAL LOANS (000 omitted)	119,029	122,153	106,392	79,952	62,338	617
Farm Home Adm. Loans	1,665	6,408	13,266	18,158	19,686	N/A
Fed. Insured St. Lns.	27,993	26,836	24,360	20,290	15,195	N/A
Farm Real Estate Loans	6,515	4,285	2,343	636	78	617
FHA Home Loans	15,018	15,872	16,169	15,223	12,999	N/A
GI Home Loans	20,422	17,629	15,544	10,871	4,869	N/A
Small Business Adm. Loans	7,899	6,495	5,174	3,812	4,008	N/A
BK Participation Loans	39,422	44,404	27,746	9,779	5,082	N/A
Other Loans	95	223	1,788	1,190	422	N/A
CAPITAL AND RESERVES (000 omitted)	\$ 25,428	\$ 33,093	\$ 23,758	\$ 25,692	\$ 17,654	\$ 2,071
Capital	8,000	6,000	5,000	2,000	2,000	2,000
Surplus	10,000	10,000	8,000	8,000	4,000	40
Undivided Profits	5,023	14,688	8,753	13,019	9,680	6
Reserves	2,405	2,405	2,005	2,673	1,974	25
OTHER DATA (Numbers)						
N.D. Banks with BND Accounts	174	163	159	157	140	584
Individual Checking Accounts	3,878	3,489	2,909	2,306	1,945	3
Individual Savings Accounts	1,524	1,279	1,043	744	785	N/A
Fed. Insured Student Loans (made or purchased)	5,883	6,912	7,757	9,083	7,317	N/A
FHA House Loans, Made or Purch.	46	67	101	201	151	N/A
GI House Loans, Made or Purch.	191	139	279	321	45	N/A
SBA Loans Purchased	15	14	14	13	8	N/A
Bank Participation Loans	77	100	59	43	17	N/A
Number of employees	89	83	80	73	69	70