Into Our Fifty-eighth Year As A

Partner in North Dakota's Progress

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

The only wholly STATE OWNED bank in the United States

1976 ANNUAL REPORT

Bank of North Dakota

BISMARCK, NORTH DAKOTA 58505

This year's Bank of North Dakota "Annual Report" emphasizes the Bank's new slogan "PARTNER IN NORTH DAKOTA'S PROGRESS". The Bank's dedication to ". . . encouraging and promoting agriculture, commerce and industry . . ." in participation with other financial institutions, makes the slogan meaningful!

Financial Highlights - 1976

	1976	1975	Percentage Change
AT YEAR END:			
RESOURCES	$ 448,393,110	$ 401,434,501	+ 12%
Deposits	362,454,439	311,719,912	+ 16%
Student Loans	29,288,295	27,993,206	+ 5%
Real Estate Loans	46,177,125	41,955,502	+ 10%
All Other Loans	71,982,746	49,080,546	+ 47%
FOR THE YEAR:			
Total Income	28,256,887	25,445,964	+ 11%
Interest Paid	16,724,496	15,504,385	+ 8%
Expenses Paid	1,724,636	1,606,701	+ 7%
NET INCOME	9,807,755	8,334,878	+ 18%
Dividend Paid to State Treasury	8,000,000	6,500,000	+ 23%
No. of Checks Processed	24,415,586	22,109,026	+ 10%
Total Fed. Fds. Purchased	7,638,868,000	8,911,521,000	- 14%
Total Fed. Fds. Sold	15,165,558,000	12,448,150,000	+ 22%

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The Bank of North Dakota

1976 ANNUAL REPORT

The Enabling Act

Section 6-09-01, **North Dakota Century Code.** "Purpose and establishment of Bank of North Dakota - for the purpose of encouraging and promoting agriculture, commerce, and industry, the state of North Dakota shall engage in the business of banking, and for that purpose shall maintain a system of banking owned, controlled, and operated by it, under the name of the Bank of North Dakota."

The Bank of North Dakota Philosophy

I To encourage and promote agriculture, commerce and industry in North Dakota.

II To provide the most efficient and economical financial service to the state, its agencies, and instrumentalities.

III 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.

1976 Industrial Commission

Arthur A. Link
Governor, Chairman

Allen I. Olson
Attorney General

Myron Just
Commissioner of Agriculture

H. L. Thorndal
President and Manager

North Dakota Industrial Commission

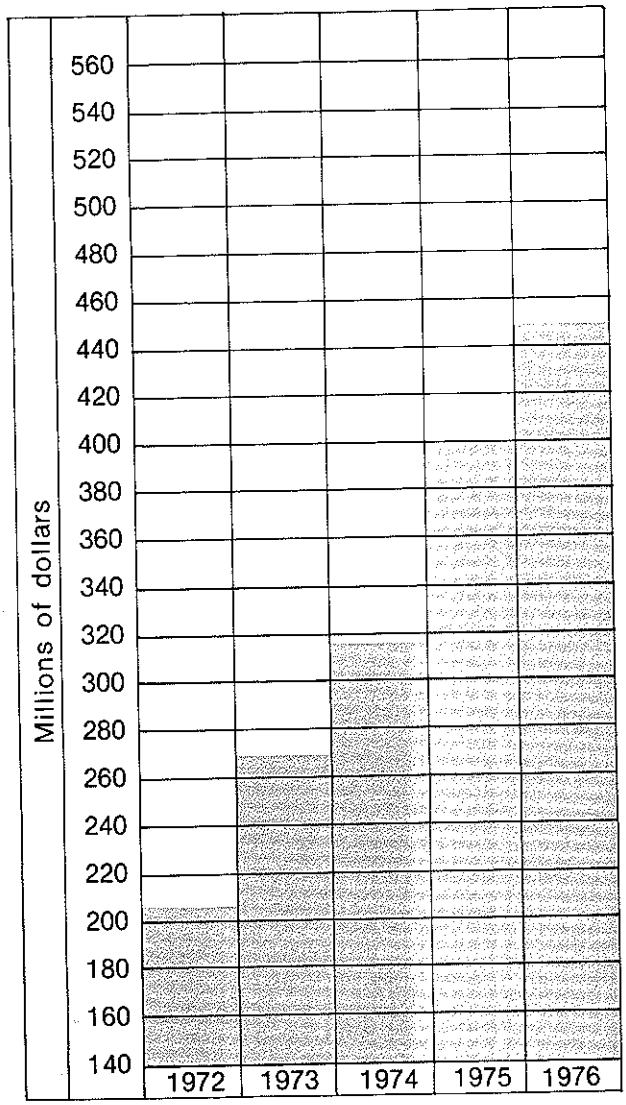
To the Citizens of North Dakota:

North Dakota can be proud of the Bank of North Dakota, and its record of service to the State and its citizens. The Industrial Commission adopted the slogan "Partner in North Dakota's Progress" during the year. We are pleased that every bank in the state has an account relationship with the Bank of North Dakota. This cooperation between the private financial institutions and our state-owned Bank makes the Bank of North Dakota a partner with other institutions in financing the progress of our state.

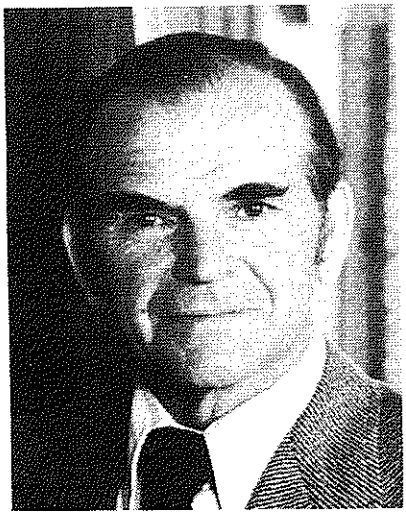
The Bank was able to help Towner, North Dakota, by opening a paying and receiving station when the town's only bank closed. This is the first time the Bank of North Dakota was involved in a facility away from its main office. By providing these banking services, the Bank of North Dakota was able to continue the community's daily business operations.

The Bank remains a leader in student lending, farm ownership loans, term real estate loans, home loans, and municipal bond underwriting. The Bank increased all their loans substantially during this year, and increased its service to the state and its citizens.

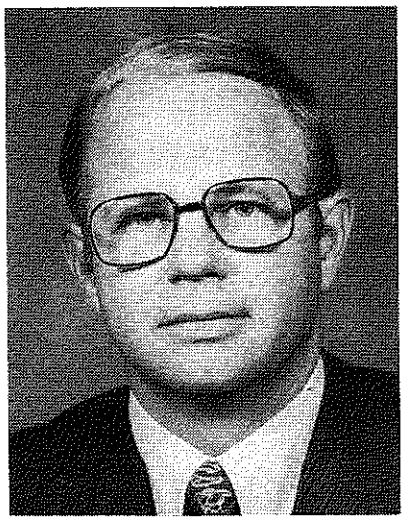
We urge you to read this report and share in the pride of the Bank of North Dakota's accomplishments during the past year.



TOTAL RESOURCES



ARTHUR A. LINK
Governor, Chairman



ALLEN I. OLSON
Attorney General

MYRON JUST
Commissioner of Agriculture

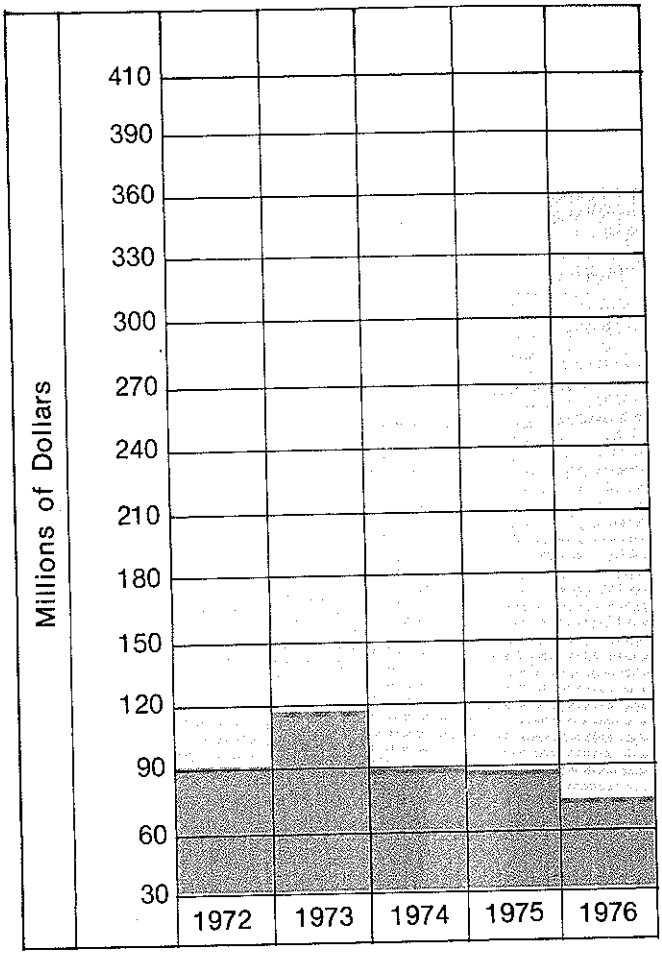
Advisory Board

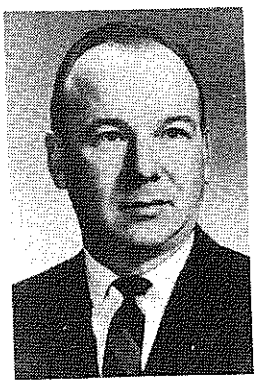
To the North Dakota Industrial Commission:

The Advisory Board was activated in 1975, and has continued its functional responsibilities to the Industrial Commission and the Bank of North Dakota. During 1976, the Advisory Board met twelve times. Nine of the meetings were held on the last Thursday of the month, in Bismarck, ND. Three of the monthly meetings were held in the eastern part of the state. Representatives of financial institutions from Fargo, Grand Forks and surrounding areas were invited to meet with the Board and discuss various ways in which the Bank of North Dakota could better serve North Dakota citizens. The Advisory Board has set down, in its Administrative Policy, its prime purpose is "aiding in development of the Bank's role in the state's economy . . ." The meetings with the various financial institutions allowed us to receive input from the financial community, as well as explain the function of the Board and various policies and procedures of the Bank. The direct contact with the members of the financial community gave us an indication of areas to develop and an establishment of priorities. An example of this would be the restructuring of the interest rate schedule for the Bank.

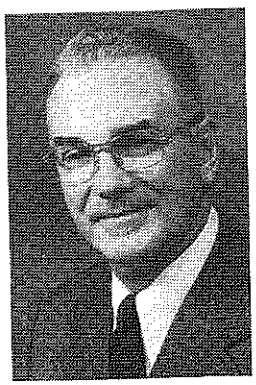
The Advisory Board will continue to work with the Industrial Commission and Bank management in the development of the Bank and the review of its over-all operations and policies.

The Bank of North Dakota should be commended on an excellent year, as you can see by this report.

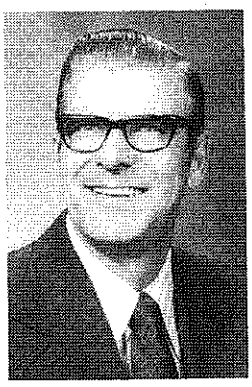




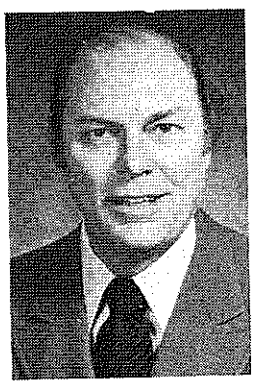
Eugene Rich
Chairman
E.V.P., State
Bank of Fargo



Lloyd Everson
Vice Chairman
Pres., Northern
National Life Insurance



John O'Keefe
Secretary
Owner, McDonalds
of Grand Forks



Richard Carley
Member
Pres., Casselton
State Bank

Dan O'Day
Member
Pres., O'Day
Equipment

TO THE NORTH DAKOTA INDUSTRIAL COMMISSION:

The Bank of North Dakota had another record year in 1976. Resources peaked at $468,787,040.44 on November 30, 1976. Total resources exceeded $400 million during the entire year. At year end, resources were $448,393,110, an increase of $46,958,609 or 12% over 1975. We anticipate passing $500 million in early 1977.

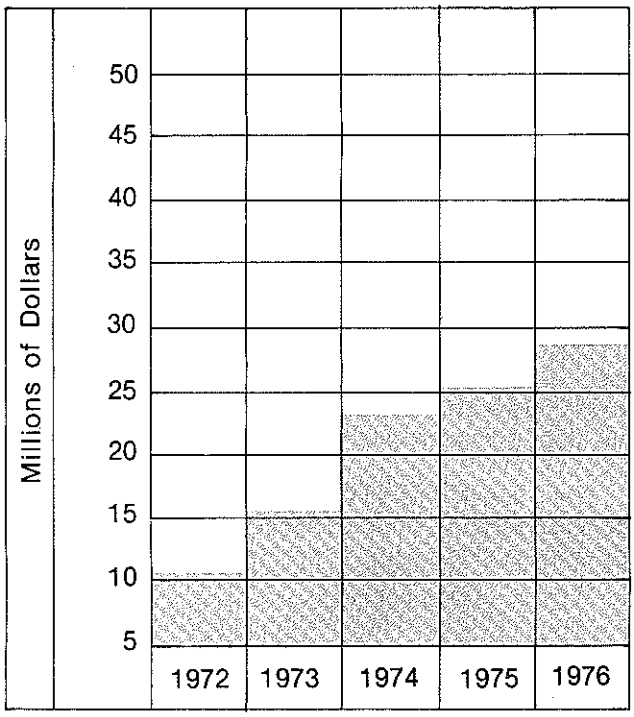
Net income for 1976 totaled $9,807,755, an increase of 18%. This was considerably above what we predicted a year ago. Total operating income was up substantially, while interest expense and other expenses only increased moderately. Total net operating earnings for the Bank since its inception in 1919 reached $100,751,879. We think this is very good, on a $2 million investment fifty-seven years ago. We anticipate total income to increase in 1977, due to increased loan volume, and decreased interest expense. We do not foresee a large increase in rates in 1977. Other expenses will increase only slightly in 1977, if inflation remains reasonably checked.

Deposits were at $362,454,439 at year end, up $50,734,527 from 1975 year end of $311,719,912. All of this increase was in time deposits. Demand deposits decreased from $86.4 million to $77.9 million. The Investment Committee sets the rate on negotiable and public Certificates of Deposit every Wednesday morning. While Bank of North Dakota's deposits will increase the first half of 1977, we anticipate a substantial decrease in the last half of the year, due to smaller tax collection and increased spending of state funds, which will be reflected in smaller state deposits in the Bank of North Dakota.

The Industrial Commission authorized the Bank to increase its capital by $2 million in 1976, bringing capital to $10 million, and reserves were also increased to $2.5 million. The Bank now has a legal lending limit of $5 million (25% of capital and surplus). The Bank paid a "dividend" to the State's General Fund (by Legislative appropriation) of $8 million in 1976. We do not anticipate having to increase captial, surplus, or reserves in 1977.

Total loans increased $28,418,912, or 24% to $147,448,166 at year end. We anticipate loans to increase by over $30 million in 1977. Student loans have apparently leveled off. We now have over half the student loans in repayment status. We expect a large increase in housing loans and farm ownership loans in the ensuing year. Many banks will be forced to renew their agricultural loans because of the drought and low grain prices; and the Bank of North Dakota will renew and extend most of the overlines we now have, and we expect an increase in total agricultural loans. We believe the overall quality of our loan pouch is excellent, and we do not anticipate any losses in 1977.

The North Dakota Bond Bank will be operating in 1977. We expect to receive the highest rating possible for the Bond Bank. Bond underwriting was up somewhat in 1976, but we do not anticipate any significant increases in 1977. The Bank of North Dakota hopes to sell our inventory of Municipal Industrial Development Bonds for a profit in 1977. There may be an increase in Industrial Revenue Bond underwriting in 1977.



TOTAL INCOME

The Bank of North Dakota opened a "Paying and Receiving Station" in Towner, North Dakota, when the city's only bank was placed in conservatorship. Our station closed when other banking facilities were established in Towner. This was the first time the Bank of North Dakota has ever had a banking facility office outside of Bismarck. We were pleased to be able to temporarily alleviate the financial crisis in Towner.

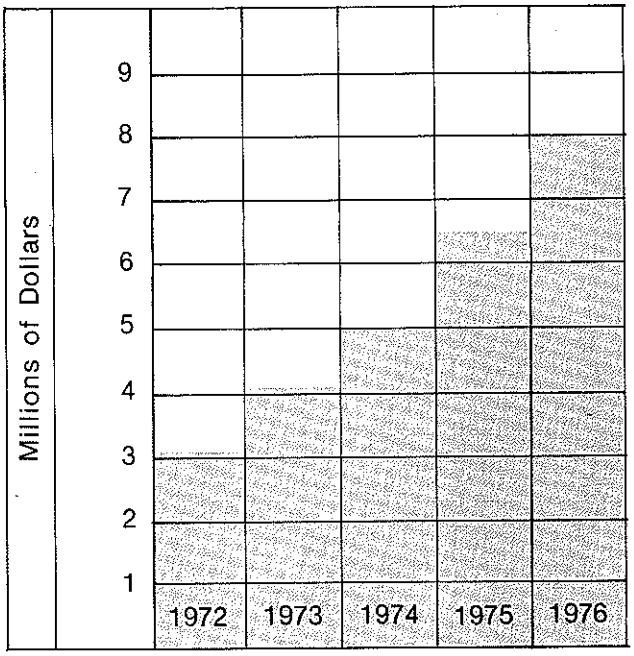
The Bank promoted Robert E. Caudel, John W. Fay, and Ruben E. Sailer to Senior Vice

Presidents during 1976. This is the first time the title Senior Vice President has been used by the Bank. Maurice E. Cook was promoted to General Counsel and Edward B. Sather was named Vice President. Ila Eckroth was promoted to Cashier, and Gail Vetter and Evelyn Zelmer were promoted to Assistant Vice Presidents. Ronald Keeley joined the Bank during the year as Assistant Vice President in charge of the Loan and Correspondent Banking Department. Allan Nosbusch was promoted to Comptroller, a new position in the Bank, and Craig Sorenson was named Auditor. Steve Tomac, Alyce Starck, Sharon Wehner, and Lewis Wilson were promoted to Assistant Cashiers. Dale Eberle and Donald Young were promoted to Assistant Comptrollers. David Klemmer and Cecilia Wanner were promoted to Assistant Auditors, and Fran Koppang was promoted to Loan Officer.

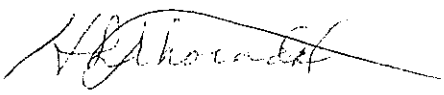
There were no retirements during the year, and turnover of the staff was reduced. The table of organization was changed to provide for a Personnel Department and a Comptrollers Division. Computerization of the Bank's records continued and all real estate loans are now on the computer. We expect to complete the computerization of all Bank programs in 1977. The Student Loan Department was moved from the first to the fourth floor during the year. We plan to remodel the third and fourth floors in 1977, which will be the first time the Bank has occupied the entire building. We also plan to expand the parking lot to the east of the Bank during 1977.

Every bank in North Dakota now maintains an account with the Bank of North Dakota. This was another "first" in the Bank's achievements in 1976. We feel we are truly a "Partner in North Dakota's Progress."

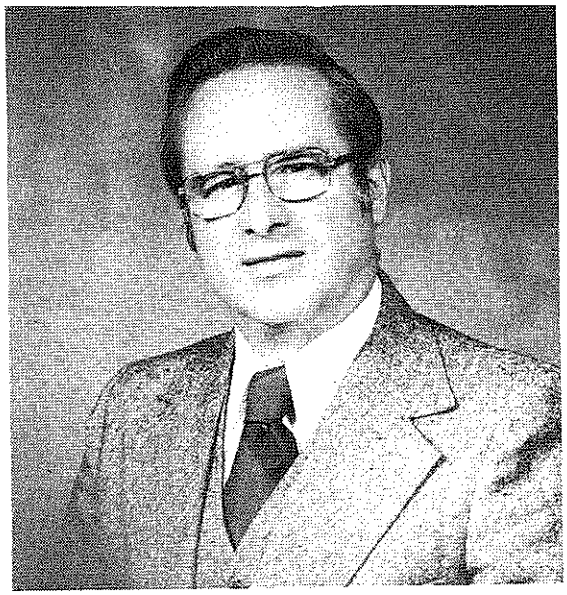
The Bank of North Dakota looks forward to 1977 with confidence and enthusiasm. We expect to be the first half billion dollar bank in the State's history; which will aid us to be a "Partner in Progress" and continue our mission to "aid and encourage agriculture, commerce and industry" in North Dakota.



PAID TO STATE FROM EARNINGS



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



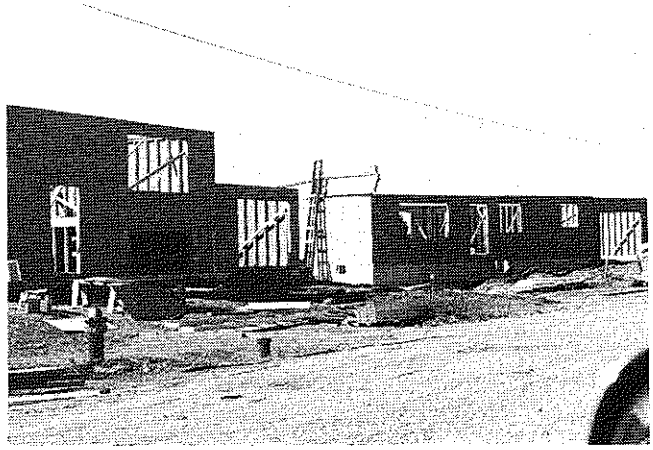
COMMERCIAL BANKING DEPARTMENT

Home Mortgage Loan Section

Duane Wagner, Sharon Grendahl, Gail Vetter, Grace Morman, Fran Koppang.

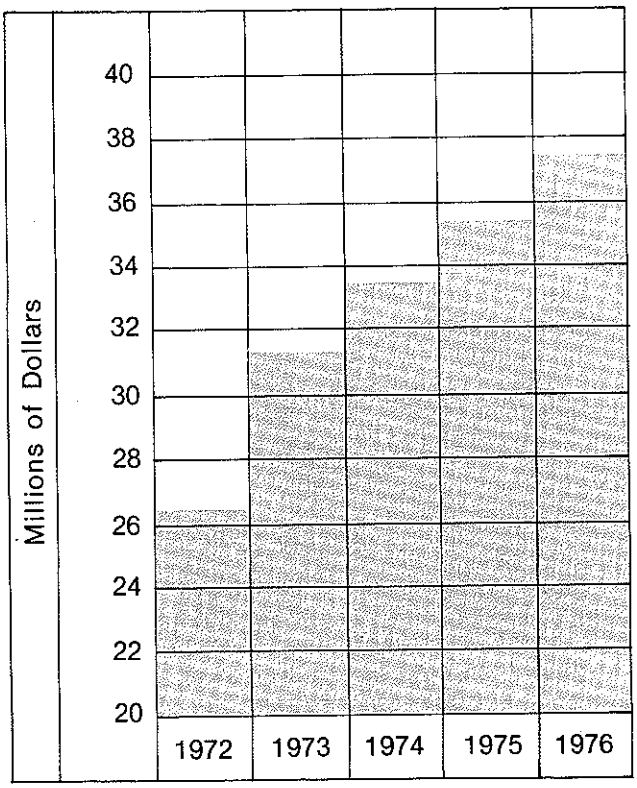
The non-competititve direct origination of loans by the Bank of North Dakota has increased tremendously due to the ever increasing demand for housing throughout the state and the increased construction costs of housing. In an attempt to better serve our customers, we have computerized all of our real estate loans. In addition, we are now applying escrow payments to the principal balance of the mortgages or, in effect, paying interest on escrow accounts. During 1976, $6,665,035 in new mortgages have been put on the books of the Real Estate Division.

The Real Estate Division of the Bank of North Dakota is dedicated to assisting the citizens of North Dakota in securing housing. This is being done through various housing programs in cooperation with other financial institutions throughout the state. The secondary mortgage market, which the Bank of North Dakota has created, continues to serve the needs of more and more North Dakota banks and savings and loan associations in providing home financing to their customers.

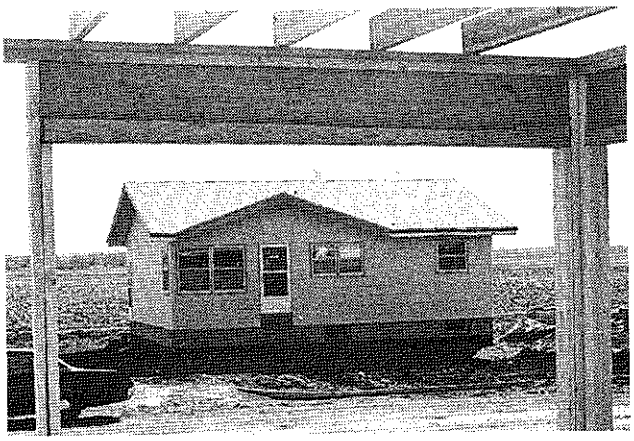


Your Home Ownership Partner

In line with nationally recognized needs of Americans who find it more and more difficult to obtain adequate housing, many new programs have been instituted. The newly revised HUD/FHA Section 235 Program is available to low and moderate income families to construct or substantially rehabilitate housing. The Bank of North Dakota has agreed to purchase FHA Section 235 loans and the servicing from any financial institution in the state, so that they are better able to assist their customers in utilizing this federal program.



FHA & VA LOANS



The Bank of North Dakota also instituted its own Interest Supplement Program in November, 1975, and by the end of 1976 made $353,650 in loans at rates as low as 6%. This type of loan is becoming more and more valuable in aiding moderate income North Dakotans in acquiring better housing and will hopefully become available for even more people in the future.

COMMERCIAL LOAN DEPARTMENT

Partners in the Pride of Ownership

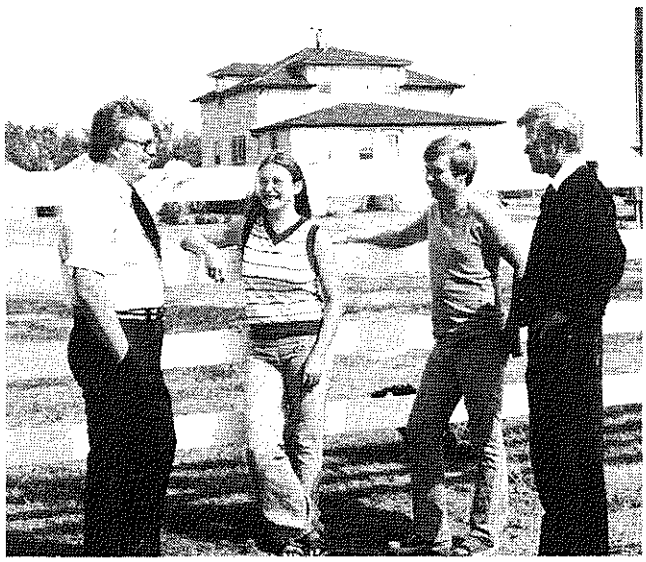
BANK OF NORTH DAKOTA-FmHA FARM AND RANCH OWNERSHIP LOANS

In the lending priorities of the Bank of North Dakota, which are periodically reviewed by our Advisory Board and the Industrial Commission, farm and ranch ownership loans have consistently been ranked number two in priority (first priority has always been an ongoing secondary market for Federally Insured Student Loans).

Working with the State Office and each of the County Supervisors of the Farmers Home Administration, Bank of North Dakota provides a constant source of permanent financing for land purchases. FmHA appraises the land, provides an "in-depth" resume on the borrower and furnishes a planned, budgeted program for the borrower. Bank of North Dakota, on a first mortgage lien, can advance up to 50 percent of the appraised value of the land on a twenty-five year term. FmHA compliments this arrangement with a second mortgage obligation up to a maximum of $100,000 on a forty year term. In addition, FmHA can furnish the borrower with an annual operating line. In many cases, especially where the borrower has a good equity in his equipment or livestock, the local bank furnishes the operating line. Frequently, Bank of North Dakota participates in the operating line if it is furnished by a bank.

In 1975, Bank of North Dakota was ranked number 15 among the nation's 14,300 plus banks by the ABA in Farm and Ranch Real Estate loans. Of further importance, Bank of North Dakota limits these loans to actual operators.

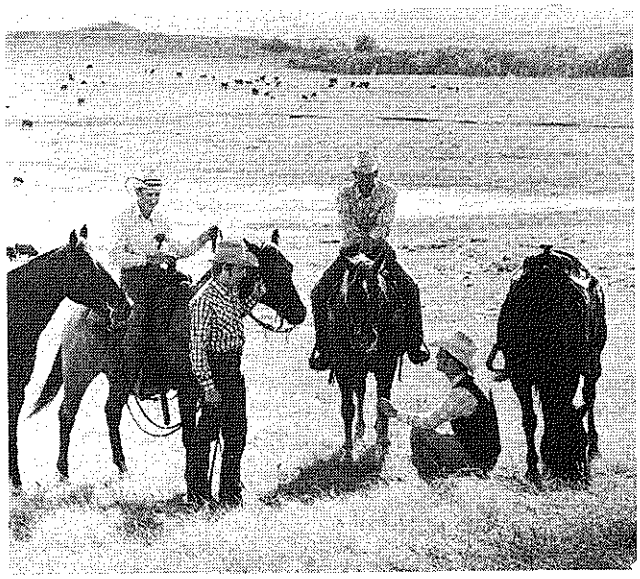
Closing the Loan

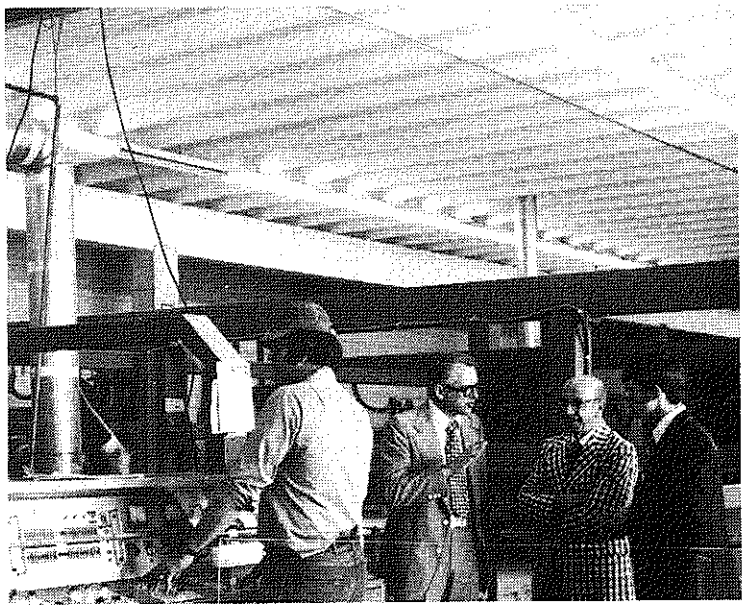


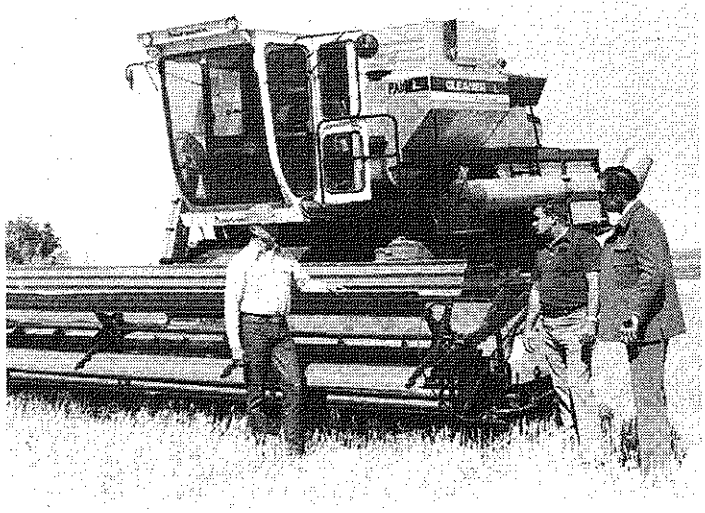
Reviewing the Progress

COMMERCIAL LOAN DEPARTMENT

Partners in Challenge







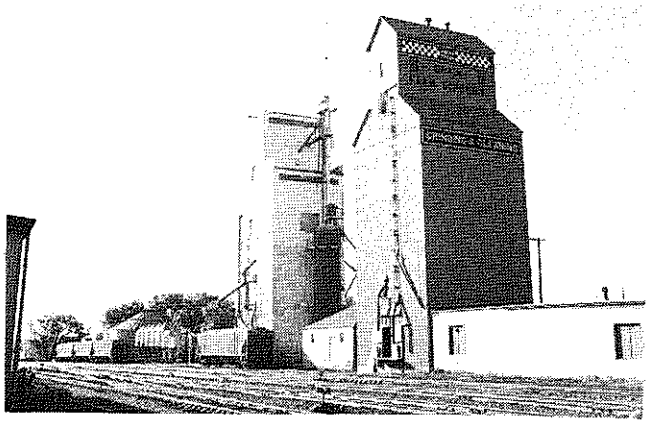
As the central bank for the financial community of the State of North Dakota, Bank of North Dakota supplies a full spectrum of overline and liquidity participations.

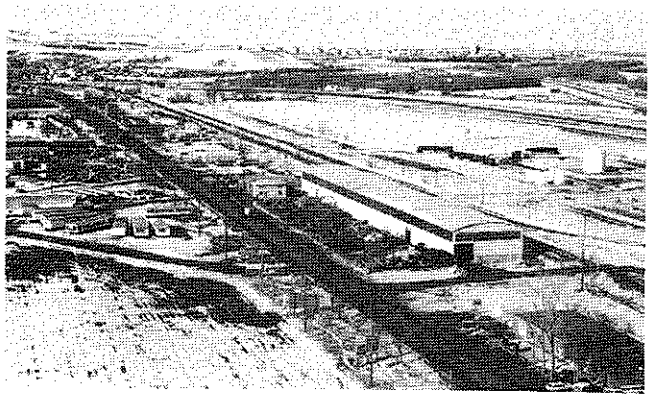
Relying on the financial data and the character judgment furnished by the lead bank, Bank of North Dakota funds these lines at the lead bank's rates and terms. With few exceptions, a service fee is paid on Bank of North Dakota's participation, which substantially increases the yield to the lead bank.

The diversification of the loan portfolio of Bank of North Dakota exemplifies the fact that we are "A Partner in North Dakota's Progress". Our farm and ranch overlines peaked at $13,852,527 in 1976, and term loans for equipment, breeding stock and non-residential farm improvements advanced to $46,651,533.

COMMERCIAL LOAN DEPARTMENT

Partners in Growth





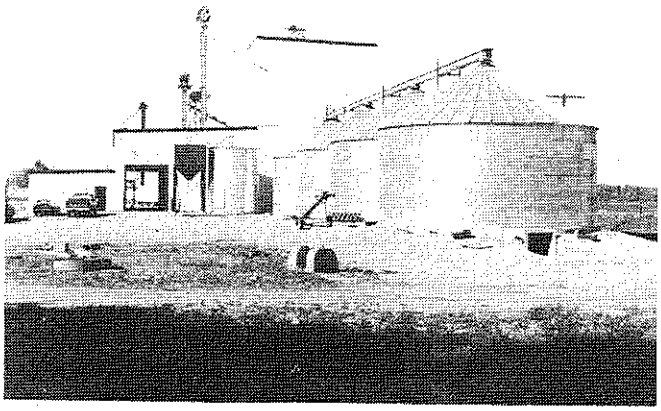
SBA & FmHA GUARANTEED LOANS

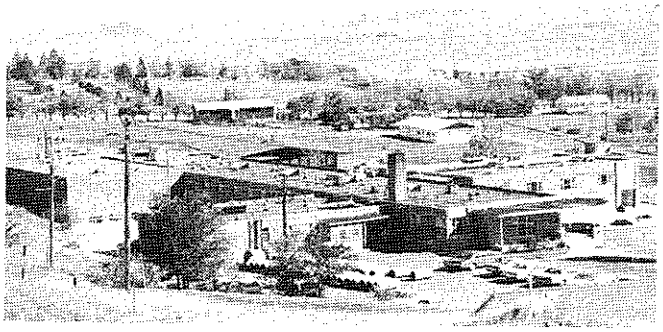
Bank of North Dakota furnishes a continuing secondary market for all SBA and FmHA Guaranteed Loans throughout the State of North Dakota. This program offers the community bankers a source for liquidity, additional earnings, and the means to fund ongoing community borrowing needs.

Throughout the years, Bank of North Dakota has never refused to purchase the guaranteed portion of an SBA or a FmHA loan. With the help and guidance of the Fargo, ND, SBA District Office, Bank of North Dakota purchased the first SBA guaranteed loan in 1968 and established a secondary market. The program has subsequently spread throughout the country.

Our secondary market offers all banks within North Dakota the ability to significantly increase their loan commitments to small or rural or marginal businessmen without additional cash flow cost to the bank. This secondary market also increases the yield on the unguaranteed portion held by the lead bank in that Bank of North Dakota pays the SBA fee on all new loans and pays the originating bank a servicing fee on the guaranteed portion.

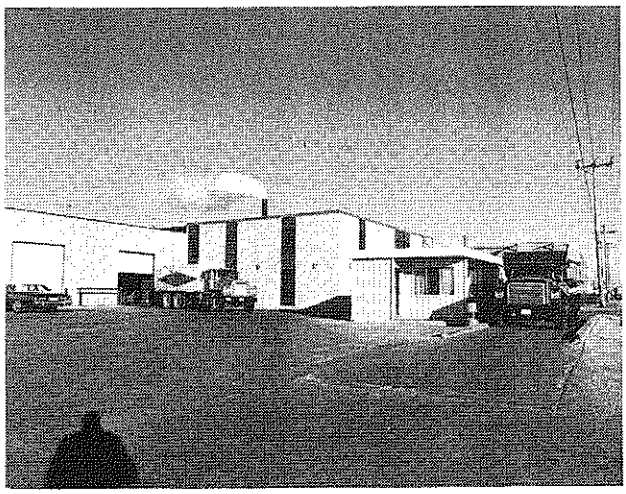
In accordance with Bank of North Dakota's philosophy, we are totally committed "to encourage and promote agriculture, commerce and industry in North Dakota." SBA and FmHA loan programs are a very effective tool to accomplish this end.

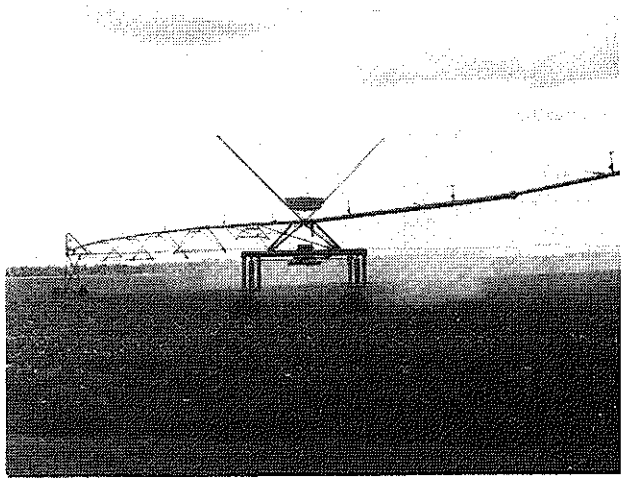




COMMERCIAL LOAN DEPARTMENT

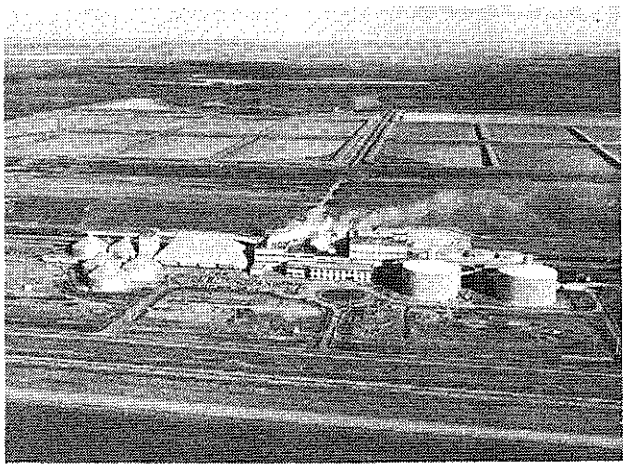
Partners in Advancement

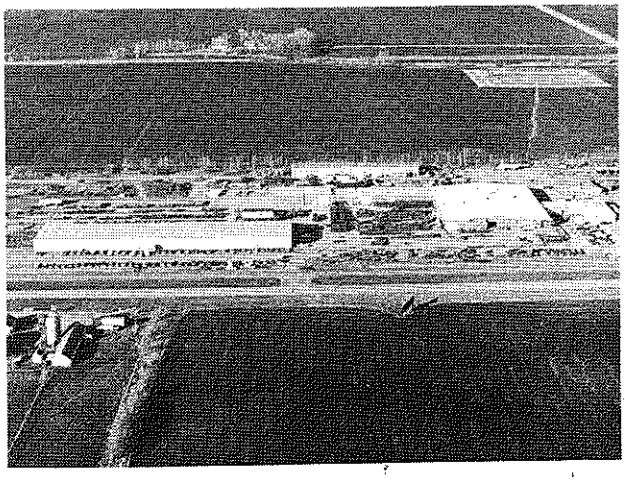




From the very outset in 1919, Bank of North Dakota was created to serve the needs of agriculture, industry, and commerce within the State of North Dakota. In helping with the development and growth of the agricultural industry, which is the base of the economy of our State, specialized term loans are extremely necessary. Working with our farmer-producers, their cooperatives, the Bank for Co-operatives, the SBA and the FmHA, Bank of North Dakota has been instrumental in developing sugar beet plants, potato processing plants, irrigation systems, rural water districts and farm equipment manufacturing plants.

Due to the extreme capital costs of developing and maintaining some of these projects, private industry is often reluctant to proceed. With these plants, the farmer-producer has an ongoing market; the irrigation systems and water districts supply water for his family, his livestock and crops. Local manufacturing plants have the ability to produce and supply specialized mechanical equipment for the farmer's use. The end product is a food supply for our nation and the world.





CORRESPONDENT BANKING DEPARTMENT

Partners in Providing Service

The decision to choose a particular bank for a correspondent relationship involves several extremely important factors; stability, location, abilities, service and trust, to name but a few. Like the all important "character" in the three "C's" of credit, trust is undoubtedly the most important consideration in establishing a respondent association. As the central bank for the State of North Dakota, we are constantly working to encourage and promote agriculture, commerce and industry in North Dakota through your trust in us.

BND has a capital structure of $10 million in capital and $10 million in surplus. We have stability, and in keeping with the legal lending limits of state chartered banks, we have a $5 million legal lending limit to any one borrower. Bismarck is centrally located within the state and our office is convenient for all of the state's financial institutions. Our staff, though small, is made up of highly skilled individuals who offer the highest measure of ability. Our services are constantly expanding and we presently offer more programs than any other bank in the Northern Great Plains.

SERVICES

MONEY MARKET CENTER

UNDERWRITERS & MARKETERS OF NORTH DAKOTA TAX EXEMPT SECURITIES

NORTH DAKOTA MUNICIPAL BOND BANK

CD's, BA's, GOVERNMENTS & AGENCIES

FEDERALLY INSURED STUDENT LOANS

FARM & RANCH REAL ESTATE LOANS

PARTICIPATION and/or OVERLINE LOANS

LIQUIDITY PARTICIPATIONS

SECONDARY MARKET FOR SBA & FmHA GUARANTEED LOANS

FHA & VA INSURED RESIDENTIAL REAL ESTATE LOANS

"235" & BND INTEREST SUPPLEMENT REAL ESTATE LOANS

STUDENT LOAN POOL

COIN AND CURRENCY SUPPLY

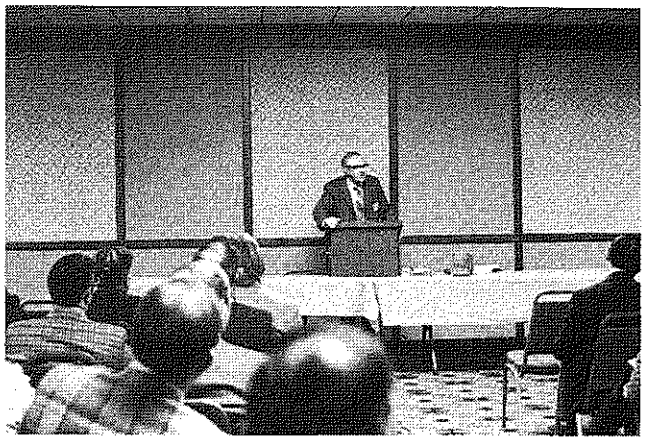
CASH LETTER AND DRAFT CLEARANCE

INTERNATIONAL BANKING & COLLECTIONS

MINERAL TRUST AND MANGEMENT

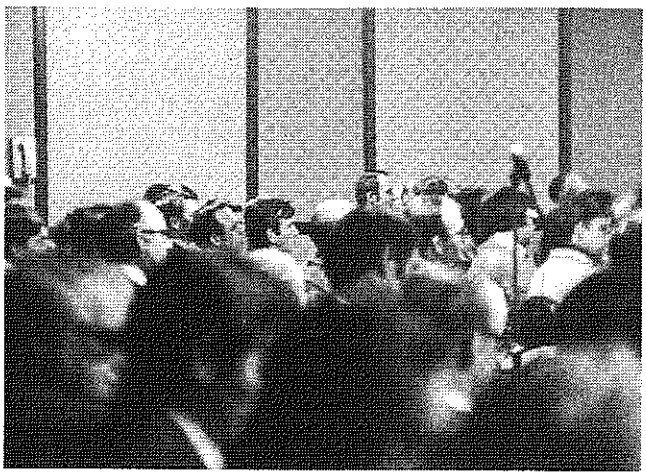
CORRESPONDENT BANKING DEPARTMENT

Partners in Knowledge



BANK OF NORTH DAKOTA'S MID-WINTER BREAK

The effectiveness of Bank of North Dakota's lending programs rests, to a very large degree, on the information and resources available to the local community banker. The "Mid-Winter Break" held in February of each year brings together leading authorities in agriculture, commerce and banking to exchange information, estimates and ideas with all of North Dakota's bankers, savings & loan officials, credit union managers, legislators, SBA, FHA and FmHA representatives.



STUDENT LOAN DIVISION

Partners with Students

Loans made to students attending colleges and universities anywhere in the United States.

The first Federally Insured Student Loan in the nation was processed by the Bank of North Dakota August 10, 1967. Through the leadership of the Bank of North Dakota and the continued support of other commercial lenders, the state of North Dakota has attained and has been able to maintain the number one position in availability of loans to students.

Vocational school loans made to students attending schools within North Dakota.

Student Loans in the amount of $50,000,000 to 55,000 students have been processed by the Bank of North Dakota since the implementation of the Guaranteed Student Loan Program in North Dakota in August of 1967. Loans have been made to students from all counties and to residents of all towns and cities in the state. These students are attending vocational schools within the state and colleges and universities throughout the United States.

The goal of the Bank of North Dakota is to provide the participation and leadership necessary so that **NO** North Dakota students will be denied the opportunity to further their educational desires.

Special emphasis has been placed on loans to North Dakota students in the medical profession as it is believed that North Dakota residents are more apt to return to practice in our state. In some instances, loans have been made to out-of-state students upon entering into an agreement to practice in North Dakota.

The number of loans processed in 1976 was 6,577 in the amount of $5,250,000.

STUDENT LOAN DIVISION

Partners with Schools

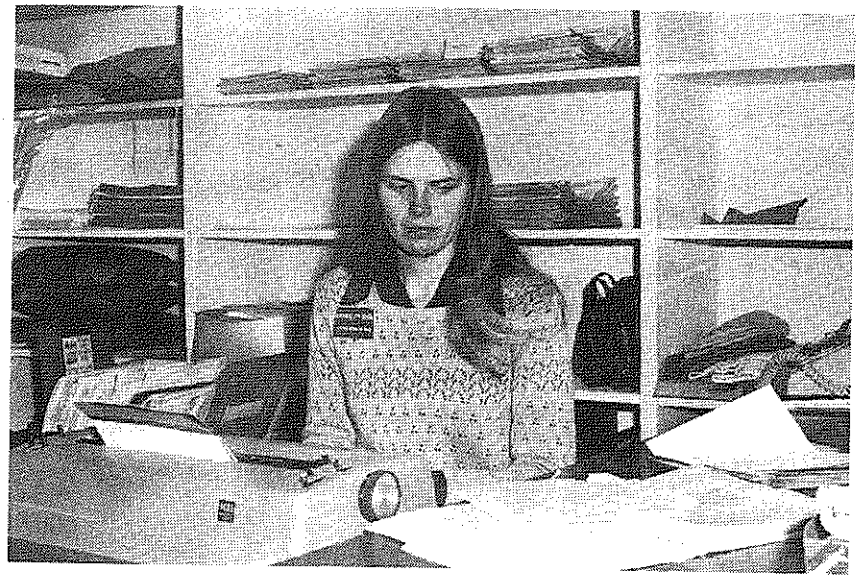
There are nearly 50 eligible schools located within North Dakota. Loans have been processed to students attending every one of these schools. The following chart shows the percent of our loan volume at types of schools and, the number and aggregate amounts at each of the larger schools.

		No. of Students	Total Volume
U.N.D.	21%	11,550	$10,500,000
N.D.S.U.	19%	10,450	9,500,000
Vocational Incl. SSS	17%	9,350	8,500,000
Minot	7%	3,850	3,500,000
Dickinson	6%	3,300	3,000,000
All other ND Schools	16%	8,800	8,000,000
Out of State	14%	7,700	7,000,000

Many of the out-of-state loans have been made to students pursuing courses unavailable in North Dakota, such as dentistry, optometry, veterinary medicine, medical, some areas of law and advanced degrees at selected institutions. Many private schools are in this category. Approximately 250 schools are represented.

STUDENT LOAN DIVISION

Partners with Lending Institutions



"The first secondary market for student loans in the United States was the program offered to North Dakota lenders by the Bank of North Dakota in 1971."

The benefits for a financial institution are twofold: immediate liquidity and relief from the costly and lengthy process of servicing student loans. There is no maximum or minimum number of loans set for each transfer.

$16,590,440 has been disbursed for 16,850 loans to 125 lenders since this secondary market was started. This has encouraged continued support of the student loan program by local lenders which, in turn, assisted the Bank of North Dakota in its goal which is to "provide participation and leadership so that NO North Dakota student will be denied the opportunity of reaching their educational desires."

PROGRAM SUMMARY

Nine years of operation of our state-wide program made our Division the largest single consumer credit and collection agency in the State of North Dakota. The total amount of loans made to date exceeds $50,000,000. Of this total, $21,533,907 has been repaid. This leaves a year end outstanding balance of $29,288,295, of which $16,766,528 (22,718 loans) are in the repayment status. $12,521,767 or 16,070 loans are in the in-school status. The 22,718 loans in the repayment status are divided among 9,186 students. Payments are being received from every state in the nation and from some foreign countries.

Constant communication is maintained between the repayment section and former students. A monthly billing system has been developed. A review of the annual call statement required by the Office of Education, HEW, Washington, D.C. shows that 3% of the loans were, at that time, 30 days or more past due. To follow this further, during the month of July, 231 of these were brought up to date. The following month of August, an additional 59 of these delinquent accounts were brought to a current status. As a result, default occurred in 33 cases. In these cases, the loans were turned over to the Office of Education for payment and their further collection procedures. The defaults include one for bankruptcy and one death. The other 31 cases were due to lack of payments and in some cases inability to locate students. The 33 defaults represent .003% default rate for that month. The Federal Government intends to collect these and has only recently strengthened its collection procedures. The Office of Education has more latitude in repayment policies than local lenders, and they are permitted to use legal action when justified. An annual default rate of less than 3% is one of the lowest default rates in the United States under the Guaranteed Insured Student Loan Program. This attests to the character of people we are privileged to serve, as well as to the high quality of schools and lending institutions with which we work.

Part A - Year summary activity for the period July 1, 1975 - June 30, 1976.	TOTAL (d)	
1. Outstanding balance end of previous fiscal year - June 30, 1975.	#	37,784
	$	26,853,725
2. Add new loan disbursements current fiscal year.	$	3,304,172
3. Add loans purchased from other lenders.	$	1,834,646
5. Deduct payments received other than claims payments.	$	3,668,920
6. Deduct claims payments received from guarantor.	$	878,345
7. Total outstanding as of end of current fiscal year - June 30, 1976.	#	37,784
	$	27,445,278
Part B - Total guaranteed student loans currently outstanding as of June 30, 1976.		
8. Interim or in-school loans - total.	#	11,213
	$	10,018,769
b. In deferment.	#	1,437
	$	1,159,098
9. In repayment (both current and delinquent)	#	25,044
	$	16,108,674
10. Claims filed but not yet paid.	#	90
	$	158,737
11. Total outstanding as of June 30, 1976 (must equal line 7, Part A).	#	37,784
	$	27,445,278
Part C - Past due analysis as of June 30, 1976.		
12. 30-89 Days.	#	248
	$	386,384
13. 90-120 Days.	#	73
	$	113,734
14. 121-130 Days.	#	2
	$	3,116
19. Total Past Due	#	323
	$	503,234
20. Percent past due (line 19, Part C divided by line 9, Part B)(dollars only).		3 %

M. E. "BUCK" STENEHJEM, V.P.
MGR. STUDENT LOAN DEPT.
J. CHRISTY, ASST. V.P.

REPAYMENTS

Betty Zeeb, A. C.
Arlene Olson
Melinda Miller
Thelma Mannel
Ronae Gwin
Bernie Huber
Lucy Christensen

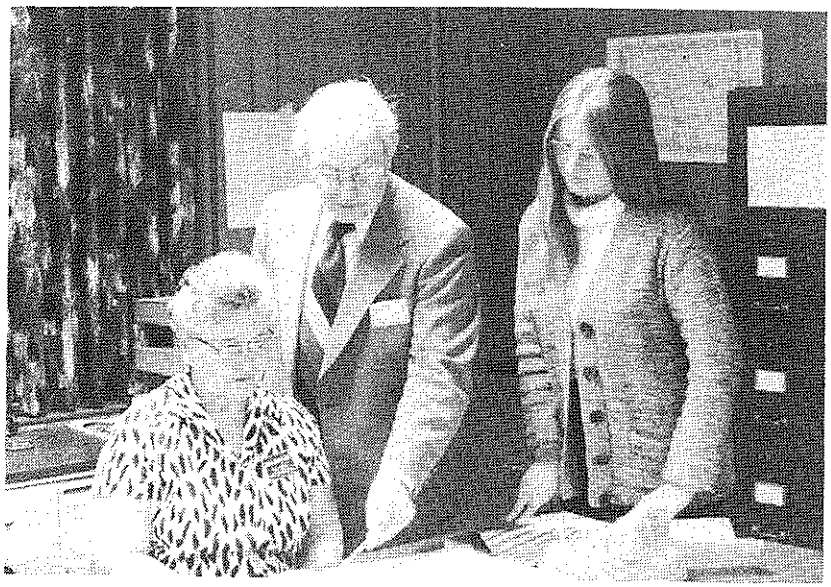
APPLICATIONS

Delores James, A.C.
Clara Dockter
Deb Dolajak
Toni Hieb
Anna Pinkston
DeAnn Semmel
Lynette Tufty

Sandy Kambeitz, Receptionist/Secretary
Donna Sheets, Computer Account Clerk
Joyce Fyllesvold, Transfer Specialist

MINERAL TRUST DIVISION

Partners in Mineral Development



MINERAL LEASING DIVISION

Manager . . . . . Ernest W. Pederson
Vice President
Asst. Manager . . . . . Freda Rubbelke
Asst. Cashier
Accountant . . . . . Marlene Zenker

REAL ESTATE AND MINERAL TRUST

Approximately 750,000 mineral acres controlled by the Bank are the residue of an aggressive farm loan program of the 1920's when the Bank sold 44 million dollars worth of bonds to make farm loans. During the depression of the 1930's, many farmer's lost their land and the state reserved 50% of the mineral rights when the land was resold.

23,952.04 mineral acres were offered for lease at four oil and gas leasing auctions bringing in bonuses of $143,587.25 for an average of $6.00 per acre. Oil and gas royalties for the year were $491,075.97 averaging about $40,923.00 per month. Leasing procedures and lease forms are being worked on for coal, potash, and uranium.

BANK OWNED REAL ESTATE

Four Contracts for Deed were paid in full in 1976, leaving fifteen contracts in force. The Bank owns four living units and two large parcels of land along the Des Lacs and Souris rivers near Burlington, North Dakota, in Ward County.

NORTH DAKOTA RURAL REHABILITATION CORPORATION AGENCY

During 1976, $639,180.00 was invested in 63 FmHA subordinated farm operating loans for the North Dakota Rural Rehabilitation Corporation. These loans are available only to FmHA borrowers who have been turned down by local lenders.

A. G. GOLDEN

HUNT OIL COMPANY

Patrick Petroleum Company

NORMAN JESSEN & ASSOCIATES, INC.

AMINOIL USA

INDUSTRIES

THE TAURUS CORPORATION

THE NORTH AMERICAN COAL CORPORATION

PARTNERS IN MINERAL DEVELOPMENT

INEXCO

TOM JORDAN

RAINBOW

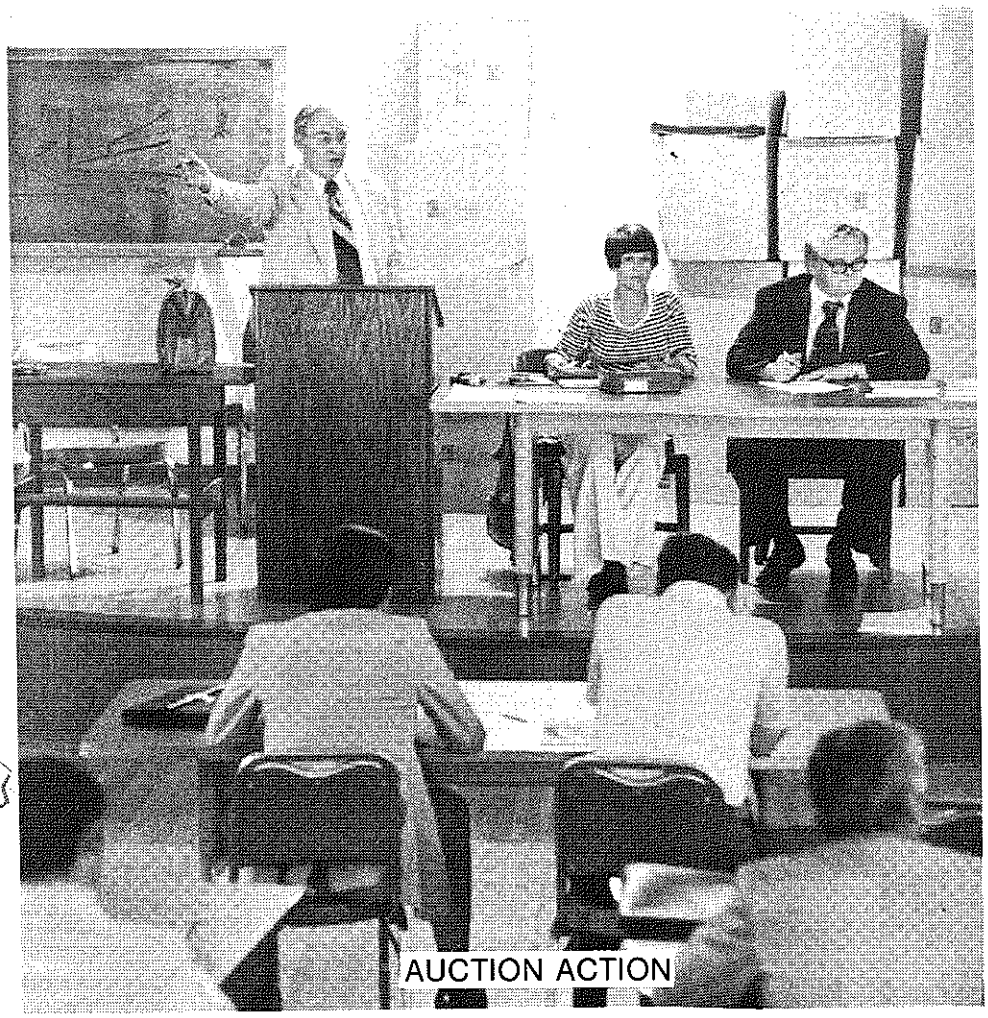
TREND

Mobil

DONALD E. DAVIS

TEXACO

Gulf



AUCTION ACTION

KOCH

AtlanticRichfieldCompany

Allied Chemical

FRANK J. BAVENDICK

Donald Epperson

W. H. CHAMPION

WAINOCO OIL & GAS COMPANY

CLARK CRAWFORD

KELSCH AND DONLIN, INC.

L. M. GRACE, JR.

ROBERT ZINKE
PETROLEUM EXPLORATION

HARRIS, BROWN & KLEMER, INC.

PENNZOIL

AMERADA HESS

Berk Strothman

INVESTMENT and TRUST DEPARTMENT

A Partnership in Finance

Rod Anheluk, Carol Schmidt, Connie Kaldor, Ed Sather

The Bank of North Dakota's portfolio increased to $224,273,000 as of December 31, 1976, and it is anticipated that total Bank resources will exceed the half billion mark shortly after the turn of the new year.

Trading in Fed Funds, both in the number of banks and in total amounts, increased 18% and 22% respectively. This increase is welcome, and we hope we can continue to service the banks using us as their correspondent.

Customer safekeeping showed an increase of 22% also, mainly in the trusteed funds. The activity generated by public employees retirement system increased considerably with the revision of portfolio holding by the new managers.

INVESTMENT and TRUST DEPARTMENT

A Partnership with City & County Officials

Albina Stevens, Shirley Homuth, Marcy Kopp
Janet Baker, Ellen Liuska

BOND AND COUPON PAYING AND RECEIVING DIVISION

The Bank of North Dakota is one of the principal underwriters of municipal bonds in the State of North Dakota, and as such, assumes the duties of paying agent for each issue. In 1976, $11,470,000 was received by the Bond and Coupon Paying and Receiving Division from municipalities throughout the state. The same amount was paid out to the owners of said securities through the medium of collection letters, individual presentations of bonds and/or coupons, and redemption of securities held in safekeeping by the Bank of North Dakota for its customers.

NORTH DAKOTA MUNICIPAL BOND BANK

A Partnership with Political Subdivisions

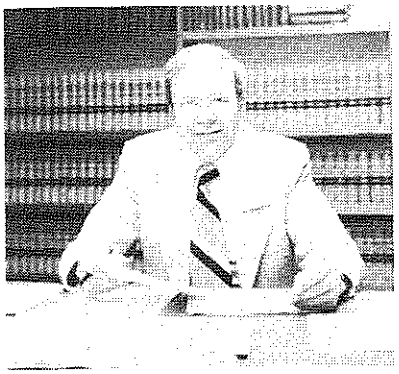
Tim Glass, Debbie Lipp, Nancy Ray, John [Wally] Fay

Municipal underwriting was light in the spring and heavy in the fall. The Bank of North Dakota underwrote, in all areas of municipal financing, $14,000,000 ending the year with approximately $500,000 less in inventory for the year.

The North Dakota Municipal Bond Bank is nearing its first sale. Rates are favorable and the necessary legal requirements are near completion. The sale of this issue of Bond Bank bonds will purchase the Bank of North Dakota's bond portfolio, and forty-two new issues of North Dakota political subdivisions committed to the Bond Bank.

LEGAL DEPARTMENT

Counsel to the Partnership



Maurice E. Cook
General Counsel

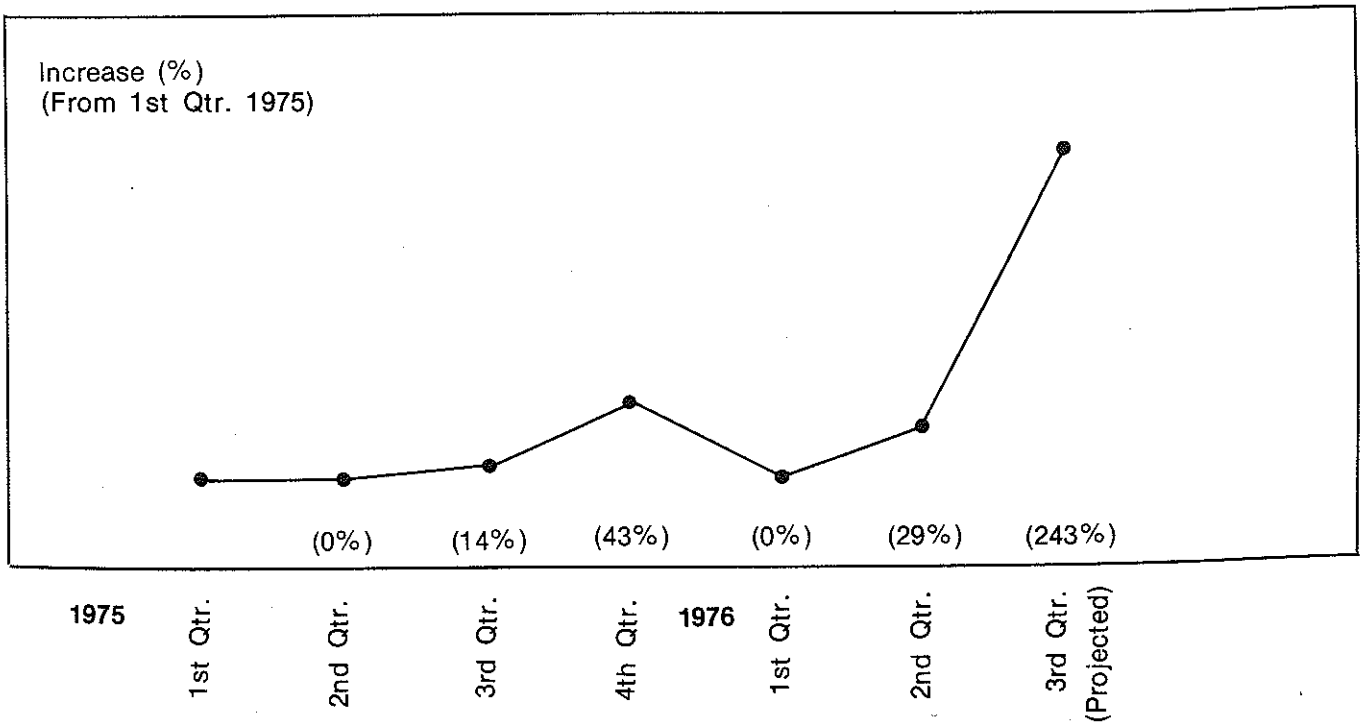
Annis Foss
Legal Assistant

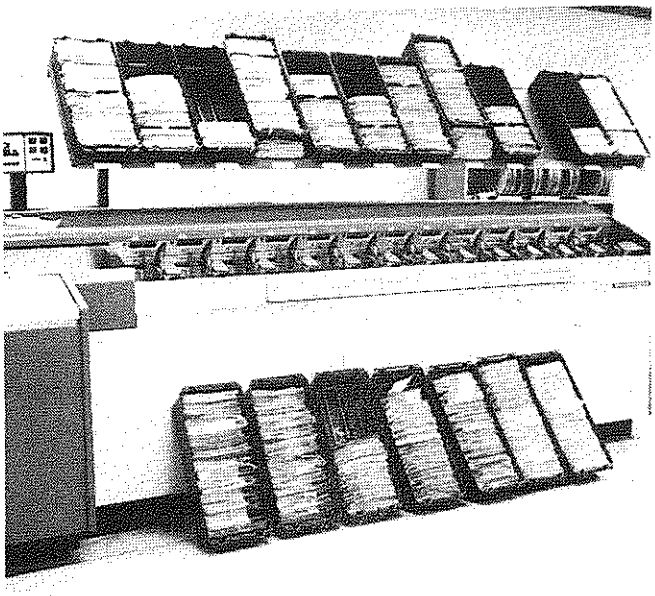
Special Assistant Attorney General for the Bank of North Dakota and Special Assistant Attorney General for North Dakota Municipal Bond Bank.

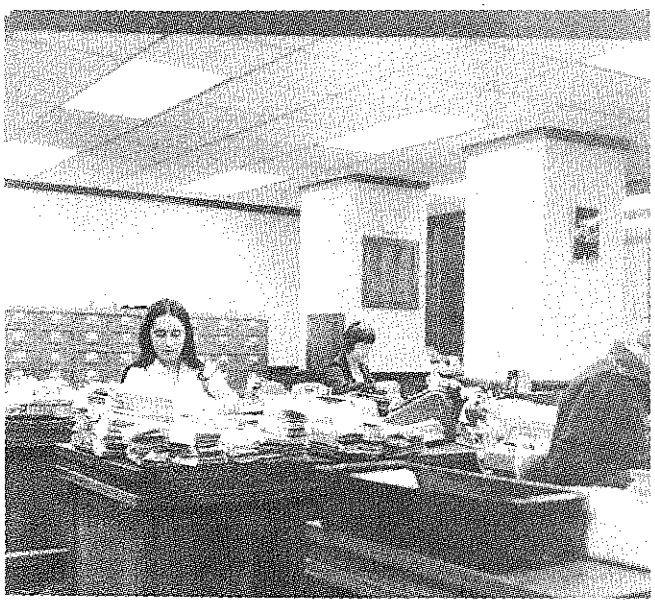
The Bank of North Dakota's Legal Department serves as fulltime in-house counsel to all Bank of North Dakota departments. The Bank of North Dakota's growth dramatically affects the workload of the Legal Department. One example is the increase in the volume of title examinations arising out of Bank of North Dakota originated housing loans.

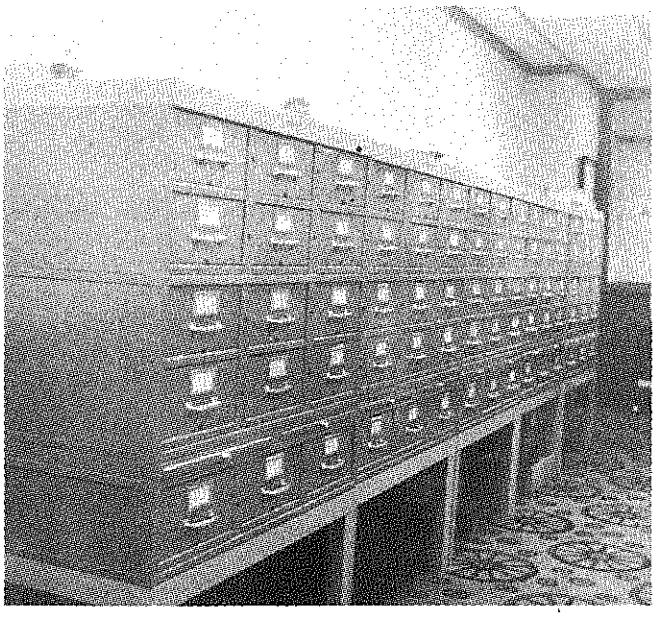
The 44th Legislative Assembly created the North Dakota Municipal Bond Bank and charged the Bank of North Dakota with its implementation and administration. In addition to his duties as Bank of North Dakota Counsel, Mr. Cook was appointed the Special Assistant Attorney General for the Bond Bank and the Legal Department is in the process of preparing the legal work for the initial $15.5 million issue of Bond Bank bonds.

LEGAL DEPARTMENT TITLE EXAMINATIONS









OPERATIONS DEPARTMENT

Partners in Banking

CARL C. ARNDT
Vice President
& Manager

EVELYN ZELMER
Assistant Vice President
& Assistant Manager

ALYCE STARCK
Assistant Cashier

VIRGINIA HAUSAUER
Secretary & Receptionist

Darlene Felchle
General Ledger
Clerk

Betty Renz
Computer Proof
Clerk

Sandy Farden
Computer Proof
Clerk

Debbie Barth
Computer Proof
Clerk

Karen Eisenbeis
Computer Proof
Clerk

Henrietta Foreman
Cash Letter
Receiving Clerk

Mamie Eliasson
Mail Teller

The Bank of North Dakota has processed 24,415,586 checks for the year 1976. This is an increase of 10% over last year's total.

Decmeber was our largest month for a total of 1,146,274 checks. November 4th was our largest day with 159,434 checks processed.

The Bank of North Dakota will be installing a new computer in February to take care of our increased volume of checks. Since going on computer on February 2, 1972, we have increased our average daily items from 53,740 to 96,561.

Loretta Duma
Bookkeeper

Le Ann Kocher
Bookkeeper

Karen Welk
Computer Batch
Clerk

Rory Martin
Proof Operator
Clerk

Shelby Schafer
Proof Operator
Clerk

LaDonna Will
Proof Operator
Clerk

Judy Wiesz
Proof Operator
Clerk

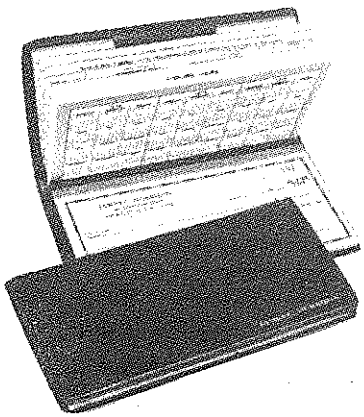
Pauline Siems
Part-Time

ADMINISTRATIVE and RETAIL BANKING DEPARTMENT

R. E. SAILER, Senior Vice President

CASHIER'S DIVISION

"Your Banking Partners"



ILA ECKROTH
Cashier

TELLERS:

AUDRE GOLL
DONNA FREY
ANN BRENNISE
LAURA JOHNSON
BARB VREELAND
KATHY ALM
LORI ANDERSON

Checking Accounts are available with no **Service Charge** or **Minimum Balance** required.

Savings Accounts pay interest from day of deposit to day of withdrawal.

The night depository is available from 6:30 a.m. to 10:00 p.m., daily.

Our certificates of deposit pay the maximum interest allowed by law.

We also sell travelers checks, money orders, and saving bonds.

COMPTROLLER'S DIVISION

A. R. NOSBUSCH
Comptroller

DONALD YOUNG
Assistant Comptroller

DALE EBERLE
Assistant Comptroller

ESTHER FOCKE
N. MIKE SCHAFER
DEBBIE CARLSON
CONNIE PETERSON
JULIA MATTERN
EMIL RESLER
GAYLE CIAVARELLA
LEO MATTERN

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, State Bank of Fargo
Lloyd K. Everson, Vice Chairman
President, Northern National Life Insurance
John H. O'Keefe, Secretary
Owner, McDonalds Restaurant, Grand Forks
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 1, 2, 3
Robert E. Caudel, Sr. Vice President 1, 2, 3
John W. Fay, Sr. Vice President 1, 2, 3
R. E. Sailer, Sr. Vice President 1, 2, 3
Maurice E. Cook, General Counsel 1, 2
Carl Arndt, Vice President 3
Ernest Pederson, Vice President 3
Edward B. Sather, Vice President 2
Martin E. Stenehjem, Vice President 3
Jeannine Christy, Asst. V. President
Shirley Homuth, Asst. V. President
Ronald P. Keeley, Asst. V. President 2, 3
Gail Vetter, Asst. V. President
Evelyn Zelmer, Asst. V. President
Ila Eckroth, Cashier 3
Allan Nosbusch, Comptroller 3
Craig Sorenson, Auditor 3
Dale Eberle, Asst. Comptroller 3
Don Young, Asst. Comptroller
Cecilia Wanner, Asst. Auditor
Delores James, Asst. Cashier
Dave Klemmer, Asst. Cashier and Asst. Auditor
Freda Rubbelke, Asst. Cashier
Alyce Starck, Asst. Cashier
Steve Tomac, Asst. Cashier
Duane Wagner, Asst. Cashier
Sharon Wehner, Asst. Cashier 3
Lewis Wilson, Asst. Cashier
Betty Zeeb, Asst. Cashier

ADMINISTRATIVE & RETAIL BANKING DEPT.

R. E. Sailer, Senior Vice President
Ila Eckroth, Cashier
Carl Arndt, Vice President - Operations
Evelyn Zelmer, Asst. V. Pres. - Operations
Alyce Starck, Asst. Cashier - Operations
Allan Nosbusch, Comptroller
Dale Eberle, Asst. Comptroller
Don Young, Asst. Comptroller

COMMERCIAL BANKING DEPARTMENT

R. E. Caudel, Sr. Vice President
Ronald P. Keeley, Asst. V. President
Loans and Correspondent Banking
Lewis Wilson, Asst. Cashier
Loans and Correspondent Banking
Steve Tomac, Asst. Cashier
Loans and Correspondent Banking
Gail Vetter, Asst. Vice President
R. E. Loans and Correspondent Banking
Duane Wagner, Asst. Cashier
R. E. Loans and Correspondent Banking
Fran Koppang, Loan Officer
Real Estate Loans
Ernest Pederson, Vice President
Mineral Leasing
Freda Rubbelke, Asst. Cashier
Mineral Leasing
Martin Stenehjem, Vice President
Student Loans
Jeannine Christy, Asst. Vice President
Students Loans
Betty Zeeb, Asst. Cashier
Student Loans
Delores James, Asst. Cashier
Student Loans

INVESTMENTS AND TRUST DEPARTMENT

John W. Fay, Sr. Vice President
Edward B. Sather, Vice President
Investments
Shirley Homuth, Asst. Vice President
Paying Agent
Rod Anhulek, Investment Coordinator
Cash Settlement & Federal Funds
Timothy Glass, Operations Officer
Municipals

AUDIT DEPARTMENT

Craig Sorenson, Auditor
Cecilia Wanner, Asst. Auditor
Dave Klemmer, Asst. Auditor & Asst. Cashier

LEGAL DEPARTMENT

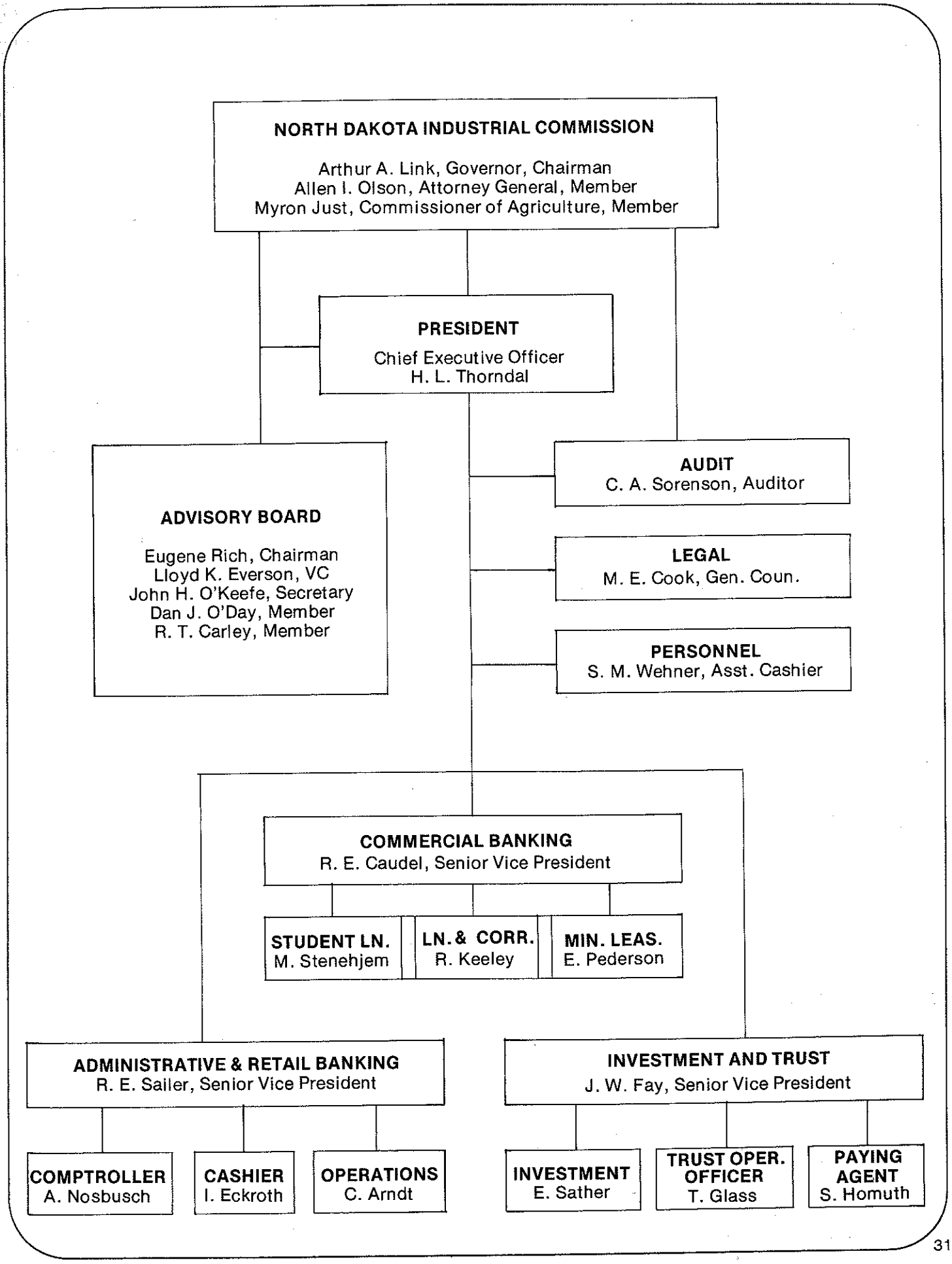
Maurice E. Cook, General Counsel 1, 2

PERSONNEL DEPARTMENT

Sharon Wehner, Asst. Cashier 3

1 - Member of Executive Committee
2 - Member of Investment Committee
3 - Member of Operations Committee

Partners in North Dakota's Progress


NORTH DAKOTA INDUSTRIAL COMMISSION
Arthur A. Link, Governor, Chairman
Allen I. Olson, Attorney General, Member
Myron Just, Commissioner of Agriculture, Member
PRESIDENT
Chief Executive Officer
H. L. Thorndal
ADVISORY BOARD
Eugene Rich, Chairman
Lloyd K. Everson, VC
John H. O'Keefe, Secretary
Dan J. O'Day, Member
R. T. Carley, Member
AUDIT
C. A. Sorenson, Auditor
LEGAL
M. E. Cook, Gen. Coun.
PERSONNEL
S. M. Wehner, Asst. Cashier
COMMERCIAL BANKING
R. E. Caudel, Senior Vice President
STUDENT LN.
M. Stenehjem
LN. & CORR.
R. Keeley
MIN. LEAS.
E. Pederson
ADMINISTRATIVE & RETAIL BANKING
R. E. Sailer, Senior Vice President
INVESTMENT AND TRUST
J. W. Fay, Senior Vice President
COMPTROLLER
A. Nosbusch
CASHIER
I. Eckroth
OPERATIONS
C. Arndt
INVESTMENT
E. Sather
TRUST OPER. OFFICER
T. Glass
PAYING AGENT
S. Homuth

STATEMENT OF CONDITION

December 31, 1976 and 1975

	1976	1975
ASSETS		
CASH AND DUE FROM BANKS	$ 23,189,223	$ 26,751,052
INVESTMENT SECURITIES (Notes 1, 2 & 3):		
U.S. Government Obligations	$120,159,411	$ 38,788,006
Federal Agencies Obligations	53,318,420	56,023,788
State and Municipal Obligations	16,351,834	14,760,219
Money Market Investments	50,795,746	116,580,524
Total Investments Securities	$240,625,411	$226,152,537
FEDERAL FUNDS SOLD	$ 30,653,000	$ 22,485,000
LOANS :		
FHA and GI Home Loans	$ 37,158,923	$ 35,439,961
Bank Participation Loans	60,504,060	39,421,519
Federally Insured Student Loans	29,288,295	27,993,206
SBA Participation Loans	9,953,914	7,898,592
Farm Real Estate Loans	9,018,202	6,515,541
Farmers Home Administration Loans	1,029,820	1,665,002
State Institution Loans and Other	494,952	95,433
Total Loans	$147,448,166	$119,029,254
BANK PREMISES AND EQUIPMENT (Note 1)	$ 837,528	$ 888,956
ACCRUED INTEREST RECEIVABLE	$ 5,639,782	$ 6,127,702
Total Assets	$448,393,110	$401,434,501
LIABILITIES AND CAPITAL FUNDS		
DEMAND DEPOSITS:		
State Treasurer	$ 14,946,489	$ 27,616,522
Political Subdivisions	46,042,150	35,558,543
Banks	12,107,372	15,431,753
Individuals, Partnerships, & Corporations	4,532,251	7,324,292
U.S. Government	52,166	63,646
Official Checks	253,131	448,521
Total Demand Deposits	$ 77,933,559	$ 86,443,277
TIME AND SAVINGS DEPOSITS:		
State Treasurer	$221,524,088	$184,644,133
Political Subdivisions	45,949,715	24,069,833
Individuals, Partnerships & Corporations	17,047,077	16,562,669
Total Time and Savings Deposit	$284,520,880	$225,276,635
Total Deposits	$362,454,439	$311,719,912
OTHER LIABILITIES:		
Federal Funds Purchased	$ 19,505,000	$ 14,830,000
Securities Sold Under Agreements to Repurchase (Note 3)	15,807,000	34,781,000
Participation Certificates sold in Federally Insured Student Loan Pool (Note 3)	8,400,000	—
	$ 43,712,000	$ 49,611,000
Accrued Expenses	3,031,360	2,675,903
Appropriation Due State General Fund (Note 5)	4,000,000	12,000,000
Total Other Liabilities	$ 50,743,360	$ 64,286,903
RESERVE FOR LOAN AND INVESTMENT LOSSES (Note 1)	$ 2,000,000	$ 2,040,130
CAPITAL FUNDS:		
Capital (Note 6)	$ 10,000,000	$ 8,000,000
Surplus	10,000,000	10,000,000
Undivided Profits	12,330,311	5,022,556
Reserve for Contingencies	500,000	—
Reserve for Purchase of Land and Building Improvements	365,000	365,000
Total Capital Funds	$ 33,195,311	$ 23,387,556
Total Liabilities and Capital	$448,393,110	$401,434,501

See Notes to Financial Statements

Statement of Income

For the Years Ended December 31, 1976 and 1975

	1976	1975
OPERATING INCOME:		
Interest on Loans	$10,618,311	$ 9,751,722
Interest on Investment Securities		
U.S. Government Obligations	3,796,550	1,327,540
Federal Agencies Obligations	3,399,723	4,096,760
State and Municipal Obligations	888,211	740,549
Other Money Market Investments	6,814,551	7,366,841
Interest on Federal Funds Sold	2,120,577	2,023,415
Service Charges and Other Income	110,247	139,137
Total Operating Income	$27,748,170	$25,445,964
OPERATING EXPENSES:		
Interest Expense		
Interest on Deposits	$14,805,808	$13,449,134
Interest on Federal Funds Purchased	1,058,905	1,455,994
Interest on Funds Borrowed	859,783	599,257
Total Interest Expense	$16,724,496	$15,504,385
Other Expenses		
Salaries	$ 876,010	$ 748,166
Employee Benefits (Note 1)	107,974	82,973
Fees and Services	326,910	286,430
Data Processing	152,935	110,108
Supplies and Materials	48,688	49,907
Professional Services	—	11,256
Loan-Loss Provision (Note 1)	138,387	97,300
Depreciation (Note 1)	73,732	68,887
Total Other Expenses	$1,724,636	$ 1,455,027
Total Operating Expenses	$18,449,132	$16,959,412
Income Before Security Gains (Losses)	$ 9,299,038	$ 8,486,552
SECURITY GAINS (Losses)	159,886	(151,674)
Net Income for the Year Before Cumulative Effect of a Change in Accounting Principle	$9,458,924	$ 8,334,878
Cumulative Effect of Change in Accounting Principle	348,831	—
Net Income for the Year	$9,807,755	$8,334,878

Statement of Changes in Capital Funds

FOR THE YEARS ENDED DECEMBER 31, 1976 and 1975

	Capital	Surplus	Undivided Profits	Reserve for Contingencies	Reserve for Purchase of Land and Building Improvements	Total
BALANCE, DECEMBER 31, 1974	$6,000,000	$10,000,000	$14,687,678	$ -	$365,000	$31,052,678
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 5)	-	-	(16,000,000)		-	(16,000,000)
BALANCE, DECEMBER 31, 1975	$8,000,000	$10,000,000	$ 5,022,556	$ -	$365,000	$23,387,556
Net income for the year 1976	-	-	9,807,755	-	-	9,807,755
Transfer to capital	2,000,000	-	(2,000,000)	-	-	-
Transfer to reserve for contingencies	-	-	(500,000)	500,000	-	-
BALANCE, DECEMBER 31, 1976	$10,000,000	$10,000,000	$12,330,311	$ 500,000	$365,000	$33,195,311

See Notes to Financial Statements

Statement of Changes in Financial Position

For the Years Ended December 31, 1976 and 1975

	1976	1975
FUNDS PROVIDED FROM:		
Operations -		
Net Income for the year	$9,807,755	$ 8,334,878
Add - Depreciation Expense Not Requiring Expenditure of Funds	73,732	68,887
Total from Operations	$9,881,487	$ 8,403,765
Decrease Cash and Due from Banks	3,561,829	—
Increase in Deposit Accounts	50,734,527	58,089,883
Decrease Accrued Interest Receivable	487,920	—
Increase in Other Liabilities	—	34,501,591
Decrease in Loans	—	3,123,644
Decrease in Federal Funds Sold	—	—
Increase in Reserve for Loans and Investments	—	—
	$64,665,763	$104,118,883
FUNDS USED TO:		
Increase Investments	$14,472,874	$ 77,420,018
Transfer to ND State General Fund	—	16,000,000
Increase Federal Funds Sold	8,168,000	5,295,000
Increase Cash and Due From Banks	—	3,739,723
Increase Accrued Interest Receivable	—	1,631,205
Purchase Bldg. Improvements and Equipment	22,304	32,937
Increase Loans	28,418,912	—
Decrease in Reserve for Loan and Investment Losses	40,130	—
Decrease Other Liabilities	13,543,543	—
	$64,665,763	$104,118,883

Notes to Financial Statements

December 31, 1976

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Investment securities -

Investment securities at December 31, 1976 are stated at cost adjusted for amortization of premiums and discounts. As of December 31, 1975 investment securities were stated at the lower of cost or par. See note 2 for details relative to change in accounting method. On certain transactions of like kind securities, the cost basis of the old security is carried over as the basis of the new security.

b. Loan and investment losses -

The balance in the reserve account is based on the Bank's past loan and investment loss experience and such other factors which, in management's judgment, deserve consideration in estimating possible loan and investment losses.

Transactions affecting the reserve for loan and investment losses for the years ended December 31, 1976 and 1975 were as follows:

	1976	1975
Balance, beginning of year	$2,040,130	$2,040,130
Add (deduct) -		
Provision charged to operating expenses	138,387	97,300
Loans charged off	(195,661)	(97,300)
Recoveries	17,144	-
Balance, end of year	$2,000,000	$2,040,130

See Notes to Financial Statements

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:

	Methods	Estimated Useful Lives
Bank premises	Straight-line	25 years
Equipment	Straight-line	5-10 years

d. Employee benefits and pension plan -

1. Included in employee benefits for 1976 and 1975 were the following -

	1976	1975
Social security taxes	$56,751	$39,031
Employee pension plan	33,587	30,674
Hospitalization	17,636	13,268
	$107,974	$82,973

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. ACCOUNTING CHANGE:

Effective January 1, 1976, the Bank changed its method of accounting for premiums and discounts on investment securities. Prior to 1976, the Bank carried its investment securities at the lower of cost or par value which required that premiums be written off at the time of purchase. Under the new method premiums and discounts will be amortized over the remaining life of the security. The new method of accounting, which is the preferable method, was adopted in order to reflect the actual yield over the life of the security.

The cumulative effect of this change as of January 1,1976, totaled $348,831 and is reflected in the statement of income accordingly. The effect on the current year of utilizing the new method was to increase net income before the cumulative effect by $674,659. Pro forma effects of retroactive application of this change are not shown because it was not practicable to perform the necessary computations as of December 31, 1974.

3. PLEDGED ASSETS:

At December 31, 1976, securities with a par value of $2,400,000 were pledged to secure deposits in the treasury tax and loan account and securities with a par value of $15,955,000 were pledged to secure securities sold under agreements to repurchase. Participation certificates sold in federally insured student loan pool are secured by the Bank of North Dakota's federally insured student loan portfolio to the extent of 110% of the amount borrowed.

4. 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.

5. APPROPRIATIONS 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 semiannually during the biennium July 1, 1975 to June 30, 1977.

NOTES TO FINANCIAL STATEMENTS [continued]

6. 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. According to state law, all state funds must be deposited in the Bank of North Dakota.

7. 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

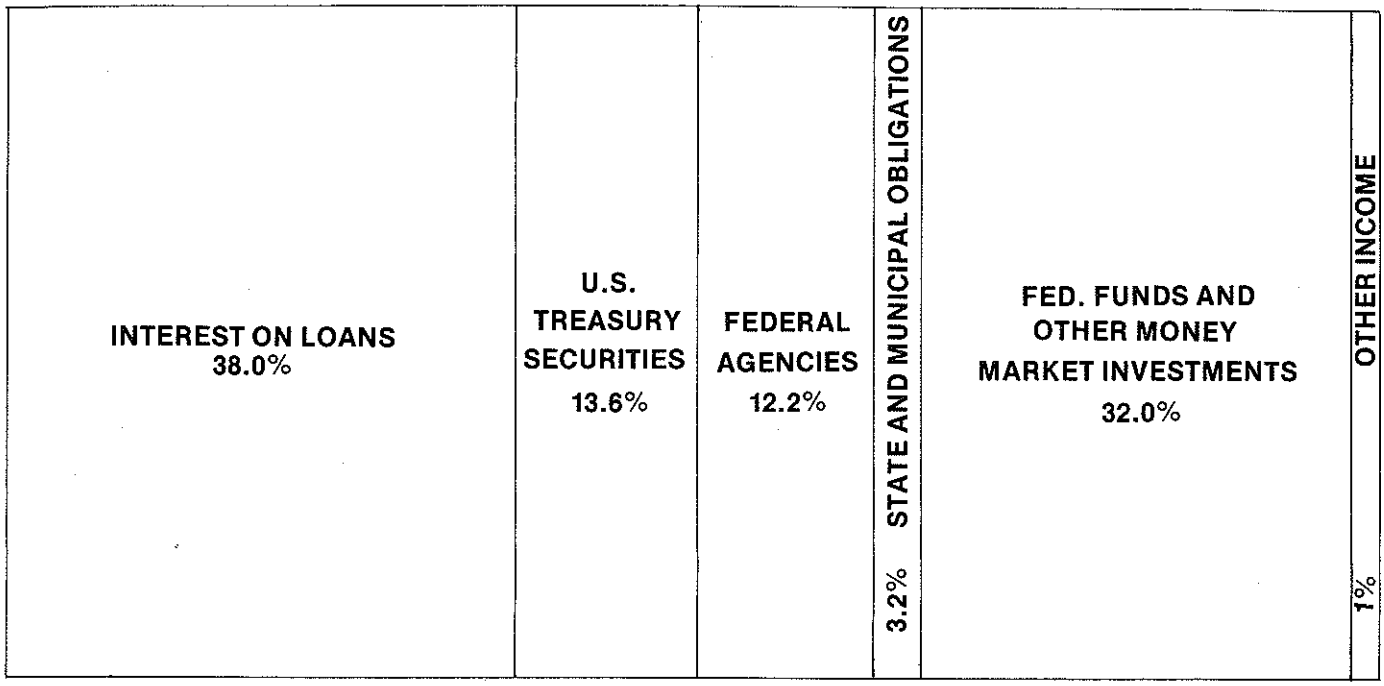
We have examined the statement of condition of THE BANK OF NORTH DAKOTA as of December 31, 1976 and 1975, and the related statements of income, changes in capital funds and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing 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, 1976 and 1975, 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 basis consistent with that of the preceding year, except for the change, with which we concur, in the method of accounting for premiums and discounts on investment securities as described in Note 2 to the financial statements.

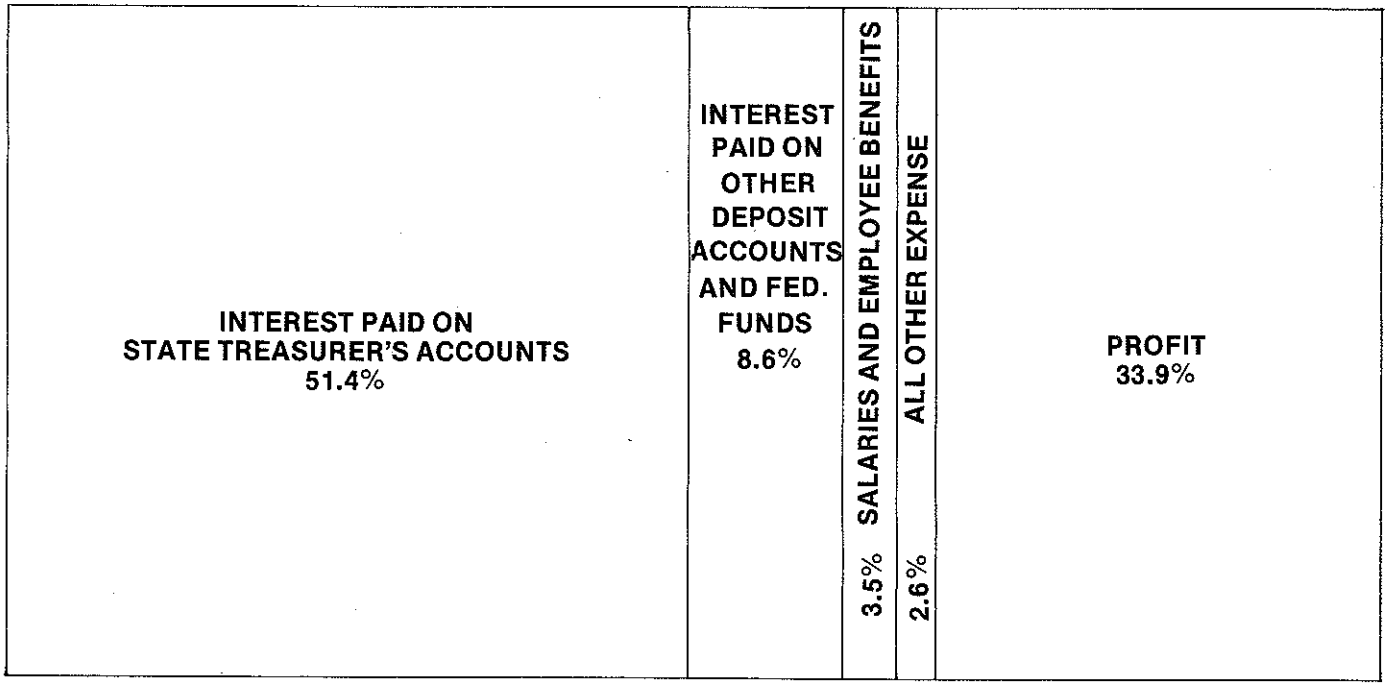
Broeker Hendrickson & Co.

Bismarck, North Dakota
January 17, 1977

Income



Expenses and Profit



HISTORY
of the
BANK OF NORTH DAKOTA

The Bank of North Dakota was established by an Act of the State Legislature in 1919. The Bank was one of the dreams of the Populist movement, started in the last century, which culminated with the Non-Partisan League gaining control of North Dakota State government in 1919. North Dakota farmers felt they were being exploited by out-of-state interest in marketing farm products and financing their farms and farming operations. The state owned Mill and Elevator was also established in 1919, and both the Bank and the Mill were put under control of the Industrial Commission, which consists of the Governor, Attorney General and the Commissioner of Agriculture. The Bank's Enabling Act states, "for the purpose of encouraging and promoting agriculture, commerce, and industry, the State of North Dakota shall engage in the business of banking . . .". Its founders hoped that the creation of the Bank and the Mill would stabilize markets, prices, interest rates, and the availability of credit to farmers and related businesses.

The idea of a state owned bank was met with very strong opposition. This was then, as now, a daring concept, and is even more impressive when, to this day, it is the only wholly state owned bank in the nation.

The Bank opened for business on June 20, 1919. Its initial capital of $2 million was provided by the sale of Bank Series Bonds that have since been retired from earnings. Total net operating earnings since opening now exceed $100 million.

The original Act provided that all public funds of all political subdivisions be deposited in the bank. An initiated measure in 1921 made this optional, with the exception of State government funds. Today, the Bank has all the State funds, and somewhat less than 10% of the political subdivision funds.

From 1919 to 1932, the Bank made 16,482 farm real estate loans on 4,219,130 acres of land, amounting to nearly $40 million. Between 1933 and 1935, due to the collapse of the agricultural economy, the Bank had to foreclose on approximately 6,500 tracts. All but two small tracts have been sold, many of them to former owners. Since 1941, the bank has retained 50% of the mineral rights on their land, and have received over $9 million in oil royalties, bonuses, and leases. The Bank was not a panacea for the financial problems of the state's farmers, but it went a long way in alleviating these problems and provided leadership to the rest of the financial community in helping the citizens of the State.

In the 1940's and 1950's the Bank became a leading underwriter of municipal bonds. Most of these issues were too small to encourage competitive bidding, and the bank negotiated satisfactory rates with the political subdivision. The Bank underwrote the first Industrial Revenue Bond in the state. Today, the Bank is still the state's leading municipal bond underwriter.

After World War II, the Bank became a leader in making FHA and VA home mortgages, particularly in smaller communities where no other financing was available. It is the only "in state" secondary market for home loans. The bank made the first Federally Insured Student Loan in the nation in 1967. Today, because of the Bank's student loan program, North Dakota leads the nation in making financial assistance available to its citizens seeking higher education and vocational training.

The Bank participates with other institutions in loans made by them. Because North Dakota is a unit bank state, we are able to add our lending ability to the smaller banks in the state. Participation loans have increased greatly in the 1970's. The Bank's loan participation program has truly made it a "Partner in North Dakota's Progress."