



BND
Bank of North Dakota

Salute to the
past.
Addressing the
future.

ANNUAL REPORT 2023



The Cover

Bank of North Dakota (BND) is often referred to as a family. Our mission to “promote agriculture, commerce and industry” is more than words on a page to us. It unites us and drives us to do more for North Dakota. Every day, BND staff takes care of today, but always with a forward-looking perspective.

This year, our front cover features the children and grandchildren of some of our BND employees. Among these beautiful young faces are tomorrow’s bankers, community leaders, teachers, farmers, ranchers and entrepreneurs, just to name a few.

It is BND’s honor to be one part of cultivating a strong financial future for North Dakota, a future that will benefit the next generation and beyond.

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Todd Steinwand

President and Chief Executive Officer at Bank of North Dakota

**Salute to the past.
Addressing the future.**

Letter from the President

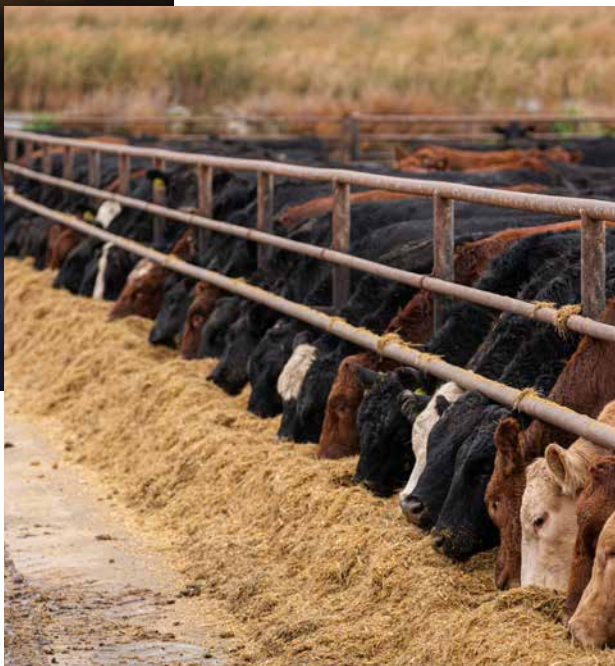
AT A GLANCE:

**\$192.7 million
net income**

**\$10.1 billion
in assets**

18.2% ROI

The Livestock Rebuilders Loan helped replenish cattle herds.



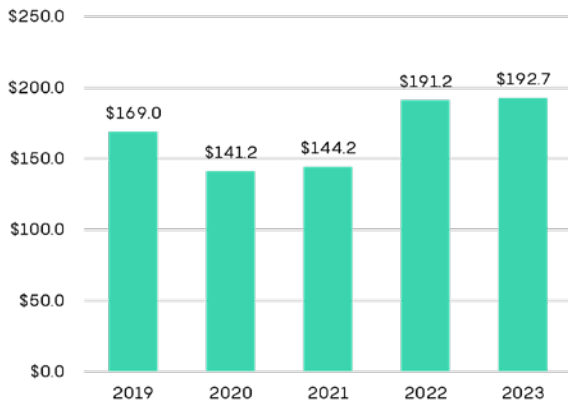
I am happy to report that BND had record profits in 2023 with a net income of \$192.7 million, up slightly from 2022. Our asset size was consistent with last year at \$10.1 billion. The return on investment was a healthy 18.2%. Standard & Poor's maintained BND's rating as A+/Stable in its annual review released in November, the same as in 2022.

This year's annual report theme, **Salute to the Past. Addressing the Future**, is meaningful as we share this year's activities re-establishing cattle herds in the state, an important economic impact for the industry. Our past is deeply entrenched in our commitment to farm and ranch families. The front cover features some of the children and grandchildren of BND employees, young people who will benefit from the solid financial management and innovative thinking that is implemented today.

The Bank, which opened its doors in 1919, was established to provide more reasonable interest rates for ag producers than they were receiving from banks in Minneapolis and Chicago. Our commitment to them continues today. The Livestock Rebuilders Loan Program allowed ranchers to rebuild their cattle herds which were depleted by 89,000 head during the 2021 drought. It is rewarding to know we helped replenish approximately 16,000 head of cattle in our state.

Ensuring there are opportunities for the future farmers and ranchers in our state is one of the reasons we do what we do. Our BND team members often hear from residents how BND loan programs helped keep their family farm alive during tough times or helped it expand when the opportunity was right. The homework assignment on page 12 of this report was completed by the grandson of one of our featured business owners in our 2023 Financing Economic Development report when he was in first grade.

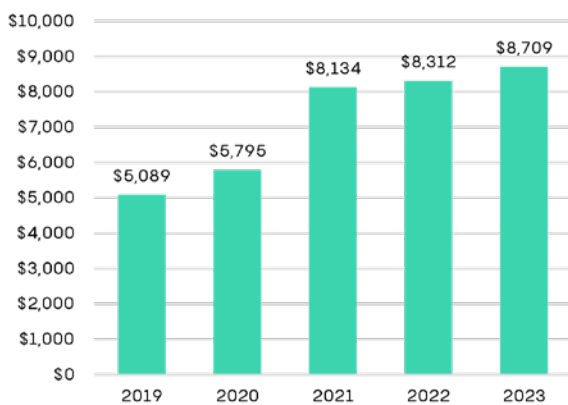
Annual Income (in millions)



BND Assets (in millions)



Deposit Size (in millions)



Early documents established that BND would not compete with local lenders. The partnership BND has with banks and credit unions across the state is a strong contributor to our success. As a result, our total loan portfolio has grown to \$5.7 billion, with local lenders taking the lead on knowing what their communities need and accessing our programs. We expanded our Collateral Valuation Services to include commercial real estate evaluations as a service to financial institutions this year.

BND was selected by the North Dakota Legislature to lead the state's sustainability effort. North Dakota is a leader in the agriculture and energy industries. It is imperative that we recognize the demands of the marketplace so we may continue to feed and fuel the world. A group of 24 stakeholders from the public and private sector will release their first report in May 2024. North Dakota is already doing so much to meet worldwide sustainability initiatives, and it is time we let people outside our state know about it!

This year was a highly productive year for BND as we laid the foundation for years to come. The successful rollout of Dynamics One-Stop Shop (DOSS), our online loan origination system with a direct application portal, is already increasing efficiencies in the loan application process.

Our employees kicked off "A Better Way" at the end of 2023, adopting a renewed commitment to innovation. The goal is that each employee will initiate or participate in a new way of doing business that improves customer service.

Finally, this is the last BND Annual Report to be released while I serve as President and Chief Executive Officer. I'm proud that I will leave the Bank in a strong financial position when I retire mid-year, but more than that, it has been a joy to work alongside some of the most talented people I've ever known. This team understands their important role in making the lives of North Dakotans better. Bank of North Dakota is in good hands.

Remembering Eric Hardmeyer

Eric passed away February 24, 2024, surrounded by the family he loved so dearly. The lives he touched reach far and wide across the state. Eric was fiercely dedicated to making North Dakota better through his work at Bank of North Dakota. He will be remembered as a leader, visionary, mentor, innovator and strategist.

The legacy of Eric Hardmeyer will forever live on in the Hardmeyer family and the BND family.

A portrait of Eric Hardmeyer, a man with a goatee and mustache, wearing a dark suit, blue shirt, and patterned tie. He is smiling and looking towards the camera.

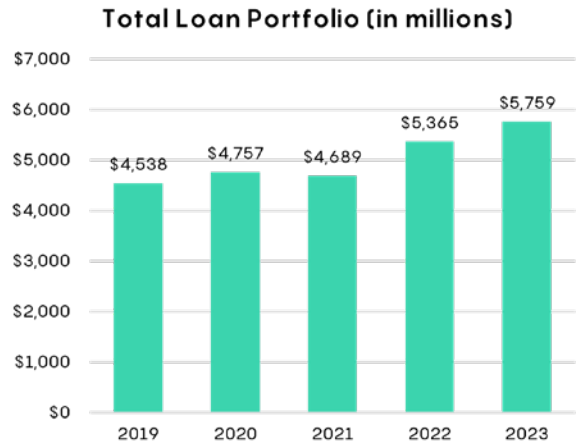
Eric Hardmeyer

BANK OF NORTH DAKOTA PRESIDENT 2000-2021

Lending Portfolio

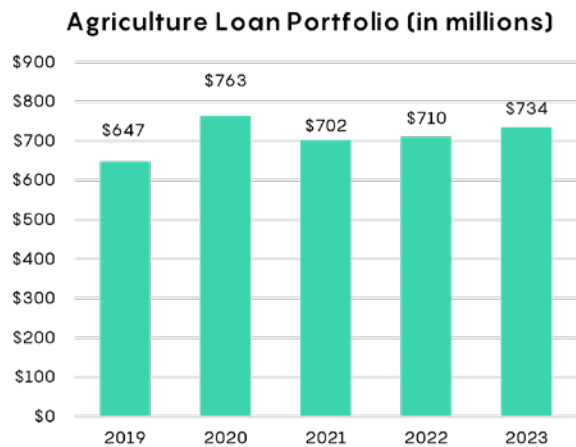
Total loan portfolio

The total loan portfolio grew by \$394 million to \$5.8 billion. Commercial and agriculture portfolios showed strong growth. The needs of financial institutions in North Dakota varied greatly throughout the year as some had more liquidity than needed, and others experienced the opposite. The agility of BND's loan programs helped meet those needs.



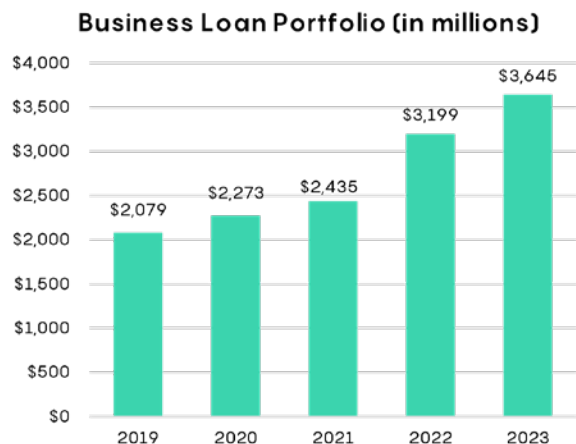
Agriculture loan portfolio

The agriculture loan portfolio increased by \$24 million with BND funding and renewing nearly \$194 million of loans. There was a slight uptick in the number of loans, but the average loan amount was lower due to higher interest rates, and land and rent expenses. The greatest number of loan originations were in the Livestock Rebuilders Program, followed by Farm & Ranch Loans.



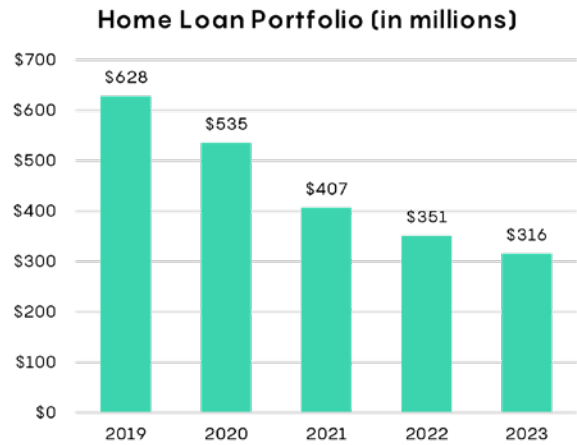
Business loan portfolio

The business loan portfolio increased by \$446 million with BND funding and renewing \$2.3 billion. Although the number of loans originated and renewed was down from the record-setting year the Bank had in 2022, the strong growth in Bank Participation and Flex PACE are good indicators for the business sector.



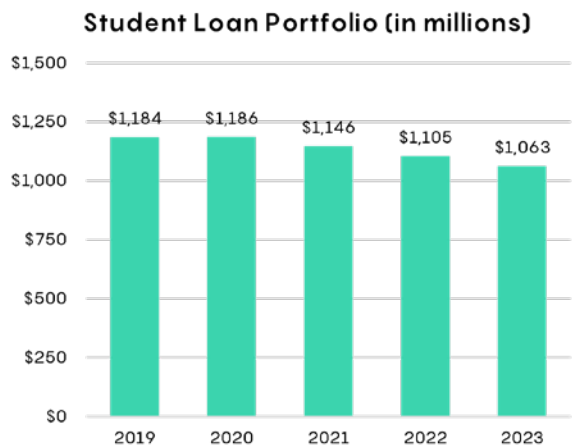
Home loan portfolio

As planned with the transfer of residential loan servicing to the North Dakota Housing Finance Agency on Oct. 1, 2021, and BND no longer originating home loans, the home loan portfolio decreased by \$35 million and will continue to decline with paydowns.



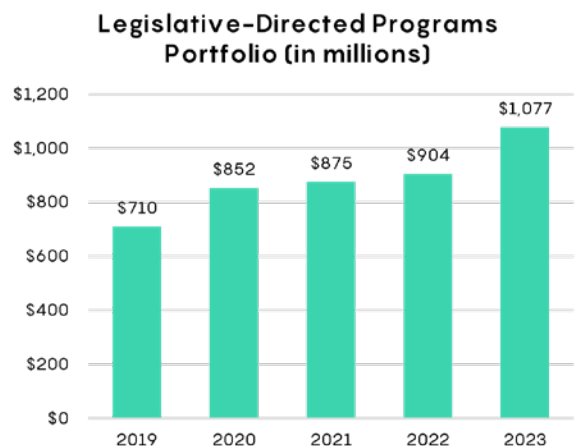
Student loan portfolio

BND student loan originations decreased by \$41 million, primarily due to far less activity with North Dakota residents utilizing the consolidation option. With potential federal student loan repayment waivers under review, it is expected to remain quiet until a decision is made. The Bank disbursed \$69 million in loans in 2023.

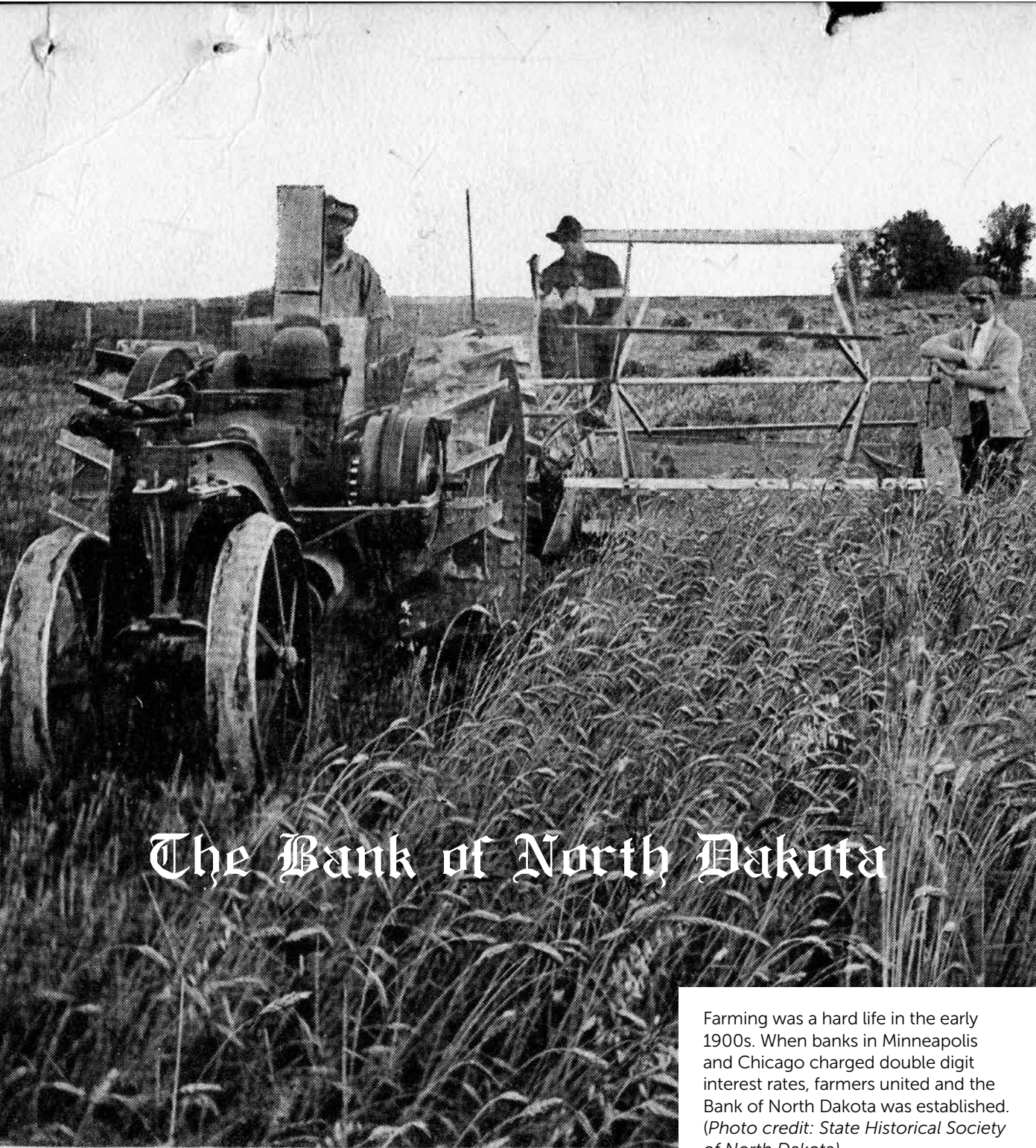


Legislative-directed programs portfolio

BND administered just over \$1 billion in assets in legislative-directed programs, an increase of \$173 million since 2022 and an increase of \$367 million in five years. These programs serve a wide range of purposes including school construction, water projects, general and medical infrastructure.



Salute to the Past



The Bank of North Dakota

Farming was a hard life in the early 1900s. When banks in Minneapolis and Chicago charged double digit interest rates, farmers united and the Bank of North Dakota was established. (Photo credit: State Historical Society of North Dakota)

Honoring our Roots: Agriculture and Bank of North Dakota

If you lived in North Dakota in 1919, it is likely that you made your living as a farmer or rancher, or in a profession that supported farmers and ranchers. There wasn't a great deal of economic diversity at the time.

When you put your grain on the railway to be delivered to an elevator in Minneapolis/St. Paul, you were given the most broken-down of the railcars, causing tons of grain to be lost along the way. You were paid for the grain that arrived in the Twin Cities, not the amount of grain you loaded in North Dakota. You weren't present when they tested your grain so you needed to rely on the elevator's assessment, often thought to be more favorable to the elevator than the farmer.

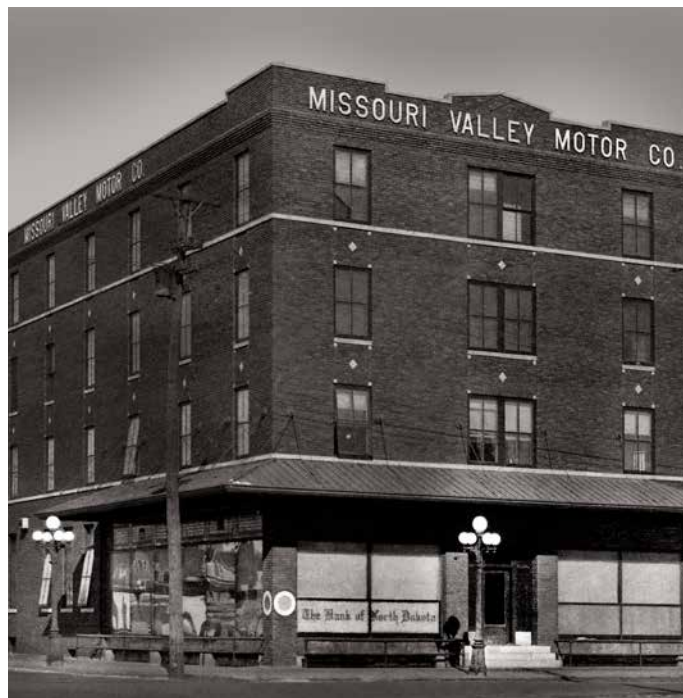
When a loan was needed, it most likely came from a bank in Minneapolis or Chicago, with interest rates in the double digits. It was unaffordable for most agriculture producers, and they barely squeaked by.

This set the stage for the Nonpartisan League to come into power, and as part of its platform, the 1919 North Dakota Legislature created the State Mill and Elevator, Workforce Safety Insurance, and Bank of North Dakota,

BND encouraged farmers to stay on the land and do their best to make a living.

along with the Industrial Commission to oversee them. North Dakota tax dollars would be used to support North Dakota residents. While it wasn't the first or only state-owned bank to be created, it is the only one that has survived the test of time.

The first test of the relationship between BND and the agriculture community came with the Great Depression when drought turned the richest soil to



Bank of North Dakota moved to this location on the corner of Seventh Street and Main Avenue in Bismarck shortly after it was voted into law. (Photo credit: State Historical Society of North Dakota)

dust. At the time, BND held most of the farm loans in the state, and although they could not forgive the loans, they encouraged farmers to stay on the land and do their best to make a living. Their reward for doing so was that they were allowed to buy back their land after the Depression, keeping the family farm in the family.

When troops returned from World War II, the foreclosed land was made available for purchase to them if the original owner declined.

Bank of North Dakota offered its first disaster relief loan during the Red River Valley flood in 1997. Several years later in 2002, farmers were hit with drought and the strategy to expand disaster relief to the ag sector was born. Since the Financial Assistance Program Loan in that year, BND has responded to weather-related events that negatively impacted farmers and ranchers nine more times.

2023 Livestock Disaster Relief Program Results

The most recent use of BND funds for disaster relief was after the 2021 drought when beef cow numbers decreased by 89,000 head. The program closed in June 2023.

The drought created hay shortages, forcing producers to purchase and transport hay from other states. A statewide drought disaster was declared.

The Livestock Rebuilders Loan Program was part of a suite of programs rolled out by the state including the Emergency Feed Transportation Assistance Program, administered by the North Dakota Department of Agriculture, and the Livestock Drought Loan Program, administered by BND.

As with all previous disaster relief loans, local banks and credit unions serve as the loan program conduit for BND programs. For this effort, 32 different financial institutions, and a total of 56 branches within them, accessed the program for their customers. There were 190 loans made for a total loan amount of \$25,850,471, of which BND funded \$16,721,788. Approximately 16,000 head of cattle were replenished in the state with the assistance of the Livestock Rebuilders Loan Program.

The loan was available for up to a seven-year term with a fixed interest rate of 3.50%.

“The state’s response to the 2021 drought is an example of what makes North Dakota so successful,” said members of the Industrial Commission in a joint statement. The Commission, consisting of Gov. Doug Burgum as chairman, Attorney General Drew Wrigley, and Agriculture Commissioner Doug Goehring, oversees BND.

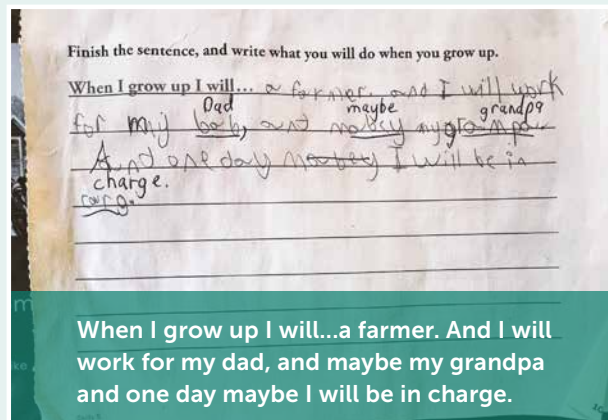
“We are able to work with key stakeholders who determine needs and state agencies that work together to respond quickly, and that sets us apart from so many others.”



Brandon Enger, a third-generation operator of Enger Grain and Livestock, walks through his family’s cattle barn in Marion, North Dakota.

Thoughts from a young North Dakotan

One of the business owners featured in BND’s Financing Economic Development report shared this school assignment completed by their grandson who was in the first grade. The Bank’s commitment to partnering with local banks and credit unions to finance the agriculture industry in North Dakota gives this young person a greater chance to achieve this dream.



Addressing the Future



Today, drones are one aspect of technology used to monitor soil, count livestock and monitor their movement, focus crop spraying, and sample soil and water.

Dynamics One-Stop Shop Debuts

Dynamics One-Stop Shop (DOSS) is a BND initiative utilizing Microsoft Dynamics to change the way we do business. Started in October 2020 with a series of meetings to define opportunities where the Bank could improve customer service through technology, the project officially kicked off 13 months later.

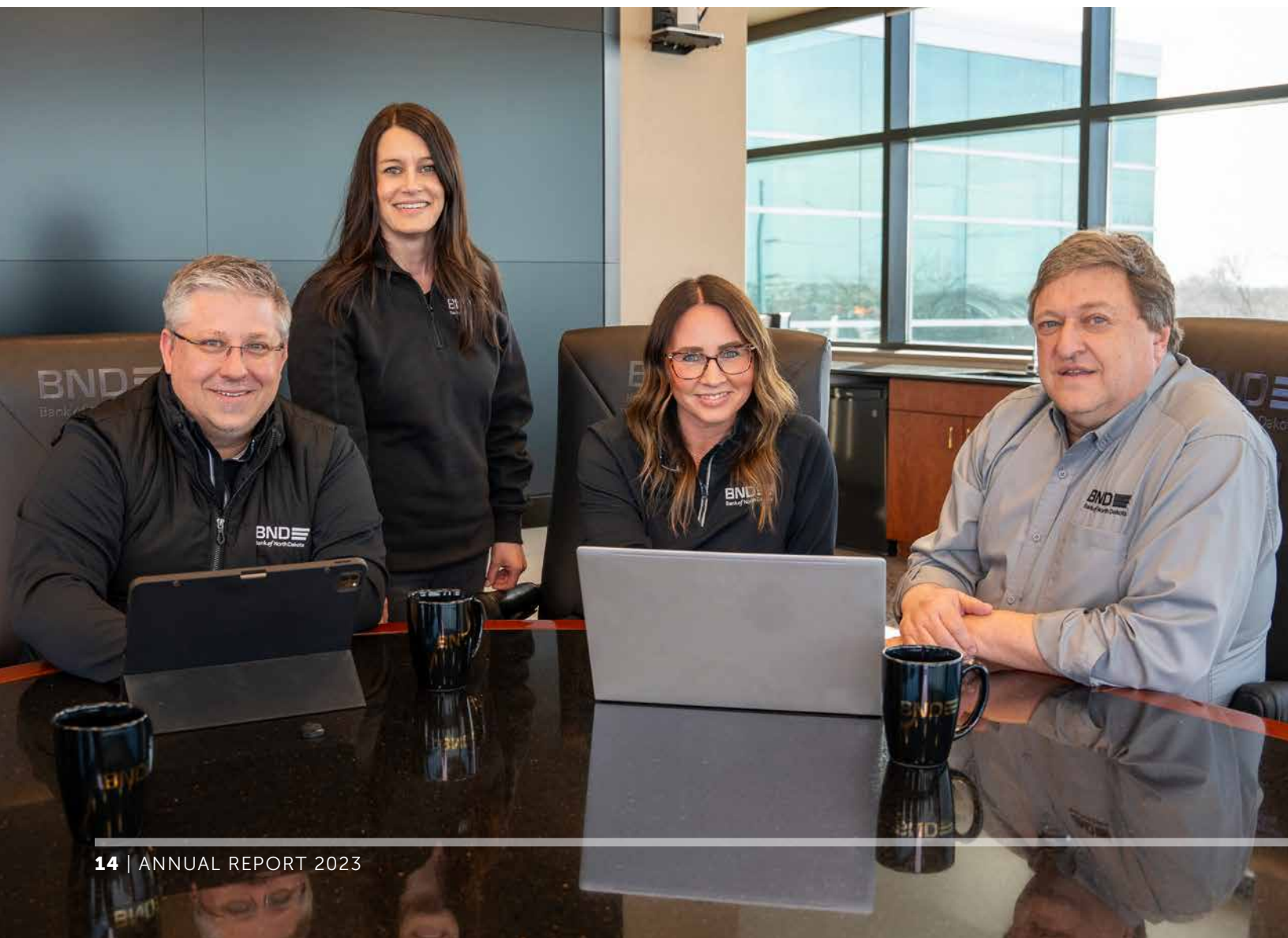
The system went live internally in November 2022, and the customer portal was released in 2023 after a trial period with several financial institutions. The completely custom system includes 138 cloud flows and 126 processes. Initial results have already shown increased efficiencies. For example, approximately 20 minutes is saved per loan boarding due to automation. This

translates into quicker turnaround times for financial institutions and employee time savings.

The first phase of the project includes loan application management, loan servicing document generation, direct application portal, interactive portal for participation loan financial institutions, vault inventory management, and other processes.

The DOSS team consisted of 52 Bank employees. Since the first day of kickoff, it took just over 11,000 hours to build the system. Currently, it is impacting the work processes of two-thirds of the Bank's staff, with plans to integrate more fully over the next several years.

Members of the BND Business Development Team review a new loan application. L to R: Craig Hanson, Senior VP of Lending; Lindsay Wagner, Loan Administration Manager; and Business Bankers Kaylen Hausauer and Bruce Schumacher.





Collateral Valuation Services Expands Offerings

Bank of North Dakota is responding to the needs of financial institutions by offering collateral valuation services that include ag real estate or chattel evaluations and appraisal reviews for ag and commercial real estate. In 2023, it expanded to include commercial real estate evaluation services.

The service was initiated at the request of the North Dakota Bankers Association and Independent Community Banks of North Dakota due to the lack of independent providers in the state.

BND's collateral valuation expertise and quick turnaround time helps local lenders serve their customers better.

Since offering the service in early 2022, the feedback from local financial institutions has been positive:



“ ” “ ” “ ”

I couldn't be happier with the turnaround time and quality of work performed!

We just got our first appraisal review back. Thanks for completing that so quickly! You guys did a fantastic job.

I was very impressed with the reports this team has produced.



Sustainability Initiative for North Dakota Moves Forward

North Dakota's common-sense approach to sustainability reflects a blend of political ideology, economic targets, conservation priorities and concerns about federal regulatory overreach. In an effort to comprehend the influence of a global movement driven by the financial and investment industries known as Environmental, Social and Governance (ESG), the 68th Legislative Assembly enacted House Bill 1429 directing Bank of North Dakota (BND), the sole state-owned bank in the United States, to lead a comprehensive statewide ESG study. Throughout this initiative there was a clear understanding that North Dakota is not stepping back from its commitment to the state's two largest industries, energy and agriculture.

Over the past year, BND has collaborated with stakeholders representing government, private industry and associations to create a dynamic report outlining industry-specific strategies. The object is to identify immediate and long-

term strategies to strengthen the state's economy and enhance the quality of life for its citizens. These strategies will create a blueprint that demonstrates how transformation and innovation can thrive in a world focused on carbon management.

In the U.S., North Dakota ranks sixth for total energy production and 11th for agricultural exports, totaling more than \$8.5 billion in exported goods and services to over 190 countries. North Dakota has a unique story to tell about its economy and commitment to environmental stewardship. Moving forward, BND in cooperation with numerous stakeholders, will launch STAND (Sustain, Transform, and Authenticate North Dakota), a digital platform to shape a comprehensive and compelling narrative about North Dakota's initiatives and values as a leader in agriculture and energy production, feeding and fueling the world.

North Dakota's economic drivers, energy and agriculture, are formulating industry-specific strategies that align sustainability with resilience to address evolving global expectations.



A Better Way Drives Innovation

From the beginning, Bank of North Dakota has been an innovator. When its operating principles were established in 1919, state officials knew that it wouldn't prosper if it competed with other banks in the state. Its unique approach of partnering with the state's financial institutions rather than competing with them is a foundation for the Bank's success today.

BND hasn't forgotten its roots and is committed to instilling the drive for innovation throughout the organization. Two times per year, the Bank brings together all its employees for in-person meetings to ensure the strong culture of collaboration continues to grow, and to create strategic direction.

At the October all-employee meeting, the Executive Committee unveiled the "A Better Way" initiative, a challenge for the team to take collaboration and innovation to the next level. Departments identified opportunities in special working sessions and began implementing new ideas almost immediately. They continue to refine and find new ways to improve both internal and external customer service.

Two times per month, Innovation Team members lead virtual "A Better Way Conversations" with staff, showcasing how BND employees have utilized different technologies and processes to improve workflows. This stimulates new efficiencies and connects both on-site and off-site team members in a meaningful way.

The effort has rejuvenated the team and is leading them to proactively create new solutions that utilize technology, streamline workflows, and increase collaboration between areas.



Top BND President and CEO Todd Steinwand addresses the staff during the October all-employee event. **Bottom** BND team members from three separate areas visit, L to R: Kirby Evanger, Senior VP of Credit Administration; Nick Leintz, Internal Audit Manager; and Tyler Giffey, Education Market Leader of Quality Assurance.



Aerial view of North Dakota's State Capitol building and campus.

BND Leadership Team

BND is overseen by the North Dakota Industrial Commission. The governor appoints an advisory board of directors which consists of banking and business leaders who advise the Industrial Commission and BND on state trends. The Industrial Commission appoints the Bank president who hires the Executive Committee members.

The BND Advisory Board consists of three subcommittees which assist the Board and Industrial Commission in fulfilling their oversight responsibilities to ensure the safety and soundness of the Bank. These committees are Finance and Credit, Audit and Risk Management, and Leadership Development and Compensation.

ND Industrial Commission



Doug Burgum
Governor



Drew H. Wrigley
Attorney General



Doug Goehring
Agriculture Commissioner

BND Advisory Board



Karl Bollingberg
Chairman of the Board



Dennis Johnson
Board Member



Jean Voorhees
Board Member



Pat Clement
Board Member



Christie Obenauer
Board Member



Bill Price
Board Member



Brenda Foster
Board Member

BND Executive Committee



Todd Steinwand
President/CEO



Alison Anderson
Chief Banking &
Innovation Officer



Kirby Evanger
Chief Credit Officer



Craig Hanson
Chief Lending Officer



Kelvin Hullet
Chief Business
Development Officer



Lori Leingang
Chief Administrative Officer



Rob Pfennig
Chief Financial Officer



Christy Steffenhagen
Chief Risk Officer

Ending Balance Sheets

Bank of North Dakota
Years Ended December 2023 and 2022
(In thousands)

	2023	2022
Assets		
Cash and due from banks	\$ 402,587	\$ 405,718
Federal funds sold	37,470	44,605
Securities	3,876,909	4,344,352
Loans		
Commercial	3,644,897	3,199,277
Agriculture	734,237	709,866
Residential	316,153	351,076
Student	1,063,453	1,104,408
Total Loans	5,758,740	5,364,627
Less Allowance for Loan Loss	(99,865)	(108,752)
Total Loans Less Allowance	5,658,875	5,255,875
Other Assets	168,787	145,265
Total Assets	<u>\$ 10,144,628</u>	<u>\$ 10,195,815</u>
Liabilities and Equity		
Deposits		
Noninterest Bearing	\$ 664,010	\$ 632,498
Interest Bearing	8,045,138	7,679,449
Total Deposits	8,709,148	8,311,947
Federal Funds Purchased and Repurchase Agreements	323,010	205,845
Short- and Long-term Borrowings	25,000	675,000
Other Liabilities	28,183	5,835
Total Liabilities	9,085,341	9,198,627
Equity	1,059,287	997,188
Total Liabilities and Equity	<u>\$ 10,144,628</u>	<u>\$ 10,195,815</u>

Ending Income Statements

Bank of North Dakota
 Years Ended December 2023 and 2022
 (In thousands)

	2023	2022
Interest Income	\$ 365,213	\$ 260,591
Interest Expense	<u>(137,201)</u>	<u>(40,882)</u>
Net Interest Income	228,012	219,709
Provision for Loan Losses	<u>(7,507)</u>	<u>-</u>
Net Interest Income After Provision	220,505	219,709
Noninterest Income	6,697	4,751
Noninterest Expense		
Salaries and Benefits	(19,564)	(17,547)
Data Processing	(7,466)	(7,354)
Long-term debt prepayment fee	-	(1,171)
Occupancy and Equipment	(828)	(752)
Other Operating Expenses	<u>(6,605)</u>	<u>(6,486)</u>
Total Noninterest Expense	<u>(34,463)</u>	<u>(33,310)</u>
Net Income	<u><u>192,739</u></u>	<u><u>191,150</u></u>

View a complete copy of the Audited Financial Statements at
bnd.nd.gov/annual-report.

Ten-Year Summary

Bank of North Dakota | December 31, 2014-2023

	2023	2022	2021	2020
Operating results (in thousands)				
Interest income	\$365,213	\$260,591	\$204,457	\$225,479
Interest expense	137,201	40,882	28,921	41,018
Net interest income	228,012	219,709	175,536	184,461
Provision for loan losses	7,507	-	4,750	16,800
Net interest income after provision for loan losses	220,505	219,709	170,786	167,661
Noninterest income	6,697	4,751	6,381	4,603
Noninterest expense	34,463	33,310	32,996	31,063
Net income	192,739	191,150	144,171	141,201
Payments to general fund	140,000	-	35,000	70,000
Payments to other funds	88,238	30,397	39,605	67,550
Balance sheet (in thousands)				
Total assets - year end	10,144,628	10,195,815	10,028,128	7,744,319
Federal funds sold and resell agreements	37,470	44,605	4,450	10,000
Securities	3,876,909	4,344,352	2,600,007	1,849,609
Loans	5,758,740	5,364,627	4,688,820	4,756,542
Agricultural	734,237	709,866	701,768	762,809
Business	3,644,897	3,199,277	2,434,765	2,272,999
Residential	316,153	351,076	406,565	535,098
Student	1,063,453	1,104,408	1,145,722	1,185,636
Deposits	8,709,148	8,311,947	8,133,894	5,795,472
Noninterest bearing	664,010	632,498	765,200	750,741
Interest bearing	8,045,138	7,679,449	7,368,694	5,044,731
Federal funds purchased and repurchase agreements	323,010	205,845	763,250	775,005
Short- and long-term debt	25,000	675,000	108,000	186,010
Equity	1,059,287	997,188	981,569	912,904
Capital	2,000	2,000	2,000	2,000
Capital surplus	72,000	72,000	72,000	72,000
Undivided profits	1,068,297	1,100,653	939,900	870,333
Accumulated other comprehensive income (loss)	(83,010)	(177,465)	(32,331)	(31,429)

2019	2018	2017	2016	2015	2014
\$263,738	\$240,002	\$219,700	\$210,803	\$194,298	\$174,584
58,515	46,442	37,865	33,975	32,164	31,455
205,223	193,560	181,835	176,828	162,134	143,129
6,000	12,000	12,000	16,000	12,500	8,000
199,223	181,560	169,835	160,828	149,634	135,129
6,916	7,170	6,335	6,323	7,688	7,987
37,090	30,222	30,886	30,996	26,668	32,157
169,049	158,508	145,284	136,155	130,654	110,959
35,000	70,000	170,000	-	-	-
45,109	58,614	16,932	19,989	28,645	17,345
7,058,432	7,015,834	7,003,302	7,295,268	7,407,942	7,215,687
10,685	39,465	57,555	63,070	77,905	42,105
2,016,126	1,912,743	1,665,252	2,068,327	2,657,527	2,933,570
4,537,943	4,584,233	4,909,278	4,789,553	4,339,618	3,852,155
647,108	665,691	668,904	687,486	513,899	436,970
2,078,573	2,039,833	2,071,953	1,982,625	1,811,259	1,559,137
628,319	694,577	762,480	739,412	693,712	652,076
1,183,943	1,184,132	1,405,941	1,380,030	1,320,748	1,203,972
5,089,092	4,769,819	4,604,958	4,887,192	5,802,142	5,730,611
628,256	567,352	555,020	663,156	641,264	700,446
4,460,836	4,202,467	4,049,938	4,224,036	5,160,878	5,030,165
365,335	271,505	299,775	242,480	119,500	178,455
631,030	1,103,436	1,263,569	1,280,538	727,322	645,126
939,028	861,884	824,802	875,732	749,493	652,134
2,000	2,000	2,000	2,000	2,000	2,000
72,000	72,000	72,000	72,000	72,000	72,000
866,682	777,742	747,848	789,496	673,330	571,276
(1,654)	10,142	2,954	12,236	2,163	6,858



Bank of North Dakota

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