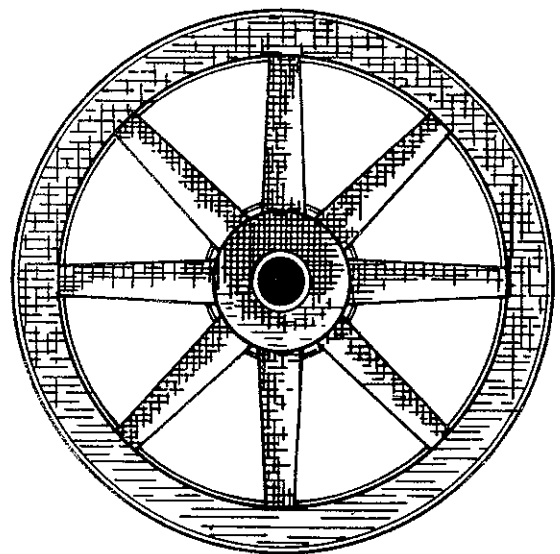


Bank of North Dakota



1970 Annual Report

RESIDENTIAL HOUSING

In line with our policy of promoting better housing in North Dakota, the bank invested \$2,352,000.00 in FHA and GI Loans in 1970. We now have invested \$14,058,000.00 in these mortgages with 1,360 mortgages located in all except two North Dakota counties.

In addition to single family dwellings, we have been active in financing of rent supplement, elderly housing projects, retirement homes and nursing homes. We have participated in the HUD elderly housing projects in Morton County, Stutsman County, Grand Forks County, Ramsey County, and McIntosh County and are in present contact with numerous other such pending projects.

We allocated \$1,000,000.00 to the FHA Section 235 payment supplement program to assist low income families during 1970. This amount will be fully loaned out by mid 1971 and we anticipate an additional allocation at that time.

In addition to a reorganization of the loan department into an Originating section and a Closing and Serving section, we have also qualified with the Veterans Administration to use their automatic approval loan guarantee method. These innovations should appreciably speed up our loan processing time and provide better customer service.

STUDENT LOANS

A "first" in the United States was achieved by the Bank of North Dakota when the first Federally Insured Student Loan was processed in August, 1967. The Student Loan Department is now providing service to the citizens of North Dakota which is unavailable in other states.

Your Bank acts as lender to any qualified North Dakota student where local lending is not available. Our goal is to insure that NO North Dakotan is denied further education because financial assistance is lacking. North Dakota ranks first in the nation in the availability of loans to college age students. Students from every community and county in the state have taken advantage of this program.

Since the inception of this program 10,646 loans have been processed in the amount of \$8,960,056.19. Included in this total are over 2,000 loans to students at Vocational Schools such as Business Colleges, Hairdressing Academies, Mechanical Trade Schools, Nurse's Training and other schools of this type within the State of North Dakota. We have provided 25% of the total loan volume available in this State although there are 185 other eligible lending institutions. This has been most beneficial to Students, parents, Schools and has provided local Banks assistance during times of high local financial need.

At the present time 1100 loans have reached the Repayment Status and are on a monthly payment basis. About 100 loans reach Repayment Status each month. In order to continue at the present level it is apparent from the graph (see back of book) that a total of \$22,000,000 will be reached before the repayments will be adequate to take care of each year's needs.

As graduates are contacted for repayment, nearly every one indicated that this financial assistance was a major factor in completing their education. The Student Loan Department is proud to play an important part in the development of our most important and valuable resource—our young people.



ANNIVERSARY EDITION 1970

Beginning Our Second Half Century of Service

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

William L. Guy
Governor, Chairman

Helgi Johanneson
Attorney General

Arne Dahl
Agricultural Commissioner

Bonnie Chase
Secretary



"THE BANK OF NORTH DAKOTA PHILOSOPHY"

I.

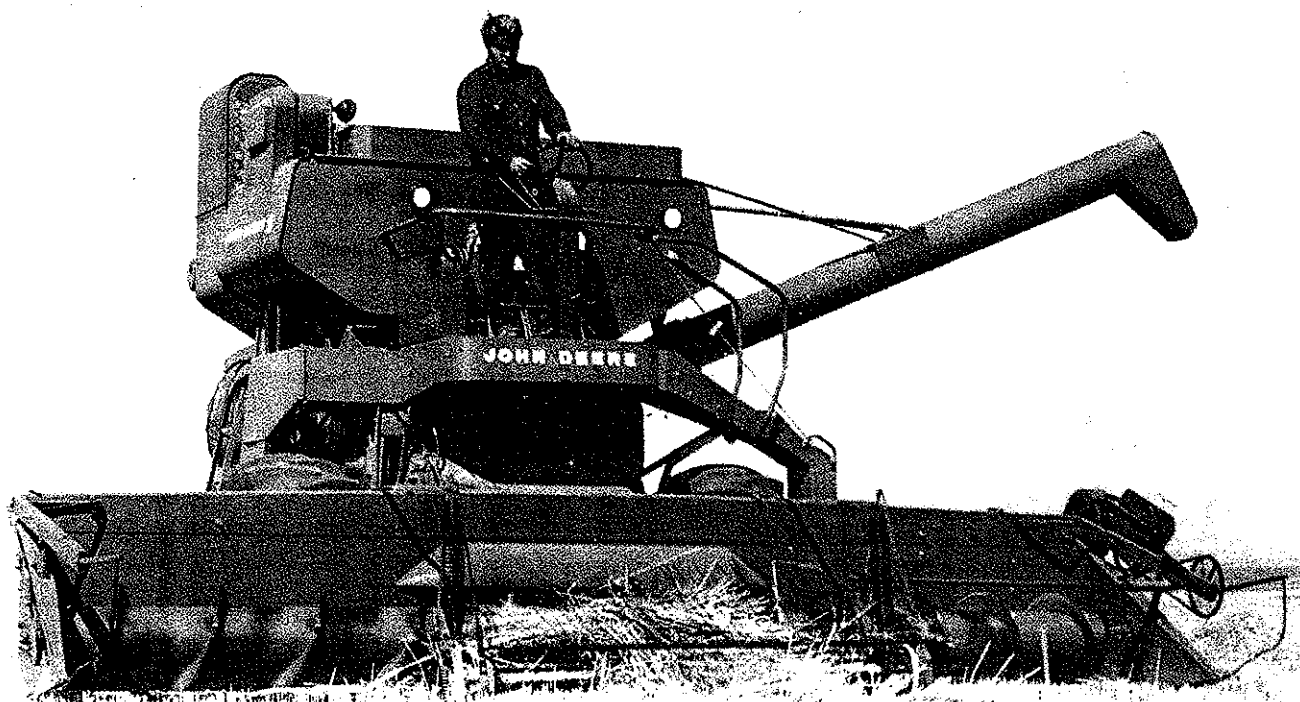
TO ENCOURAGE AND PROMOTE AGRICULTURE COMMERCE, AND INDUSTRY IN NORTH DAKOTA

II.

TO PROVIDE THE MOST EFFICIENT AND ECONOMICAL FINANCIAL SERVICE TO THE STATE, ITS AGENCIES, AND INSTRUMENTALITIES

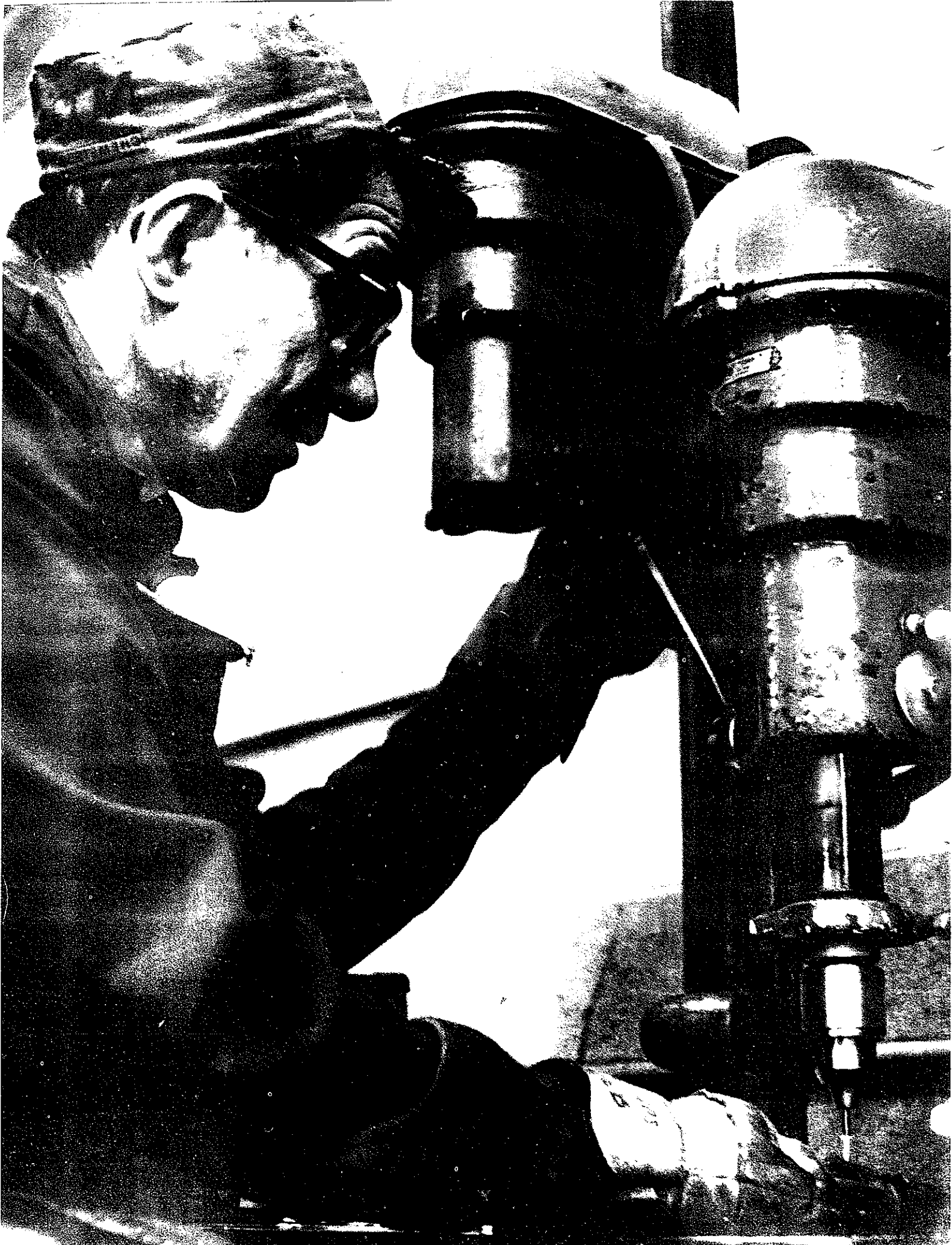
III.

TO PROVIDE PROFESSIONAL ASSISTANCE WHENEVER POSSIBLE AND WHEREVER IT WILL ENCOURAGE AND PROMOTE THE WELL BEING AND ADVANCEMENT OF NORTH DAKOTA AND ITS CITIZENS









INDUSTRIAL DEVELOPMENT

During the past three years, The Bank of North Dakota has placed increasing emphasis on providing loan funds to new and expanding businesses in North Dakota. Promoting job opportunity through industrial development has been a stated policy of the Industrial Commission for the Bank.

The Bank now has invested nearly \$9,000,000 in job opportunity situations by several types of lending avenues. Over \$7,500,000 of this has taken place the past few years. One means has been in participating with commercial banks throughout the state in SBA loans. Another has been direct "overline" participations with North Dakota banks and a third method has been via MIDA bonding issues. These activities have been throughout the state and have resulted in new or expansion situations in approximately 30 communities.

Our avowed policy has been to provide funds at a reasonable interest rate in all situations that present permanent job opportunity to North Dakota citizens. We ask that any new business show a reasonable economic feasibility pattern and a probability of success. We have sought the participation of all other state lending institutions and have been successful in attracting out-of-state capital in many situations. In addition to financing, our staff has advised and counselled with numerous businesses in regard to financial matters.

SECURITIES & BOND UNDERWRITING

PROVIDING FINANCIAL SUPPORT FOR A BETTER COMMUNITY

The Bank of North Dakota is the major underwriter for municipal bonds and warrants in this State, having purchased since 1957 \$59,283,858.76 in city bonds and warrants thus helping North Dakota build a better community.

We further contribute to the State's economy by lending funds to School Districts, Townships and Counties through the purchase of Certificates of Indebtedness. From January 1, 1957 through December, 1970 the Bank has made loans totaling \$7,480,465.42 through this medium.

The Bank of North Dakota over the past 12 years has made 1735 Farmers Home Administration loans totaling \$36,373,543.85. We are proud to have pointed the way to success of this program in North Dakota by taking an aggressive lead in this type of agricultural financing.

ASSISTING WITH THE PRACTICAL SIDE OF EDUCATION

The Bank of North Dakota is a major source of funds contributing to the practical side of education through the purchase of School Bonds and Board of Higher Education Bonds amounting to \$24,276,100 in the last twelve years. In 1970, the Bank purchased \$525,000 of Certificates of Indebtedness and \$217,000 of School Bonds. Board of Higher Education Bond purchases totaled \$700,000 with \$1,814,746.57 in interim financing.

We serve as Trustee and Paying Agent for most of the institutions of higher learning in the State and invest their surplus funds in various forms of investments.

The Bank of North Dakota serves as Trustee for the North Dakota Public Employees Retirement System investing all of their funds, making to them a comprehensive monthly and annual report.

We also offer investment counsel and advice to the State Trust Funds and to private citizens.

SALES OF BONDS AND SECURITIES

The Bank of North Dakota increased its staff in the Securities Department by the creation of a Sales Division. This department has negotiated the sale of over \$5,700,000 of North Dakota municipal securities since its inception in mid-May, 1970. These securities are exempt from both federal and state taxes and are available to both individuals and organizations. Sales of these securities accomplish two things:

1. Makes it possible for the public to share in the advantages of tax-free municipal bond investments.
2. Maintains the Bank's position of being able to assist numerous communities in progressive projects

Details of investing in securities of this type may be obtained by calling or writing Charles F. Campbell at The Bank of North Dakota, Telephone 224-2966, Bismarck, North Dakota 58501.



THE BANK OF NORTH DAKOTA

INDUSTRIAL COMMISSION

William L. Guy, Chairman
Governor

Helgi Johanneson, Member
Attorney General

Arne Dahl, Member
Commissioner of Agriculture

OFFICIAL STAFF

H. L. Thorndal, President and Manager
William C. Smith, 1st V.P. and Ass't. Mgr.*
Robert A. Birdzell, General Counsel
D. C. Kierland, Vice President
C. C. Bantz, Vice President
D. T. McNeill, Cashier
R. E. Sailer, Auditor
Phil Hoghaug, Investment Counselor
Shirley Homuth, Ass't. Cashier
Martin Stenehjerm, Mgr. Student Loan Dept.
Ernest Pederson, Mgr. Mineral Leasing Dept.

ADVISORY BOARD

Eugene Rich, Chairman
Exec. V. P., St. Bank of Fargo
Richard Carley, Vice Chairman
Pres. Casselton State Bank
Noel Fedje, Secretary
Mgr., Dain, Kalman & Qual
Lloyd Everson, Member
Pres., Northern Nat. Life Ins. Co.
W. E. Koenker, Member
V. P., University of North Dakota

AUDIT DEPARTMENT

R. E. Sailer, Auditor
Martha Huber, Ass't. Auditor
Allan Nosbusch, Ass't Auditor

OPERATIONS DEPARTMENT

D. C. Kierland, Vice Pres.
Carl Arndt, Ass't. Mgr.
Evelyn Zelmer, Chief Clerk

LOAN DEPARTMENT

William C. Smith, 1st V. P.*
Al Chapman, Loan Officer*
LeRoy Gilbertson, Loan Officer
Duane Wagner, Service Officer
McDonna Fryer, Loan Teller

SECURITIES DEPARTMENT

C. C. Bantz, Vice Pres.
Charles F. Campbell, Sales
Phil Hoghaug, Invest Counselor
Shirley Homuth, Ass't. Cashier
Eva Goetz, Invest. Secretary

LEGAL DEPARTMENT

Robert A. Birdzell, Gen. Counselor

STUDENT LOAN DEPARTMENT

Martin Stenehjerm, Mgr.
I. Jeannine Christy, Ass't.
Stella Van Dyke, State Scholarship

CASHIER'S DEPARTMENT

D. T. McNeill, Cashier
Ila Eckroth, Head Teller

MINERAL LEASING DEPT.

Ernest Pederson, Mgr.
Teresa Martin, Bookkeeper

MANAGEMENT COMMITTEE

H. L. Thorndal, Chairman
W. C. Smith
D. C. Kierland
C. C. Bantz
R. E. Sailer
D. T. McNeill
Martin Stenehjerm
Ernest Pederson

INVESTMENT COMMITTEE

H. L. Thorndal, Chairman
W. C. Smith
Robert A. Birdzell
C. C. Bantz
Phil Hoghaug
Charles F. Campbell

'A LOOK AT THE PAST'

The enabling act of the Bank of North Dakota states, "For the purpose of encouraging and promoting agriculture, commerce, and industry, the state of North Dakota shall engage in the business of banking,—under the name of the Bank of North Dakota." The Bank opened on June 20, 1919. It was a daring concept then, and still is. It is the only wholly state owned bank in the nation.

The Bank was capitalized by the sale of two million dollars of bonds, which have since been repaid from the Bank's profits. As of December 31, 1970, the Bank has had cumulative net earnings of \$56,843,063.50 for the people of North Dakota. But more important than these earnings is the service it performed for the state. In addition to these net earnings, the bank has paid for all its operating expenses, plus millions in interest on time deposits.

In 1919, when the Bank was founded, it was very difficult to secure long term agricultural loans at a reasonable cost. To alleviate this situation, the Bank made 16,482 farm loans on 4,219,130 acres of land, amounting to \$39,573,000 between 1921 and 1932. Without this help, the farm economy would have collapsed sooner and more drastically than it did. The Bank was forced to foreclose on 6500 tracts, and has since sold all but seven of them. In 1939 the Legislature directed the Bank to retain 5% of the mineral rights, and in 1941 increased this to 50%. The Bank now owns approximately 750,000 mineral acres, which has returned to the state \$5,637,452.12 through leases, bonuses, and oil royalties. We have continued to aid agriculture through the purchase of \$36,373,543.85 in Farm Home Administration farm ownership loans since 1957.

The Bank became the leading underwriter for political subdivision bonds through the years, and has purchased \$59,283,858.76 since 1957. Many of these issues are from our smaller communities, are unrated, and would have been very costly to market for these political subdivisions. The Bank has created and served as a market for them, at a reasonable cost. Through this service, the Bank has saved the taxpayers of the state millions of dollars.

The services provided for growth, and the soundness of the Bank of North Dakota are tributes to those who conceived it. All North Dakotans can look back with pride on the Bank of North Dakota's 51 years of service to the state and its citizens.

'A LOOK AT THE PRESENT'

The Bank reached an all time high of \$161,882,841.05 in footings on March 9, 1970. Net operating income also reached an all time high of \$4,327,522.02 in 1970, an increase of \$1,247,162.21, up 40% over 1969. Gross earnings, interest paid on deposits, new loans, and new accounts all reached new highs.

Ten North Dakota banks opened new accounts with us in 1970, which substantially increased our check volume throughout the year. This reached a high of 68,801 checks on December 8, 1970.

A sales division was created in the Securities Department, and \$5,700,000 tax exempt securities were sold in 1970, enabling the Bank to increase its investments in higher yielding bankers acceptances and other money market instruments. The Bank purchased \$4,529,000 of new issues from North Dakota political subdivisions during the year, and marketed a substantial part of them.

Late in 1969 the Bank entered the Federal Funds market, and the Bank received \$237,591.48 income from this source in 1970. Our investments in Federal Funds varies from day to day.

Loans increased \$10,819,793.07 during 1970. The Bank has continued to be the leader in the state by purchasing \$5,273,650.00 of FHA farm ownership loans in 1970, and our year end total was up \$3,421,619.07, for a portfolio of \$16,445,942.03. The Bank made 4,696 Federally Insured Student Loans in 1970, and increased our total holdings to \$8,491,645.98. The Bank now has 1100 of these loans in repayment status out of 10,796 student loans in our portfolio.

Home loans were increased by \$731,144.41, and could have been increased substantially more if additional staff were available. The Bank made several loans to state institutions for interim financing. Due to the tight money situation during the first half of the year, they were unable to obtain other financing. SBA and other bank participation loans were increased by \$1,969,252.51. The Bank also started a seasonal agricultural loan participation program in 1970, and plan to expand this program in 1971.

The Bank was put on an accrual accounting basis December 31, 1970. This gives us a truer statement of condition, and has allowed us to institute needed internal controls.

Individual checking account deposits were down slightly, even though the Bank opened 497 new accounts the past year. Banks increased their balances with us by \$1,511,547.63. The Bank of North Dakota is now serving 119 North Dakota banks. The State Treasurer's checking accounts were up \$10,285,153.38, which accounts for most of our increased growth. All classes of time deposits were up.

The Bank will pay \$5,500,000 to the General Fund of the state in the 1969-1971 biennium, and expects to pay at least \$6,500,000 in the 1971-1973 biennium. In addition to this, the Bank paid \$1,696,828.82 to the State Treasurer in interest on time deposits during 1970.

The year 1970 can be summed up by stating, "The most outstanding year in our 51 year history."

CONSOLIDATED STATEMENT OF CONDITION

ASSETS	Dec. 31, 1970	Dec. 31, 1969
Cash and Due from Banks	\$10,175,189.03	\$ 9,177,958.39
U. S. Government Securities	25,568,916.35	20,800,241.35
Federal Agencies Securities	24,014,525.38	28,167,578.13
State and Municipal Securities	21,231,053.84	29,475,427.08
Bankers Acceptances and Other Money		
Market Instruments	11,590,520.56	130,000.00
Federal Funds Sold	3,300,000.00	5,000,000.00
Loans		
Farmers Home Administration Notes	16,445,942.03	13,024,322.96
Federally Insured Student Loans	8,491,645.98	5,043,030.99
GI and FHA Farm and Home Loans	14,130,272.42	13,399,128.01
Loans to State Institutions	1,626,575.72	376,289.99
Farm Real Estate Contracts	4,457.14	5,580.78
SBA Guaranteed Participation Loans	3,389,838.97	2,325,194.51
N. D. Participation Loans	2,729,548.14	1,824,940.09
Bank Premises and Equipment	2.00	2.00
Accrued Interest Receivable (1)	1,221,523.61	
TOTAL ASSETS	<u>\$143,920,011.17</u>	<u>\$128,749,694.28</u>
LIABILITIES:		
Demand Deposits:		
Individual, Partnership and Corp.	\$ 2,067,961.90	\$ 2,158,856.03
Deposits of Banks	4,608,527.88	3,096,980.25
U. S. Government	160,938.02	76,829.61
State Treasurer Account	20,144,224.62	9,859,071.24
Political Subdivisions	38,583,399.51	40,446,460.37
Cashier's Checks, etc.	310,394.06	163,289.60
Time and Savings Deposits:		
Individual, Partnership and Corp.	11,184,523.03	10,623,391.38
State Treasurer	31,945,336.00	31,429,336.00
Political Subdivisions	13,145,260.18	10,785,320.39
TOTAL DEPOSITS	<u>\$122,150,565.20</u>	<u>\$108,639,534.87</u>
Appropriation Due to State Gen. Fund (2)	1,375,000.00	4,125,000.00
Accrued Interest Expenses (3)	512,492.56	
TOTAL LIABILITIES	<u>\$124,038,057.76</u>	<u>112,764,534.87</u>
Reserves	2,723,697.96	3,678,710.85
CAPITAL ACCOUNTS		
Capital	2,000,000.00	2,000,000.00
Surplus	3,000,000.00	3,000,000.00
Undivided Profits	12,158,255.45	7,306,448.56
TOTAL CAPITAL ACCOUNTS	<u>\$17,158,225.45</u>	<u>\$12,306,448.56</u>
TOTAL LIABILITIES AND CAPITAL	<u>\$143,920,011.17</u>	<u>\$128,749,694.28</u>

(1) Accrued Interest Receivable Account was set up on the Bank books as of December 31, 1970.

(2) The 1969 Legislature appropriated \$5,500,000.00 of the Bank's earnings to the State General Fund for the 1969-1971 biennium. This is payable in installments of \$1,375,000.00 each six months.

(3) Accrued Interest Expense Account was set up on the Bank's books as of December 1, 1970.

All securities are carried at par or cost whichever is lower.

"ALL DEPOSITS GUARANTEED BY THE STATE OF NORTH DAKOTA"

BANK OF NORTH DAKOTA

CONSOLIDATED STATEMENT OF EARNINGS

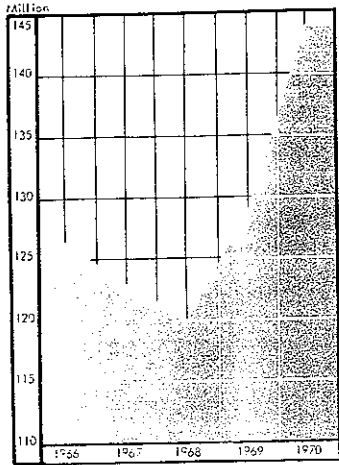
	1970	1969
Operating Income		
Interest on Loans	\$ 2,305,064.61	\$ 1,586,045.54
Interest and Dividends on:		
U S. Treasury Securities	1,210,565.16	1,143,754.87
State and Municipal Securities	1,430,470.78	1,020,690.15
Federal Agencies and Other Securities	3,387,067.08	2,359,894.50
Interest on Federal Funds and Repurchase Agreements	237,591.48	63,038.75
Mineral Trust Expense Refund	26,850.00	23,400.00
State Scholarship Expense Refund	11,408.67	9,757.68
Fees, Charges, Rents and Other Income	<u>94,140.22</u>	<u>64,479.06</u>
TOTAL INCOME	\$ 8,703,158.00	\$ 6,271,060.55
Interest Paid on Deposits	2,992,630.48	2,621,979.69
Other Charge Offs and Recoveries	<u>672,149.82</u>	<u>3,464.62</u>
Gross Income	\$ 5,038,377.70	\$ 3,645,616.24
Operating Expenses (Appropriated)		
Salaries	\$ 432,914.64	\$ 383,782.52
Retirement, F.I.C.A., Hospital Ins. OASIS	37,130.53	34,214.57
Fees and Services	117,878.66	77,603.22
Supplies and Materials	21,733.16	17,906.09
Equipment Purchased	17,790.49	19,390.85
Equipment Rental	<u>29,789.43</u>	<u>774.00</u>
TOTAL EXPENSES	\$ 657,236.91	\$ 533,671.25
Net Gain (or loss) on Security Sales	<u>(53,618.77)</u>	<u>(31,585.18)</u>
NET OPERATING INCOME	<u>\$ 4,327,522.02</u>	<u>\$ 3,080,359.81</u>

RECONCILEMENT OF CAPITAL ACCOUNTS

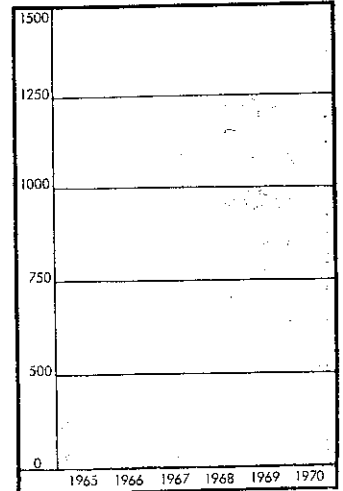
	1970	1969
Balance at Beginning of Year (Capital, Surplus, Undivided Profit, Reserve)	\$20,110,159.41	\$19,918,799.60
ADDITIONS:		
Net Operating Income	4,327,522.02	3,080,359.81
Reserve for Trans. to N. D. Gen. Fund		5,500,000.00
Other Additions	<u>14,000.00</u>	
TOTAL ADDITIONS	\$ 4,341,522.02	\$ 8,580,359.81
DEDUCTIONS:		
Transfer to N. D. Gen. Fund (1)	\$ 4,125,000.00	\$ 2,875,000.00
Transfer from Undivided Profit		5,500,000.00
Charged Off Securities (2)	340,323.02	
Other Deductions (3)	<u>104,405.00</u>	<u>14,000.00</u>
TOTAL DEDUCTIONS	\$ 4,569,728.02	\$ 8,389,000.00
Balance at End of year	<u>\$19,881,953.41</u>	<u>\$20,110,159.41</u>

- (1) In 1970, \$2,750,000.00 transferred to North Dakota General Fund and \$1,375,000.00 transferred to a liability account "Appropriated to North Dakota General Fund."
- (2) The major charge off was a block of \$340,000.00 of Cass County Industrial Revenue Bonds. The Bank hopes to eventually recover part of this loss.
- (3) In 1970, \$14,000.00 was transferred from undivided profits to "Reserve for New Building", and \$90,405.00 was returned from the State Scholarship Reserve to the Scholarship Fund.

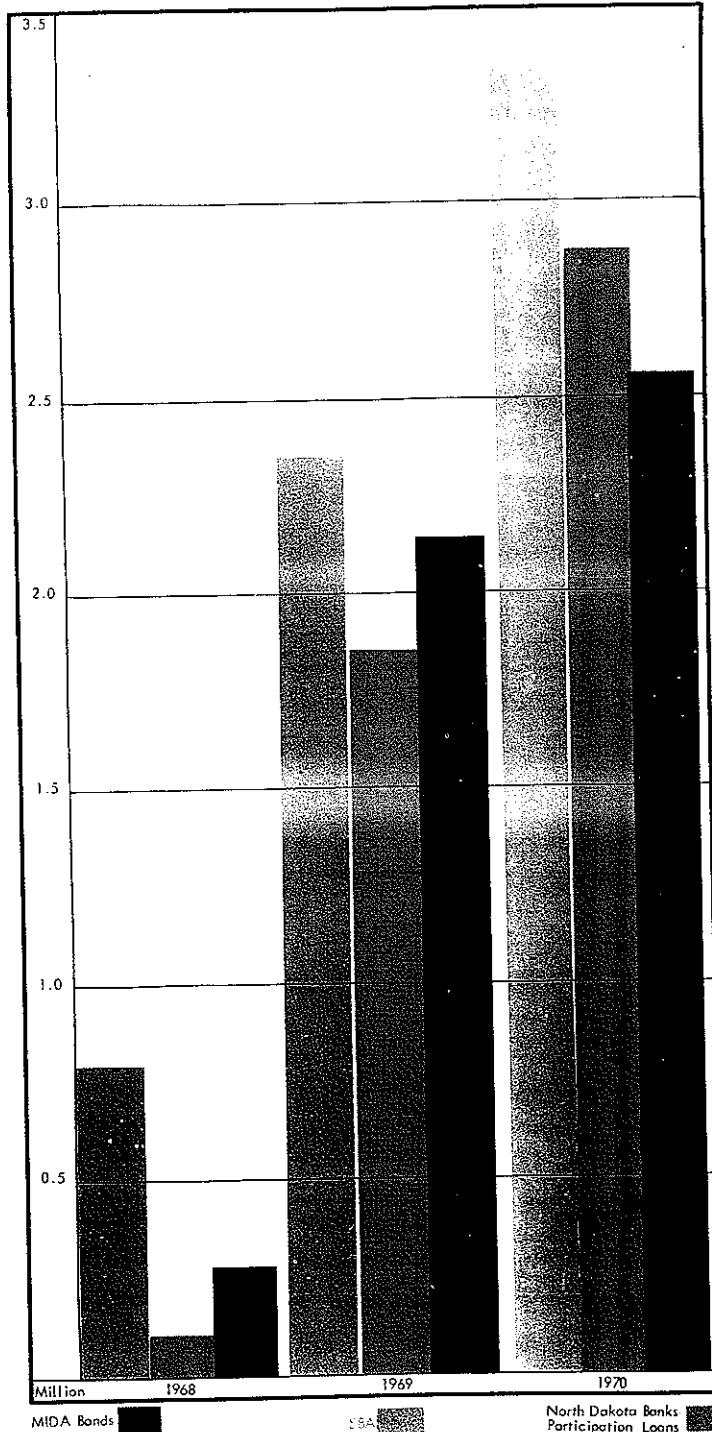
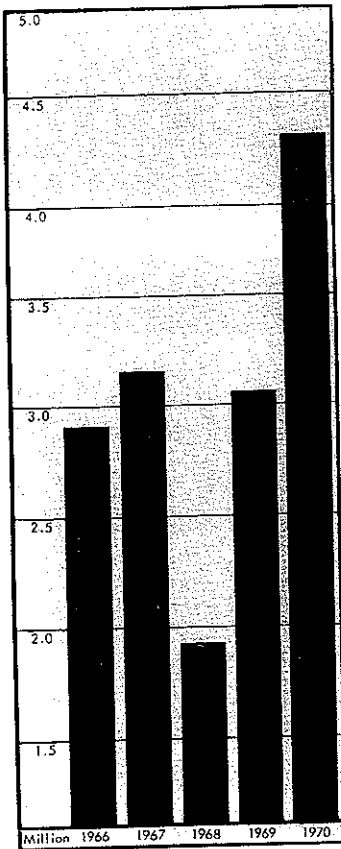
TOTAL RESOURCES



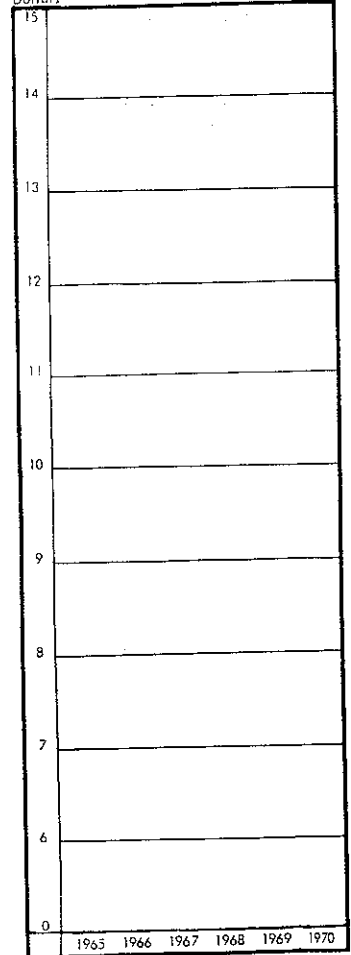
HOME MORTGAGES NO. OF LOANS



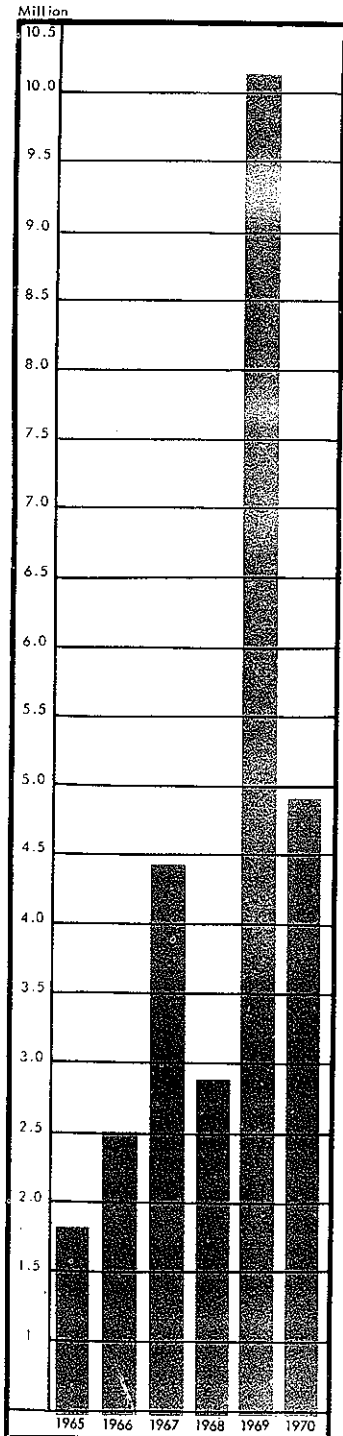
NET OPERATING INCOME



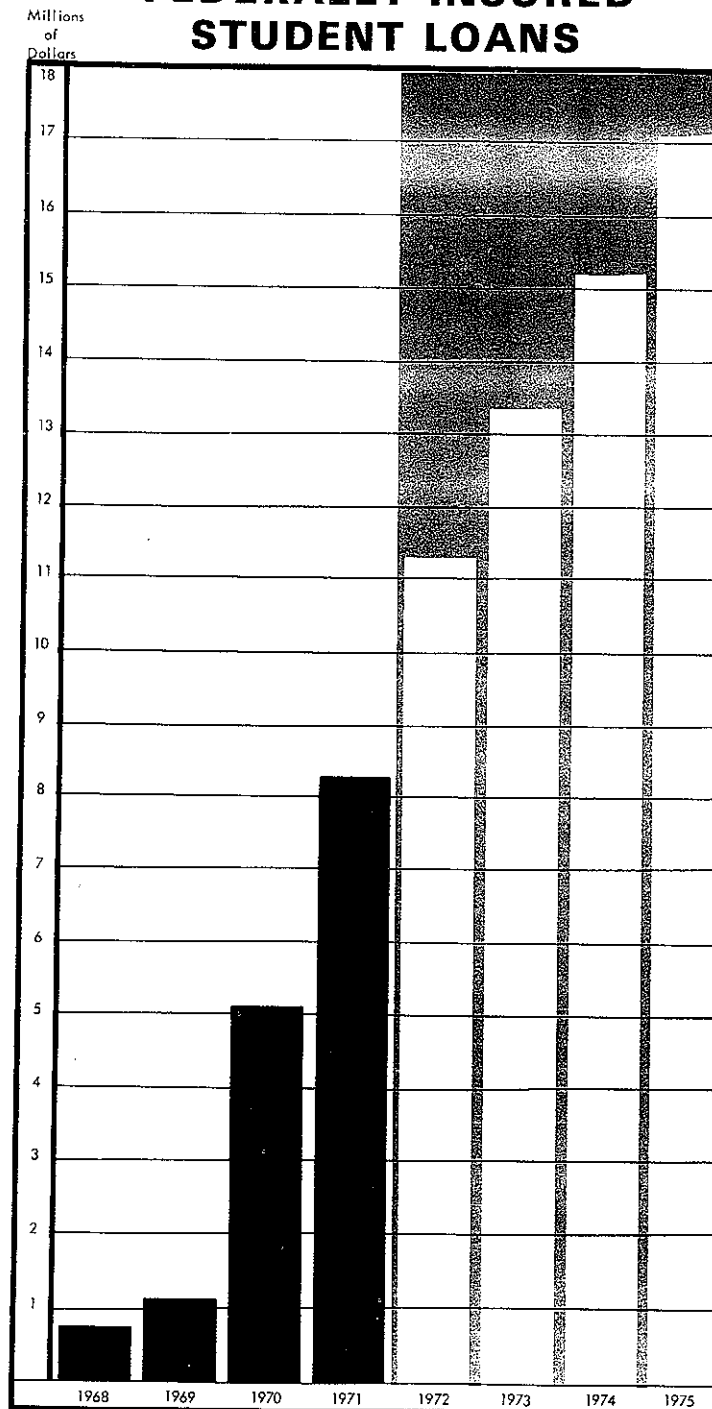
HOME MORTGAGES VALUE



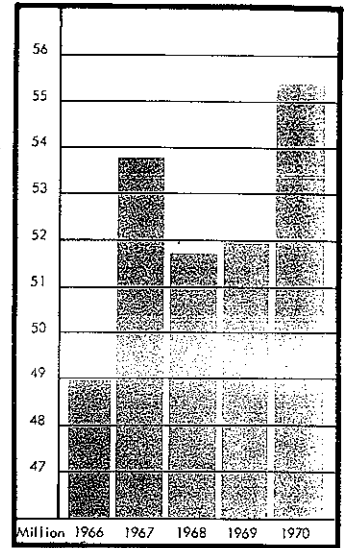
PURCHASE OF TAX EXEMPT SECURITIES



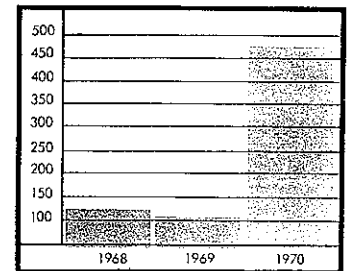
FEDERALLY INSURED STUDENT LOANS



CERTIFICATES OF DEPOSIT



NO. OF NEW ACCOUNTS OPENED



CHECKING ACCOUNTS

