



1979
ANNUAL
REPORT



FINANCIAL HIGHLIGHTS

AT YEAR END:	1979	1978		1919
Resources	\$ 624,701,209	\$ 572,697,681	+ 9%	\$ 17,981,544
Deposits	408,297,084	403,236,032	+ 1%	15,878,606
Student Loans	-0-	36,463,962	N/A	-0-
Real Estate Loans	147,702,827	99,212,057	+ 49%	-0-
All Other Loans	141,359,384	124,232,106	+ 14%	617,035
FOR THE YEAR:				
Total Income	\$ 48,727,017	\$ 41,322,262	+ 18%	\$ 204,449
Interest Paid	37,899,879	28,559,224	+ 33%	89,379
Expenses Paid	2,799,240	2,428,943	+ 15%	44,793
NET INCOME	8,027,898	10,334,095	- 22%	70,277
Dividend Paid to State Treasury	\$ 7,500,000	\$ 8,000,000	- 6%	N/A
Number of Checks Processed	35,175,488	31,691,742	+ 11%	462,930
Total Federal Funds Purchased	\$ 9,951,956,000	\$16,858,470,000	- 41%	N/A
Total Federal Funds Sold	\$23,113,159,000	\$14,323,278,000	+ 61%	N/A

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About Our Cover: Our 1979 Annual Report theme is "The First Sixty Years." But there is a new scene in North Dakota the past few years. Sunflowers were the second largest cash crop in the state in 1979. We thought a field of sunflowers was an appropriate cover to close the 70's reports.



The Bank of North Dakota Philosophy

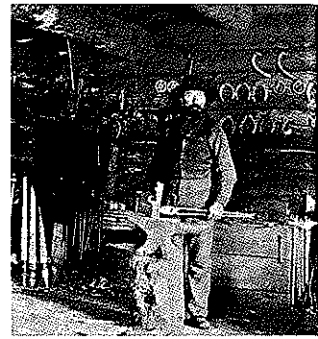
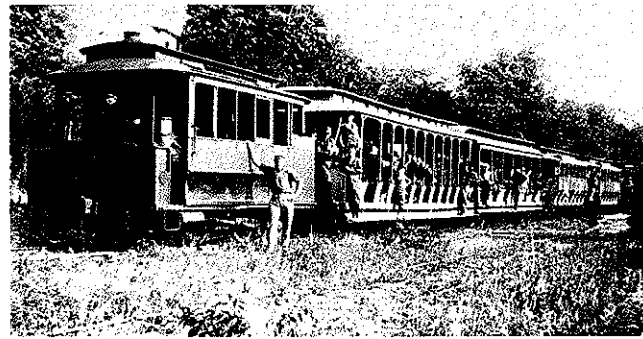
- I. To encourage and promote agriculture, commerce and industry in North Dakota.**
- II. To provide the most efficient and economical financial service to the State, its agencies, and instrumentalities.**
- III. To provide professional assistance whenever possible and wherever it will encourage and 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.

The First Sixty Years

The theme of this year's Annual Report is "The First Sixty Years." This sixty year success story is a tribute not only to those officials who originated and started the Bank, but to all those who contributed to its successful operation and to the thousands of North Dakota citizens who have benefited from the Bank's programs.

Historical photographs provided in part by the State Historical Society of North Dakota.



History of the Bank of North Dakota:

The years prior to the creation of the Bank of North Dakota were hard on North Dakota farmers. Increased land speculation had driven the price of land and rents higher than their rate of return justified. High freight rates and a shortage of rail cars combined to make grain transportation difficult. Grain was stored in open bins along the railroad lines during the winter. Credit was expensive and hard to get.

The U.S.D.A. estimated that North Dakota farmers were paying \$26,883,000 a year in interest alone. This interest payment went primarily to out-of-state loan and insurance companies. Over \$309,000,000 of farm mortgages were outstanding. Average interest rates were 8.7% with interest on short term loans often over 10%.

North Dakotans, and particularly North Dakota farmers, felt that

they were being exploited by both in-state and out-of-state business interests in marketing farm products and financing their farm and farming operations.

The Bank of North Dakota was a vital part of the Industrial Program passed by the stormy 1919 N.D. Legislature. The Non-Partisan League, which had gained control of the state government, and was responsible for the Industrial Program, felt state involvement in marketing and credit would alleviate the adverse conditions so prominent in the state.

The Bank opened at a temporary location in June of 1919. On July 28, 1919, it opened at its present Bismarck location. The Bank then, as now, was intended to cooperate with existing banks, to assist in development, and to coordinate all parts of the financial services in the state so as

to best meet the needs of the people.

By July of 1922 the Bank was receiving over \$1 million of loan applications per month, the largest volume ever handled by any public or private farm loan organization in North Dakota at that time.

The Bank made agricultural loans on a first come, first served basis, by county apportionment. Primary consideration was given to farmers whose periods of redemption from foreclosure sales were about to expire. Many a farmer received financing from the Bank to repay an out-of-state bank holding an old or overdue mortgage.

Applicants for farm loans were a varied group of people — reflecting the variety of North Dakota settlers in the 1920's. Germans, Russians, Scots, Norwegians, Bohemians, Finns, Icelanders, Danes and Ukrainians;

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young and old; married and single; men and women; all applied for and received agricultural loans from the Bank of North Dakota.

By 1932 the Bank had made over 16,000 farm real estate loans amounting to nearly \$40 million. The collapse of the agricultural economy found the Bank forced to foreclose on 6,500 tracts. At the same time it foreclosed on these loans, it carried thousands of other loans through the Depression and into the early forties. Payments of \$25 a year were often enough to cause the Bank to extend the delinquent loan yet another year, especially if the farmer remained on the land.

By the early forties, with the demand for farm products high, increased production and prices, many farmers were able to pay off these delinquent loans.

After World War II the character

of bank loans changed. In the 1940's and 1950's the Bank became a leading underwriter of municipal bonds, negotiating satisfactory rates with the political subdivisions. The Bank underwrote the first Industrial Revenue Bond in the State. It is still the state's leading municipal bond underwriter.

The Bank became a leader in making FHA and VA home mortgages after World War II, particularly in small communities where no other financing was available. It is the only "in state" secondary market for home loans.

Since 1941, the Bank has retained 50% of all the mineral rights on their land, and has received over \$9 million in oil royalties, bonuses, and leases. These mineral interests and two small tracts of land still owned were transferred to the State Land Department in 1977.

The first Federally Insured Student Loan in the nation was made by the Bank of North Dakota in 1967. North Dakota now leads the nation in making financial assistance available to its citizens seeking higher education and vocational training.

The creation of the Beginning Farmer's Program in the late seventies reflects the continued dedication of the Bank of North Dakota to serve the people of North Dakota.

The Bank of North Dakota met with strong political opposition when it was first created. It was then, as it is now, a daring concept. Yet its responsiveness to the ever changing economic needs of the state, reflected in the diversity of its current operations, has made the Bank of North Dakota a full "Partner in North Dakota's Progress."

"The First Industrial Commission, 1919".



*William Langer
Attorney General*



*John N. Hagen
Commissioner of Agriculture
and Labor*



*Lynn J. Frazier
Governor*

North Dakota Industrial Commission

To the Citizens of North Dakota:

Sixty years ago, the North Dakota 1919 Legislative Assembly, on February 25, created the Bank of North Dakota. The same legislature created the North Dakota Industrial Commission, and empowered it to supervise and manage all State Industries, which includes the Bank of North Dakota. The Industrial Commission is the "Board of Directors" of the Bank of North Dakota. The Board consists of three publicly-elected officials: the Governor, the Attorney General, and the Commissioner of Agricul-

ture. We feel this is as it should be. The people of the State own the Bank of North Dakota. They are the bank's "Shareholders," and shareholders should, and do, elect the "Board of Directors."

We, the North Dakota Industrial Commission, are pleased to present this report to the Bank's stockholders, the citizens of North Dakota.

The first Industrial Commission struggled with setting up the Bank, establishing policies, setting goals and objectives, and getting the Bank involved in

"encouraging and promoting agriculture, commerce and industry" as stated in the Enabling Act. The first twenty years the Bank survived disastrous farm prices, deflation of land values, foreclosures, depression, closed banks, drought and just about every imaginable financial disaster. The second twenty years saw the Bank dispose of foreclosed-upon farms, become a leading underwriter of political subdivision bonds, and enter the housing financing market. North Dakota's first oil well was

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discovered on land of which the Bank owned half the mineral rights. The last twenty years has seen tremendous growth of the Bank, and in the services performed. The Bank has disposed of all its foreclosed farms, has transferred its mineral rights to the State Land Department, has again entered the farm real estate loan field, started a "Beginning Farmer" loan program, become a national leader in student loans, is an important part of the home financing market, has become a central clearing bank for the state, and has extended its cooperation so that every bank in the state has an account relationship with the Bank of North Dakota.

Because of the greatly increased activity of the Bank, the Industrial Commission has turned day to day decisions over to management, and relies on the Advisory Board for much supervision, advice, and counsel. The Advisory Board was expanded from five to seven members in 1979. We are pleased to have added to the Board Mr. John McGinley, President of the American State Bank of Williston,

and Mr. Les Nesvig, President of the First State Bank of LaMoure. We thank the Advisory Board for their advice and counsel during the year. The Industrial Commission met 17 times in 1979 concerning Bank business. Four of those meetings were held jointly with the Advisory Board. The Industrial Commission approved 24 loans, totaling, \$68,005,960.00 with the Bank of North Dakota's share being \$55,307,934.00.

Our present policy is that all loans and industrial revenue bonds over \$1 million require Industrial Commission approval. The Industrial Commission approved 6 operational policies during the year. We elected 5 new officers, and promoted 7 others.

In August of 1979, the Industrial Commission, under authority from the Legislature, issued \$77,805,000 of Student Loan Revenue Bonds. This was the largest bond issue to ever have originated in North Dakota. The funds from this issue purchased all the Federally Insured Student Loans in the Bank of North Dakota's portfolio, which helped

the Bank expand other types of loans, and further provided funds for student loans for the next two years. North Dakota leads the nation in providing financial assistance to its citizens seeking education and training beyond the secondary level. This has been accomplished primarily by the Bank of North Dakota's efforts.

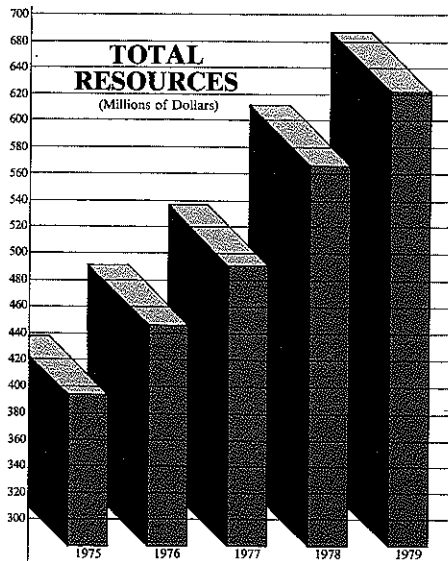
Nineteen hundred seventy nine, the Bank's sixtieth year of operation, reached new highs in resources, deposits, loans, services, and activities. The year completed a decade of growth. The Bank enters the 80's, its seventh decade, in a strong financial condition. The Industrial Commission will continue to supervise the Bank so as to "encourage and promote agriculture, commerce, and industry" in North Dakota.

We urge you to read the report, the Bank of North Dakota's 60th anniversary annual report.

Arthur L. Lusk

Allen S. Olson

Myron Lusk



Advisory Board

To the North Dakota Industrial Commission:

The Advisory Board met 12 times in 1979. Nine meetings were held in Bismarck, four jointly with the Industrial Commission, one meeting was held in Williston, and two were held in Fargo.

The 1979 Legislature increased the size of the Board from five to seven members effective July 1, 1979. The Governor appointed, with Industrial Commission approval, John M. McGinley, President of the American State Bank of Williston, and Les Nesvig, President of the State Bank of LaMoure, to the Board. They brought additional banking expertise to the Board, and improved geographic distribution from areas in North Dakota.

The Board recommended seven policies to the Industrial Commission, which were subsequently adopted. It is a Bank policy that all loans and MIDA (Industrial Revenue) Bonds over \$400,000 be approved by the Advisory Board, and all over \$1 million be further approved by the Industrial Commission. The Board reviewed 76 loan applications, and approved 65. Loan applications totaled approximately \$103,571,654, with the Bank of North Dakota's share amounting to approximately \$56,979,203. These loans were received from different banks across the state. They covered a variety of financial needs, from large farm operating loans to construction of manufacturing facilities.

Early in the year, the Board set up an Audit Committee, consisting of the entire Board, which meets monthly with the Bank's auditor

and reviews audit results and recommendations. The Board also met with the Bank's independent outside auditors, and reviewed the reports and monitored the progress of accepted recommendations. After careful analysis of both the independent audit and the Report of Examination by the North Dakota Department of Banking and Financial Institutions, the Board recommended their acceptance to the Industrial Commission. It was noted that only minor discrepancies were found, and they were immediately corrected. Adverse classifications were either collected or charged off. The Board feels the monthly audit meeting gives them a better picture of the Bank's operation and its diversity of problems, and enables the Board to give meaningful and current advice to Bank management and the Industrial Commission.

The Board was pleased with the number of banks using the Bank of North Dakota's services. The Bank of North Dakota has become the "central"

bank for the state, and each year becomes more involved in the state's economy. The Board has continuously reviewed the Bank's interest rates and other charges, and has pursued a policy that is both fair to North Dakota's economy and practical in an inflationary environment. The Bank's overall policy is to have the Bank of North Dakota continue to "aid and encourage agriculture, commerce, and industry" and to continue to be "a partner in progress" as it was meant to be by the Bank's founders, sixty years ago.

While net earnings were down in 1979, the Bank is still one of the best earning banks in the country. However, the Bank will continue, as it has for sixty years, to stress service to the state, believing that high income is not an end in itself. The seventies were noted for outstanding performance by the Bank, and 1979 was no exception. It was a good year, as this report will show. The Board will continue to monitor and aid the Bank's progress as it enters its seventh decade.



John McGinley, Dan O'Day, Eugene Rich, Leslie Nesvig, John O'Keefe, Gilman Peterson
Not Pictured: Lloyd Everson

Presidents Message To the North Dakota Industrial Commission:

The Bank of North Dakota completed its "first sixty years" of service to the state in 1979. It was a good year, and the Bank continued to become more involved in the economy of the state.

Resources peaked at \$657,832,452.25 on Nov. 7, and totaled \$624,701,209 at year-end, an increase of \$52,003,528 or 9% from the previous year-end. Resources exceeded \$600 million during the entire year. Deposits were up only \$5,061,052, or 1%, and stood at \$408,297,084 at year-end. We had anticipated a decline in deposits in 1979, due to a decline in the State's General Fund. However, the decline was less than anticipated, and respondent bank demand deposits and political subdivision time deposits were up substantially. We expect a continued decline in state deposits in 1980. However, we will be more aggressively bidding for political subdivisions time deposits, and will be analyzing and requesting larger compensating balances from our respondent banks, which should partially offset the anticipated decline in state funds. We will also be issuing negotiable certificates of deposit on the national market, if rates ease later in the year.

Net income amounted to

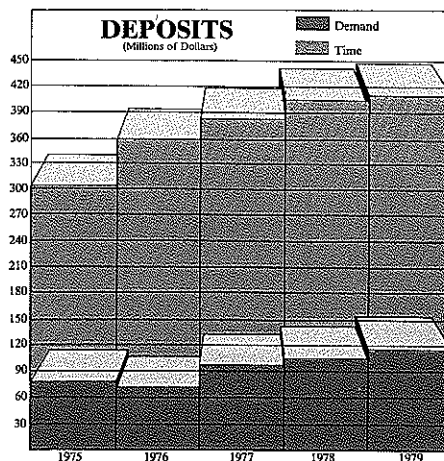
\$8,027,898, down \$2,306,197, or a decrease of 22% for the year. The decline, which occurred mainly in the last half of the year, was due to an increase of interest expense — \$9,340,655 over the previous year, or up 33%. Interest expense totaled \$37,899,879 for 1979.

Sixteen point seven million dollars of this total was paid to the State Treasurer as interest on the state's time deposits. We had expected interest costs to be down during the year, but Federal Reserve Board action, high loan demand, and double digit inflation kept interest costs at record levels. We expect interest rates to drop very little in 1980, and only in the last half of the year. Other expenses were kept to a minimum increase by tight controls and constant surveillance and economizing. Other expenses totaled \$2,799,240, up \$370,297, or 15%. We feel this

was very good, considering the rate of inflation, and increased activity in all departments. We expect interest expense totals to be even higher in 1980, and modest declines in rates during the second half of the year. Our loan rates moved high late in 1979, and we anticipate them to move considerably higher in 1980, particularly during the first half of the year. We believe net income in 1980 will be about the same as 1979.

The Bank did not increase its capital or surplus in 1979, but we anticipate increasing the surplus accounts in 1980.

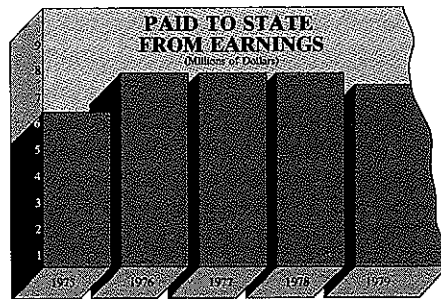
The Bank set aside \$14 million to be paid to the State Treasurer (our "dividend") for deposit in the state's general fund during the '79-'81 biennium. Seven and one-half million dollars was transferred during the year. In addition, the Bank transferred \$2.5 million to the state water loan fund from its undivided profits. The Bank will need to increase its capital accounts in the future, and will not be able to continue to pay as high a percentage of its profits in the form of a dividend to the state's general fund. The \$7.5 million transfer in 1979 amounted to 93% of net income for the year. The banking industry averages about 40% of earnings paid as dividends.



Loans were up over \$29 million at year-end, an increase of over 11%. However, the Bank had transferred all its Federally Insured Student Loans to the Industrial Commission as collateral for a bond issue. If this transfer had not occurred, loans would have been up over 25%. All categories of loans were up, with the largest increase in FHA and VA home loans. Home loans increased by \$41.7 million, up 49%, and totaled \$126.7 million at year-end. This demand will continue strong in 1980, and the Bank may have to curtail its home loan activities next year. The Bank made or purchased 1,288 home loans in 1979. These loans came from every county in North Dakota. At year-end the Bank held 1,643 participation and SBA loans, totaling \$141.5 million. There was quite a large turnover in these loans during the year. The loan department booked 1,033 participation loans during the year, totaling \$109.8 million.



J.R. Waters, Bank Manager and R.W. Cathro, Director General in 1919.



Many of these were liquidity loans to help North Dakota banks that didn't get their usual deposit inflows due to farmers being unable to sell grain, because of the dock strike in Duluth, Minnesota, and a shortage of rail cars. That situation improved the last quarter of the year, and many banks repurchased their loans.

The Bank's "Beginning Farmer" loan program was in strong demand during 1979. The Bank completed 97 loans, totaling \$5.3 million during the year, and had 78, totaling \$5.8 million committed to be funded in 1980. The Bank is pleased and proud of the success of this program. It is necessary to continue the vitality of our state's leading industry, agriculture.

The Bank expects loan demand to continue to be strong in 1980. Net loan losses were down slightly in 1979, and we do not anticipate any major problems in 1980. The quality of our loans is excellent.

Nineteen hundred seventy-nine was a good year for North Dakota's economy, and we believe 1980 will also be above average.

The North Dakota Municipal Bond Bank had a \$16.5 million issue in June and the Industrial Commission had a \$77,805,000 Student Loan Revenue Bond issue in July. The Bank negotiated both sales. The Student Loan Revenue Bond issue was the largest bond issue to have ever been issued in the State of North Dakota, and at the time of issue, the largest Student Loan Revenue Bond to have been issued in the United States. These two issues helped the Bank's liquidity position, and the Student Loan Bonds will provide funds for the Federally Insured Student Loan program for the next two years. The Bank is investigating the possibility of having the State Treasurer issue farm real estate bonds in 1980. We could possibly issue up to \$30 million of these tax-exempt bonds, which would help our liquidity, and aid us in continuing our farm real estate loan programs.

The Bank moved its main entrance from the Main Street side of the building to the east, or parking lot side in 1979. When the city lowered Main Street, because of the 7th Street underpass, they also removed all on-street parking on both streets bordering the

THE FIRST SIXTY YEARS

Bank, and we had to add several steps to the Main Street entrance. It was extremely steep and dangerous. Our new entrance is ramped, making it accessible for the handicapped. This project completes any large remodeling projects for this building. We do feel the Bank will need additional space sometime within the next few years.

During 1979, the Bank promoted the following people to Assistant Cashier: Arlene Olson, Betty Renz, Marilyn Foss, Don Young and Donna Frey. Promoted to Assistant Vice President were Nancy Glass, Dale Eberle, Duane

Wagner and Sharon Wehner. Vice Presidents named were Lew Wilson, Allan Nosbusch and Maurice Cook. Joyce Welder was named Assistant Comptroller.

The staff increased from 102 to 110 full-time employees in 1979, and added 14 part-time employees. The part-time employees enabled us to cut overtime pay significantly, and has resulted in more efficiencies in addition to payroll savings.

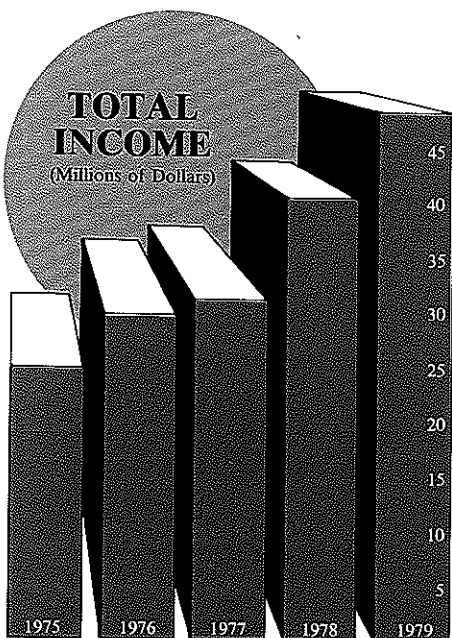
The financial statements beginning on page 40 have been examined and certified by Charles Bailly & Company, Certified Public Accountants. The Bank was examined by the North Dakota Department of Banking and Financial Institutions during the year. As the statements show, the Bank is in excellent condition. Classified assets were minimal. The Advisory Board Audit Committee met nine times with the internal Audit Department, and several procedures were changed or accelerated at their suggestion during the year. The Advisory Board also met with the outside auditors and reviewed computer controls presently used, and suggested changes.

The Bank will continue to upgrade its staff through ongoing educational programs sponsored by the American Bankers

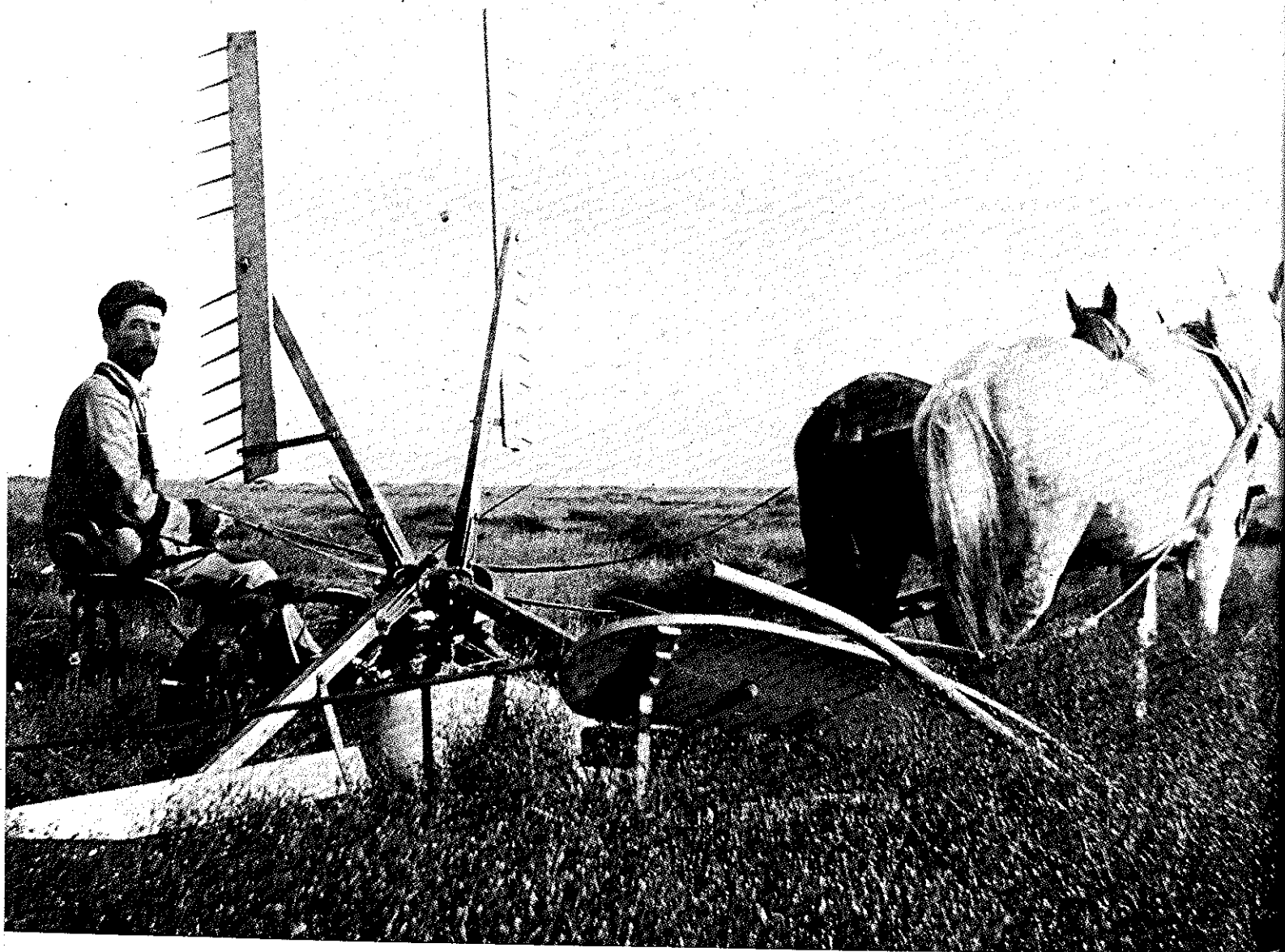
Association, Bank Administration Institute, American Institute of Banking, and local colleges. Management believes the Bank's staff today is the most "experienced and professional" in our 60-year history. More services are being delivered to our citizens than ever before by these dedicated staff members.

Management and staff thank the Industrial Commission and the Advisory Board for their advice, counsel and support.

We realize the 1980's will be a challenge to the Bank, but look forward to this new decade, our seventh, with confidence.



H.L. Thorndal
H.L. Thorndal
President



1919 was an historic year for farmers when the state-owned bank embarked on the philosophy of aiding and promoting agriculture in North Dakota. Farmers

during this period had difficulty in obtaining farm real estate financing and the Bank of North Dakota appeared to be a solution to this problem.

Farm and Ranch Ownership Loans



Nineteen hundred seventy nine was an historic year for farmers when the state-owned bank embarked on the philosophy of aiding and promoting agriculture in North Dakota. Farmers during this period had difficulty in obtaining farm real estate financing and the Bank of North Dakota appeared to be a solution to this problem.

Throughout the past 60 years, the Bank of North Dakota was an active leader in a variety of programs for providing farm real estate financing. In 1972, a new BND-FmHA Farm and Ranch Ownership Loan Department was created to provide 100% financing of the appraised value on farm real estate. Through a combined effort with Bank of North Dakota, this is accomplished by loaning 65% of the appraised value on a first real estate mortgage with Farmers Home

Administration loaning the remaining 35% on a second mortgage.

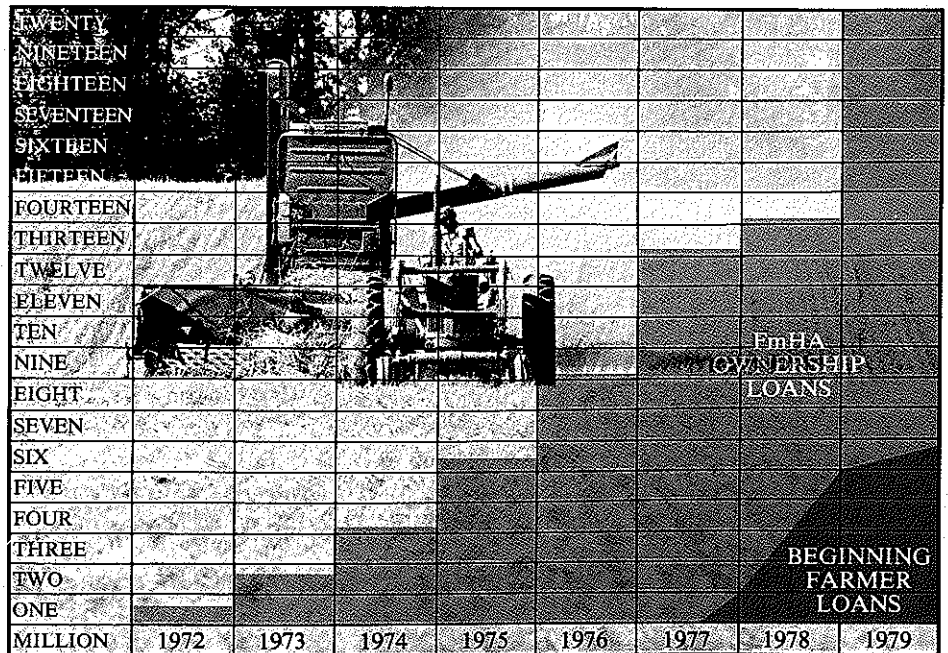
Working closely with FmHA provides a constant source of long-term real estate financing. FmHA offices throughout the state prepare all necessary paper work pertaining to the applicant and the operation and after completion, requests Bank of North Dakota participation in the loan.

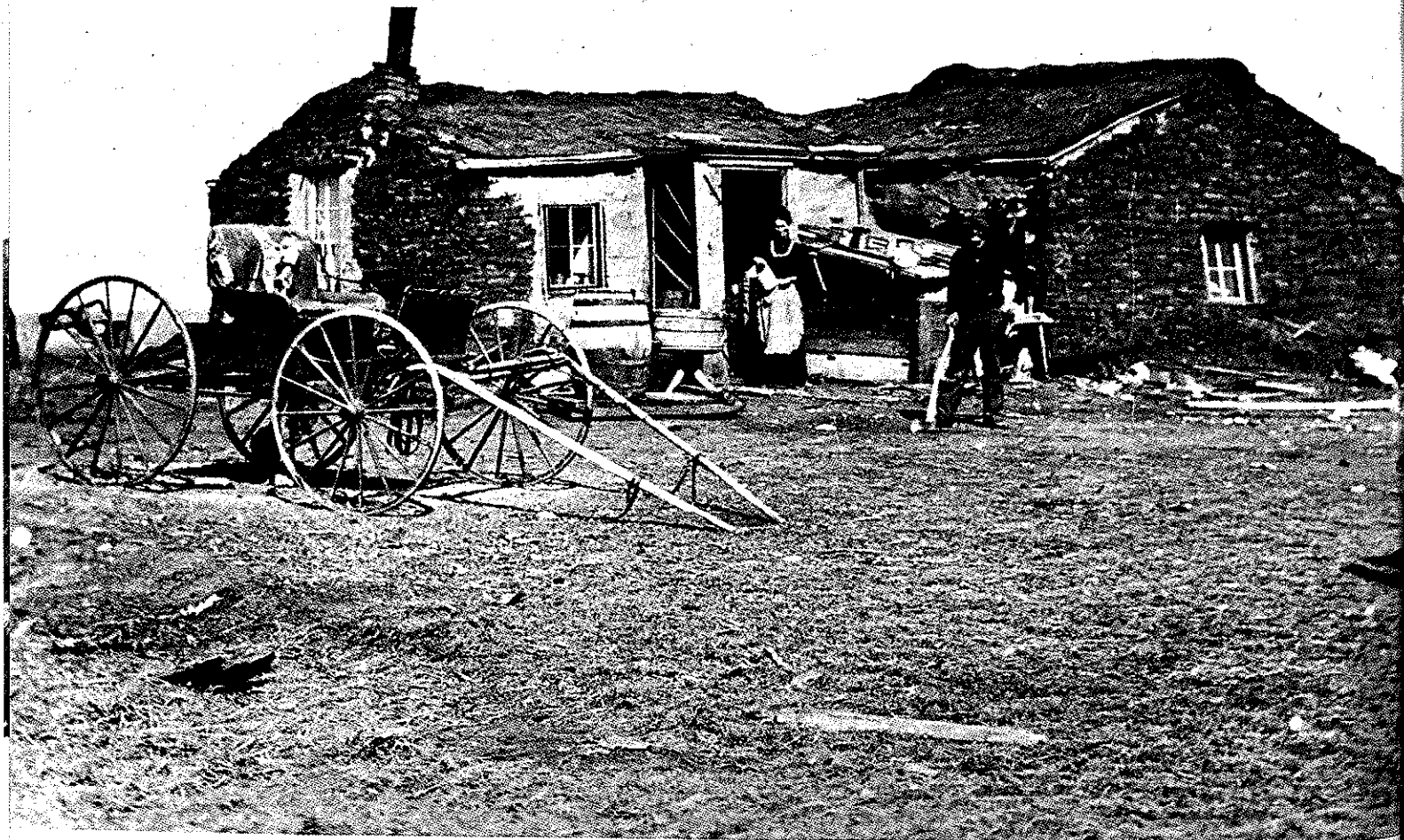
In 1979, the BND-FmHA Farm and Ranch Ownership Loan portfolio increased 50% with a year to date total of 556 loans and an outstanding balance of \$20,689,778.09.

To aid the beginning farmer in combating high interest rates and increasing land values, the Industrial Commission in 1978 approved the Bank of North

Dakota Beginning Farmer Loan Program. This program benefits the beginning farmer by reducing the interest rate and extending the term from that which is normally available to established farmers. In 1½ years of operation, the Bank funded 119 loans amounting to \$6,441,950 to beginning farmers for the purchase of farm real estate. In addition, the Bank has committed over \$4,000,000 in loans to beginning farmers which were in process at year-end. The total Beginning Farmer Loans in 1979 represented 72% of all BND-FmHA Farm & Ranch Ownership Loans funded in 1979.

The Bank of North Dakota has provided the leadership necessary in meeting today's problems with programs like the Beginning Farmer Program and looks forward to meeting the ones in the future.





Home Mortgage Division

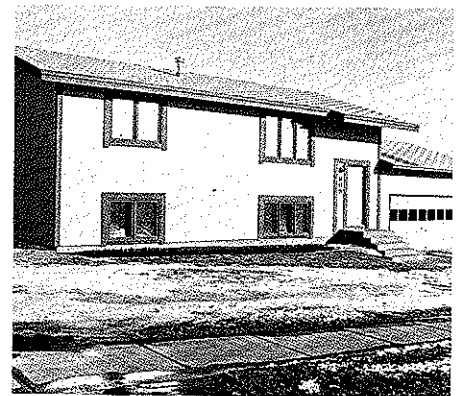
Bank of North Dakota was certified by the Federal Housing Administration to act as an approved mortgagee on May 23, 1935, thereby allowing Bank of North Dakota to begin its Mortgage Loan Purchase program. Bank of North Dakota ended 1935 with a loan portfolio in the amount of \$77,678.98. During the year 1948, Bank of North Dakota expanded its Mortgage Loan Purchase Program by becoming an approved Veterans Administration lender and closing out the year with 3 GI loans in its portfolio. Significant progress was made during 1949 when Bank of North Dakota ended the year with \$263,301.56 of GI loans in its portfolio and \$905,449.58 in FHA housing loans.

During the decade of the 70's Bank of North Dakota added \$158.7 million in loans insured by the Federal Housing Administration or guaranteed by the Veterans Administration to its portfolio. Nearly all of these loans were purchased from savings & loan associations and banks throughout North Dakota. 1979

was a record-breaking year with \$49.4 million in loans being added to the portfolio.

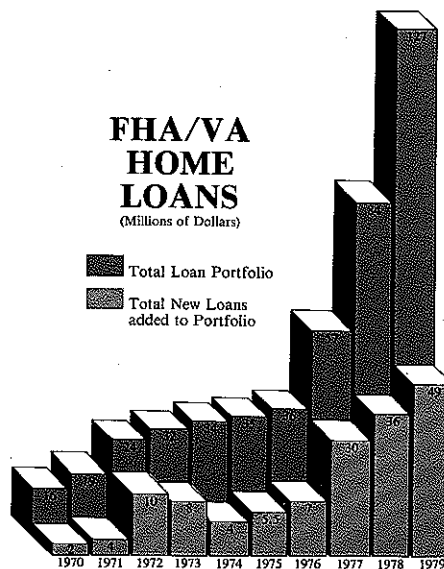
The decade of the 70's began with an interest rate of 7½% and ended with an interest rate of 11½%. A house purchased in 1970 for \$30,000 could have been sold in 1979 for an estimated \$70,000.

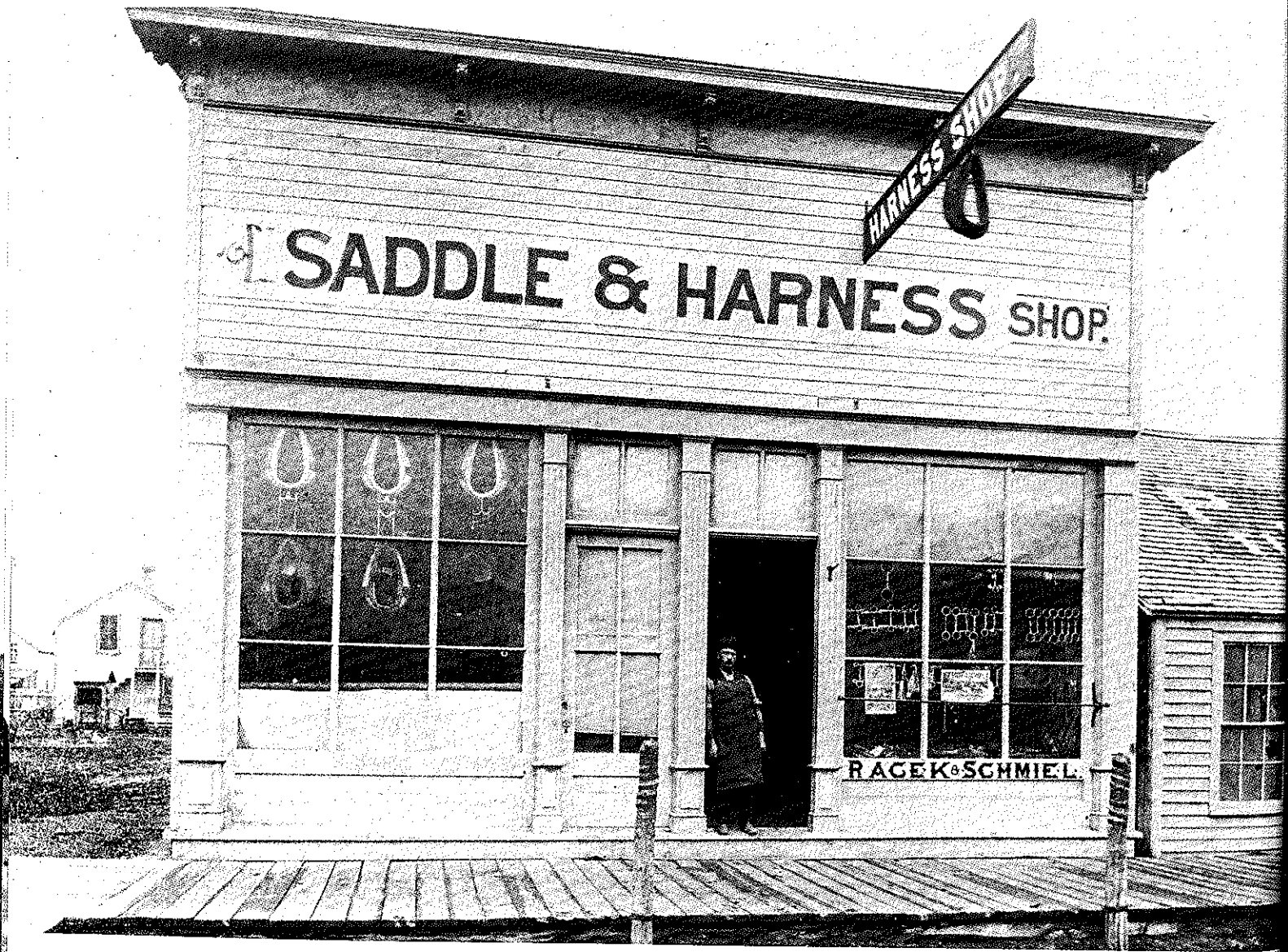
The Bank of North Dakota continued to expand its Mortgage Loan Purchase Program for



Federal Housing Administration "235" loans thus making housing available to those low or moderate income families who would otherwise be unable to attain adequate housing.

In an effort to meet the growing needs of the citizens of North Dakota, Bank of North Dakota with the assistance of the Farmers Home Administration instituted the "FmHA 502 Guaranteed Residential Housing Program." FmHA guarantees 90% of the principal and interest to the lender. Bank of North Dakota provides a secondary market for the guaranteed portion of the loan and as of the end of 1979 had a portfolio of \$479,991,35.



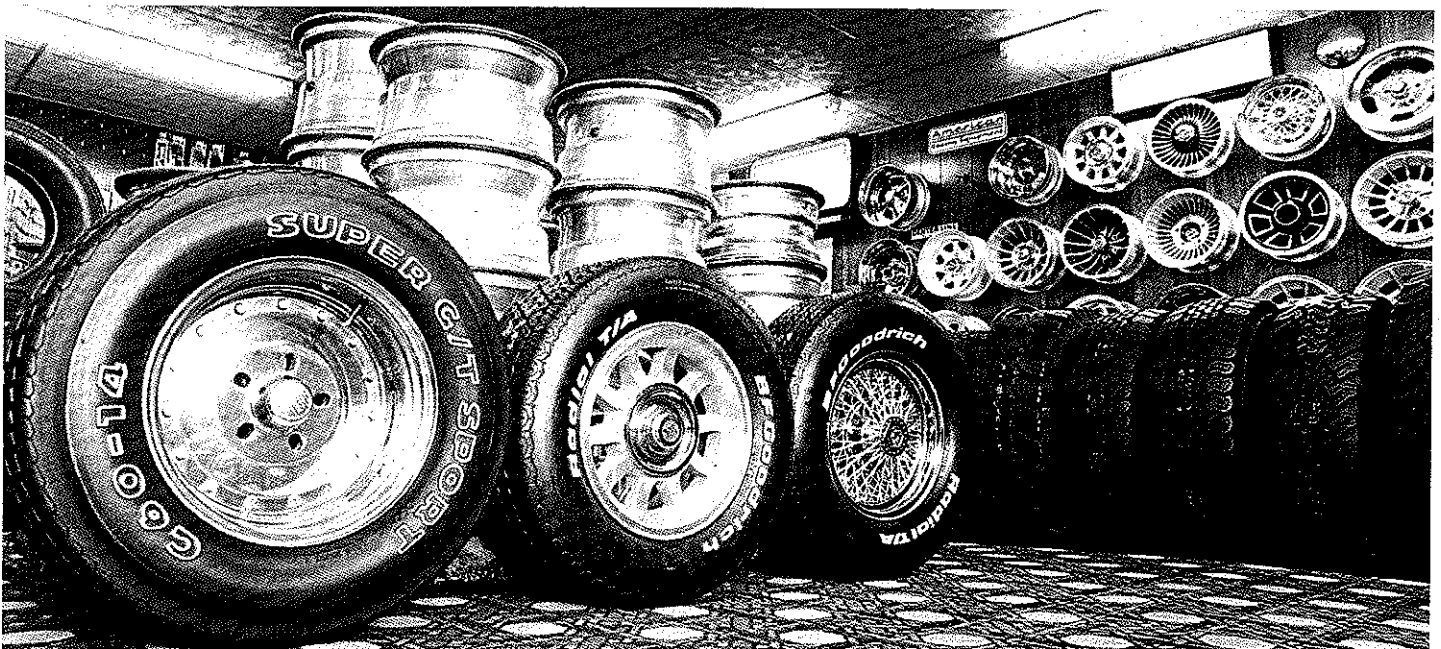
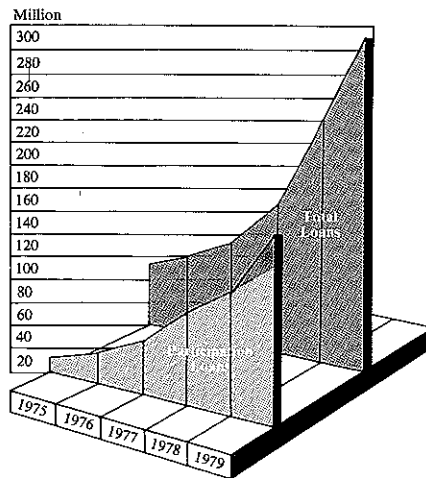


SBA and Participation Loans

The Bank of North Dakota began the first of sixty years of service to North Dakota in 1919. By year-end 1919, the Bank had \$617,035.00 in total loans, compared to \$291,062,211.00 in total loans at year-end 1979. During the first year, 1919, the loan portfolio consisted of primarily farm and ranch real estate loans. The Commercial Loan Department wasn't organized until much later. On December 13, 1968, the first commercial loan participation was funded. A total of \$210,000.00 at year-end 1968, compared to \$109,843,987.00 in loan participations purchased during 1979, representing 1,033 loans. Since 1919, the commercial loan portfolio (SBA, FmHA Business and Industry, and Banking Participations) has grown to \$137,562,314.00, which includes \$29,620,307.00 in agricultural overlines. The remainder consists

of loans to all types of businesses and industries in North Dakota. Bank of North Dakota has offered its services to North Dakota for the past sixty years by providing a variety of lending services including a viable secondary market for most guaranteed loans, indicating an active interest in the financial progress of North Dakota.

The Bank has established many new policies and procedures in the last year dictated by the high cost of obtaining money with a rate-sensitive deposit base. The most notable of these procedures is one striving for variable rate lending throughout North Dakota. The Loan Department experienced record levels in all areas of lending bringing our loan to deposit ratios to an all time high. We consequently have become more rate conscious in relation to our established lending priorities; however, our commitment to North Dakota farmers and agricultural industries remains foremost. In the past year, we are listed as the 40th largest agricultural lender in the nation. We are very proud of our past record and will continue to meet the needs of all communities in North Dakota to the best of our abilities.



Special Loans Division

The Special Loans Division was created in 1977, when the State Legislature transferred the state-owned land and minerals, managed by the Bank of North Dakota, to the State Land Department. A loan pool account was established at the Bank for the purpose of making loans to farmers out of trust funds under the control of the Board of University and School Lands. The \$45 million pool account saw 124 loans paid in full during 1979 and 44 new loans made for a dollar amount of \$4,585,400, with interest in the amount of \$3,229,660.14 being earned and remitted to the State Land Department. The Bank received fees from the loan pool in the



amount of \$143,315.28. At 1979 year end, 1,286 loans were on record.

The Division acts as Agent for the



North Dakota Rural Rehabilitation Corporation. From a base amount of \$1,100,000, FmHA subordinated farm operating loans are made. In 1979, this agency made 45 FmHA subordinated farm operating loans in the amount of \$1,171,880 to borrowers unable to get local credit.

The Community Water Facility Account of \$5 million is managed by the Special Loans Division. One loan in the amount of \$1,250,000 was made during 1979. This account provides low interest supplemental loans to

organizations developing rural water systems.

In addition, the Special Loans Division manages the Nursing and Home for the Aged Fund and services the Contracts for Deed on the sold units of the Judge A. M. Christianson Project at Burlington, North Dakota. During 1979, the Nursing and Home for the Aged Fund saw one loan paid in full, leaving fourteen loans still on the records. Concerning the Judge A. M. Christianson Project, eleven residents still have open contracts for the purchase of their units.

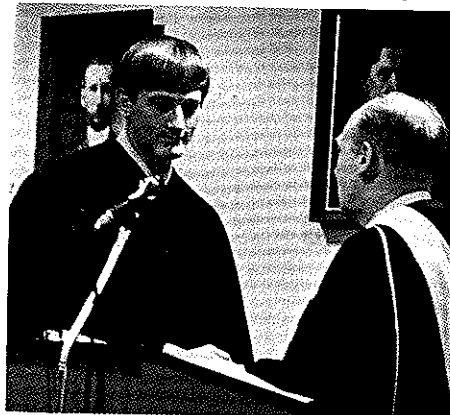
Financial services must change to provide for the requirements of an ever-changing population. The involvement of the Student Loan Division is a prime example of the Bank of North Dakota's effort to fulfill its commitment to the citizens of North Dakota.

The Bank of North Dakota's first experience in the Student Loan area came in the late 1930's by providing a limited loan to needy students. These were emergency loans at a maximum of \$300. While helpful in a time of extremely tight money and low school costs, their effectiveness was limited and the program was discontinued during World War II.

The 1957 legislative session provided for the formation and operation of a State Scholarship Loan Program. This program was funded by an appropriation of \$1,000,000 from the undivided profits of the Bank of North Dakota. During the ten years between 1957 and 1967, 4,444 loans of \$500 or less were made to North Dakota students attending our state colleges. The implementation of the Federally Insured Student Loan Program in

the state in 1967 took over the need of this program, and the legislative session of 1969 discontinued the State Scholarship Program. The Bank of North Dakota was directed to continue collection procedures, and monies in the State Scholarship Revolving Fund and subsequent loan payments were transferred to a reserve fund for a State Guarantee Loan Program. Bank of North Dakota was designated as the state agency to administer a state guarantee loan program.

The first student loan in the United States was processed by



The recipient of the FIRST Federally Insured Student Loan in the nation, graduating at Valley City State College, 1971.

the Bank of North Dakota on August 12, 1967. The student, a

Student Loans

freshman at Bismarck Junior College, used the program until

Total Loan Program in North Dakota 1967-1979

68	\$2,236,555
	2,696 Loans
69	\$2,930,383
	3,491 Loans
70	\$3,793,816
	4,460 Loans
71	\$7,559,207
	8,874 Loans
72	\$6,707,208
	8,086 Loans
73	\$6,900,742
	7,874 Loans
74	\$6,392,633
	6,911 Loans
75	\$5,349,684
	5,883 Loans
76	\$6,166,715
	5,653 Loans
77	\$8,138,841
	8,105 Loans
78	\$8,760,087
	9,109 Loans
79	\$15,741,144
	13,571 Loans

Total Dollar Amount — \$80,677,325

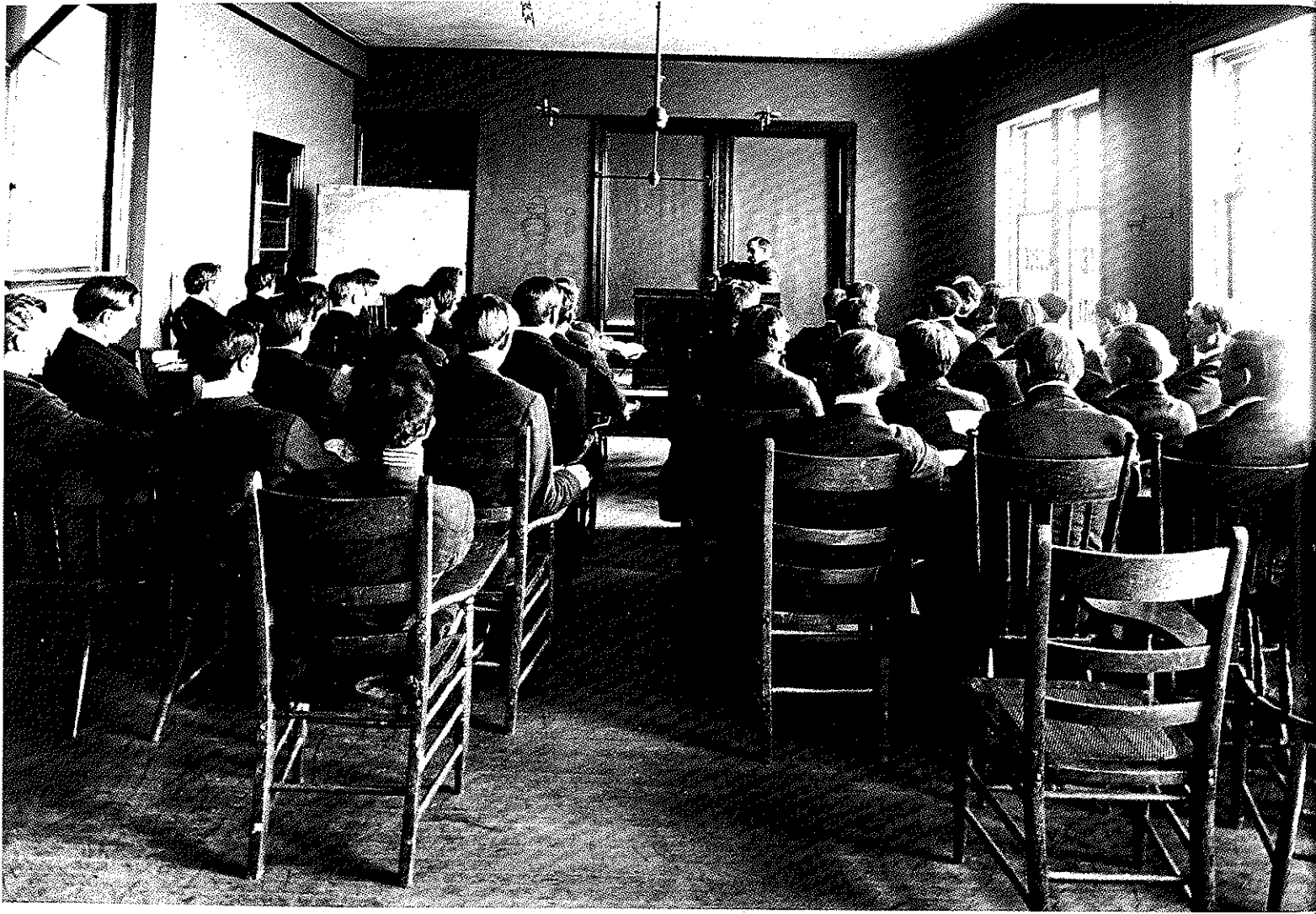
Total Number of Loans — 84,448

Average Loan Amount - 955

1980-1981 Academic Year (Estimates)

Total Dollar Amount \$17,250,000

Total Number of Loans 17,692



THE FIRST SIXTY YEARS

successfully completing the requirements for graduation at Valley City State College in 1971 and has almost completed the repayment according to schedule.

The State Scholarship Loan Fund provided a total of 4,444 loans in the amount of \$2,097,510 through the revolving fund in the ten years of its existence. Of that total, 4,404 loans have been collected, representing 99.1% of the loans made. Payments are being made or legal action has been instituted on the 40 loans outstanding. This special fund, as required, contains Certificates of Deposit at the Bank of North Dakota in the amount of \$1,359,218.13.

The Office of Education, which has charge of all student assistance, has directed that all states work towards the development of a state guarantee agency. The Bank of North Dakota is at present making provisions to accomplish this, so that an efficient transition can be accomplished when necessary.

Since the inception of the program, over 67% of the loans in North Dakota have been handled by the Bank of North Dakota. Eighty five thousand loans, \$81,000,000, have been provided by the Bank of North Dakota through this department. **One of the goals of the Bank of North Dakota has been to provide the participation and leadership necessary so that all North Dakota students will have an opportunity to experience the advantage of a post secondary education, or the development of their vocational skills.** Of great concern to the Office of Education is accessibility of loans to all students. From all available information, the students of North Dakota have the greatest access to loans of any area in the

United States. Constant communication with financial aid officers substantiate this statement. The Student Loan Department is always striving to improve the students' awareness of the program by maintaining membership in financial aid associations and working closely with guidance counselors and admission counselors whenever possible.

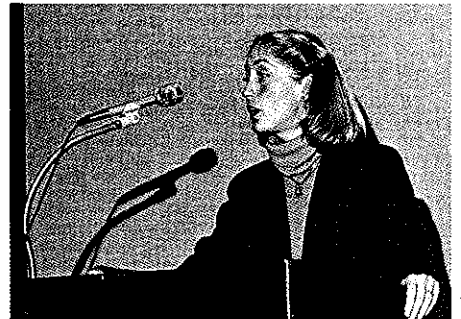
In order to promote lender participation and thereby provide additional lending resources, the Bank of North Dakota inaugurated a secondary market program for North Dakota lenders. This is another first in the nation. One hundred twenty five lenders throughout the state have made use of this program. Annual workshops are conducted by personnel of the Bank of North Dakota to bring lenders and

school officials together for discussion of regulation changes and their effects on lenders, schools, and students. The secondary market and the administrative assistance provided to local lenders has most certainly had a positive influence in encouraging local lending. This is necessary in order to attain total access for students who desire loans.

The finances to continue this program were provided by the \$77,805,000 Student Loan Bond Issue, which was issued last July. This most successful issue was used to purchase \$40,000,000 in loans outstanding and to provide \$30,000,000 for forward funding. With the projected increase in loan demand, this forward funding will be exhausted in approximately 2½ years.

Bank of North Dakota Federally Insured Student Loan Department Statement as of December 31, 1979

	Dec. 31, 1979	Dec. 31, 1978	Dec. 31, 1977
Total loans disbursed 1967-79	\$80,677,325	\$64,936,181	\$56,175,094
Students	84,448	70,871	61,762
Average loan per student per year	955	916	909
Direct loans	\$54,721,800	\$43,401,096	\$36,401,460
Loans transferred from other lenders	\$25,955,525	\$21,535,085	\$19,717,457
Total outstanding as of Dec. 31	47,321,608	\$36,516,793	\$32,662,809
Loans	59,426	49,680	44,620
Total in repayment	\$18,932,208	\$16,618,321	\$16,873,463
Loans	36,655	28,637	26,193
Students	11,388	10,131	9,739
Principal paid 1979	\$ 4,762,015	\$ 4,823,471	\$ 4,849,678
Interest earned 1979	\$ 5,769,611	\$ 3,675,431	\$ 2,628,795
Total principal & interest paid 1979	\$10,531,626	\$ 8,518,902	\$ 7,478,473
Total amount of loans processed 1979	\$15,741,144	\$ 8,676,456	\$ 8,978,391
Loans processed 1979	13,571	9,109	7,180
Loans obtained directly from bank	10,464	7,735	5,396
Total amount obtained directly from bank	\$11,320,704	\$ 6,858,828	\$ 6,742,833
Loans purchased from other lenders	3,107	1,374	1,784
Total amount of loans purchased from other lenders	\$ 4,420,440	\$ 1,817,628	\$ 2,235,619
Entered repayment	3,298	6,334	2,229
Paid in full	3,569	3,883	1,705
Default claims paid by Office of Education	300	134	134
Annual default rate	.03	.034	.03



Correspondent Banking



Dating back to the days when our correspondent officers traveled North Dakota using highly energy-efficient modes of transportation, Bank of North Dakota has functioned as the "central bank" for all the financial institutions of our state. For 60 years, Bank of North Dakota has been the fulcrum for the total economy of North Dakota. Every bank, the majority of the savings and loan associations, and the larger credit unions, have a correspondent relationship with Bank of North Dakota.



In the first 60 years, the only state-owned and operated bank in the nation witnessed and held firm through periods of dramatic change. In 1919, there were 894 banks in North Dakota, serving a population of 647,000. The per capita annual income in North Dakota was approximately \$365.00, and the total wealth of the state was \$206,439,000. In 1979, there were 175 banks serving a population of 652,000, having a per capita annual income of approximately \$7,174.00. The wealth of North Dakota has expanded to \$3,887,000,000.

During this time period, the loan portfolio increased from \$617,035.00 to \$290,797,684.00. Other correspondent services such as check clearing, securities and

safekeeping, money desk, coin and currency supply, municipal bond underwriting and a host of other specialized activities were non-existent in 1919; in 1979, we are the largest correspondent bank in the upper great plains.

Although the history of the "Mid-Winter Break" dates back only five years, this annual conference, sponsored by Bank of North Dakota, is a major activity of the Correspondent Banking Department. This meeting of bankers, savings & loan officers, credit union managers, and SBA, FHA, FmHA representatives, gives us the opportunity to present local, regional and national authorities who discuss matters of interest to the financial community.





STATE OF NORTH DAKOTA

5%

BOND OF NORTH DAKOTA, REAL ESTATE SERIES

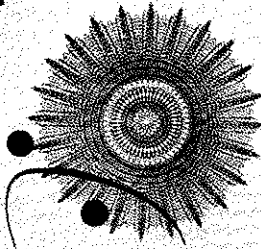
D.

The State of North Dakota, For value received
promises to pay to the bearer or to the registered owner hereof, the sum of
ONE THOUSAND DOLLARS

On JANUARY 1, 1940, and to pay interest semi-annually on said principal sum
at the rate of five (5) per cent per annum from the date hereof on the first day of
January and of July in each year until maturity, upon the presentation and
surrender of the interest coupons here attached as they severally mature.

Both principal and interest are payable in gold coin of the United
States of America of the present standard of weight and fineness, at the
office of the State Treasurer at Bismarck, North Dakota, or at the National
City Bank in the City and State of New York, at the option of the holder.

The full faith and credit of the State of North Dakota is pledged for the
payment of both principal and interest of this bond, and it is secured by first
mortgages upon real estate in amounts not exceeding one-half of its value, and
which mortgages have been deposited with the State Treasurer of North
Dakota as trustee, and is issued in pursuance of the provisions of the "Second
Real Estate Bond Act of North Dakota" approved March 3, 1923, and is ex-
empt from state, county and municipal taxes of any and all kinds.



In Witness Whereof, The State of North Dakota
has caused this bond to be executed by the Governor and the State
Treasurer and the great seal of the State here attached, and at-
tested by the Secretary of State, and has caused the interest cou-
pons here attached to be authenticated by the engraving of the
graphed fac-simile signatures of the Governor and the State Treas-
urer at Bismarck, North Dakota this first day of April, 1940.

Wm. H. Hall
Secretary of State
Wm. H. Hall
Governor
John Steen
State Treasurer

NEW ISSUE

\$77,805,000

State of North Dakota

Student Loan Revenue Bonds 1979 Series A

Dated: July 1, 1979

Due: July 1 as shown below:

Interest from their date payable semiannually on January 1 and July 1 beginning January 1, 1980. Coupon Bonds in the denomination of \$5,000 registrable as to principal only or fully registered Bonds in the denomination of \$5,000, or any multiple thereof. Coupon and registered Bonds are interchangeable. The Bank of North Dakota, Bismarck, North Dakota, is Trustee, Registrar and a Paying Agent. Northwestern National Bank of Minneapolis, Minneapolis, Minnesota, is also a Paying Agent.

The 1979 Series A Bonds are subject to Cumulative Sinking Fund Redemption, Optional Redemption and Special Redemption from unexpended Bond proceeds and certain moneys in the Program Assets Fund, all as more fully described herein. See "Description of the 1979 Series A Bonds".

In the opinion of Bond Counsel, interest on the bonds is exempt from federal and North Dakota taxation under existing laws and regulations.

SCHEDULE OF AMOUNTS, COUPON RATES AND PRICES

\$44,080,000 Serial Bonds

Year	Amount	Coupon Rate	Price	Year	Amount	Coupon Rate	Price
1980	\$3,120,000	5.35%	100%	1988	\$1,830,000	5.85%	100%
1981	2,620,000	5.40	100	1989	1,915,000	5.90	100
1982	3,280,000	5.45	100	1990	2,485,000	6	100
1983	4,560,000	5½	100	1991	2,285,000	6.05	100
1984	5,160,000	5.55	100	1992	2,075,000	6.10	100
1985	3,990,000	5.65	100	1993	1,850,000	6.15	100
1986	2,205,000	5.70	100	1994	1,265,000	6¼	100
1987	2,065,000	5¾	100	1995	3,375,000	6.30	100

\$17,905,000 5.90% Term Bonds Due July 1, 1989, Price 100%

\$15,820,000 6.40% Term Bonds Due July 1, 1996, Price 100%

(Accrued interest to be added)

The 1979 Series A Bonds are to be issued pursuant to Chapter 54-17 of the North Dakota Century Code, as amended, and resolutions duly adopted by the Industrial Commission of North Dakota (the "Commission"). The Bonds are special obligations of the State of North Dakota, secured by and payable solely from the specific revenues and Funds pledged therefor, as described herein.

The Bonds do not constitute debt of the State of North Dakota or any political subdivision thereof. Neither the faith and credit nor the taxing powers of the State of North Dakota or any political subdivision thereof are pledged to the payment of the principal of or interest on the Bonds.

The 1979 Series A Bonds will be issued for the purpose of providing the Commission with moneys to acquire student loans which will be federally insured, or in certain cases guaranteed by a guarantee agency and reinsured by the federal government, all upon terms and conditions more fully described herein.

The 1979 Series A Bonds are offered when as and if issued by the Commission and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by Birdzell & Beauclair, Bismarck, North Dakota, Bond Counsel. Certain legal matters will be passed upon for the Commission by the Attorney General of the State of North Dakota. Certain legal matters in connection with the 1979 Series A Bonds are subject to the approval of Foley & Lardner, Milwaukee, Wisconsin, Counsel to the Underwriters. It is expected that the 1979 Series A Bonds in definitive form will be available for delivery in Chicago, Illinois, on or about July 18, 1979. Subject to applicable securities laws and prevailing market conditions, the Underwriters intend but are not obligated to make a market in the 1979 Series A Bonds. The Underwriters will purchase the 1979 Series A Bonds at par, and the Commission will pay the Underwriters a gross underwriting fee of \$1,400,490. For further information with respect to the Underwriters, see "UNDERWRITING".

Smith Barney, Harris Upham & Co.
Incorporated

A. G. Becker Incorporated
Warburg Paribas Becker

June 27, 1979

Investment Department

The Bank Act of February 15, 1919, authorized issuance of \$2,000,000 bank series bonds for capitalizing the new institution and \$1,000,000 real estate bonds to use in real estate lending. We have come full circle — 60 years later we are looking to the use of the same funding vehicles for the same purposes, but in larger amounts. The turbulence of the money markets of the “teens” reasserted itself in the 70’s.

The continued and avowed purpose and direction of the Investment & Trust Department shall be to provide the communities of North Dakota, collectively and individually, with time, service, and talent to increase the quality of life in North Dakota.



6M	14.81-76	+.02	:17	3/4	-	17
YR	13.90-85	+.23	:17	3/8	-	17
CHANGE FROM AUCTION ¹⁶ 13/16- 16 1						
S A/C	11:01	-----				
SECONDARY CDS	9.38	!	BA S	9.25		
APR	15.75-45	+.50	:	APR	16.00-75	
MAY	16.10-80	+.60	:	MAY	16.20-95	
JUN	16.75-45	+.25	:	JUN	16.25-00	
JUL	16.90-60	+.20	:	JUL	16.25-00	
AUG	16.95-65	+.10	:	AUG	16.25-00	
SEP	17.00-70		:	SEP	16.25-00	

BANK RATES	3/04	!	CALL RATES	3		
DSC	13%		2/15	DLR		

Money Market Center

Sixty years ago, the Bank of North Dakota established a policy to assist banks and other financial institutions and public corporations within the state. The Investment Division has maintained that policy by providing services in Municipal Bonds, Government and Federal Agency Securities, Negotiable C.D.'s, and Federal Funds and Repurchase Agreements.

The Bank of North Dakota's portfolio totaled \$178,333,708 as of December 31, 1979, a decrease of 21.1%. The decrease resulted from increased loan demand and state spending.

Due to the continuation of the inverted yield curve and the lack of investor confidence, trading in Federal Funds remained strong throughout the year. Total Fed Fund transactions were \$33.065 billion resulting in a daily trading volume of \$90.589 million.

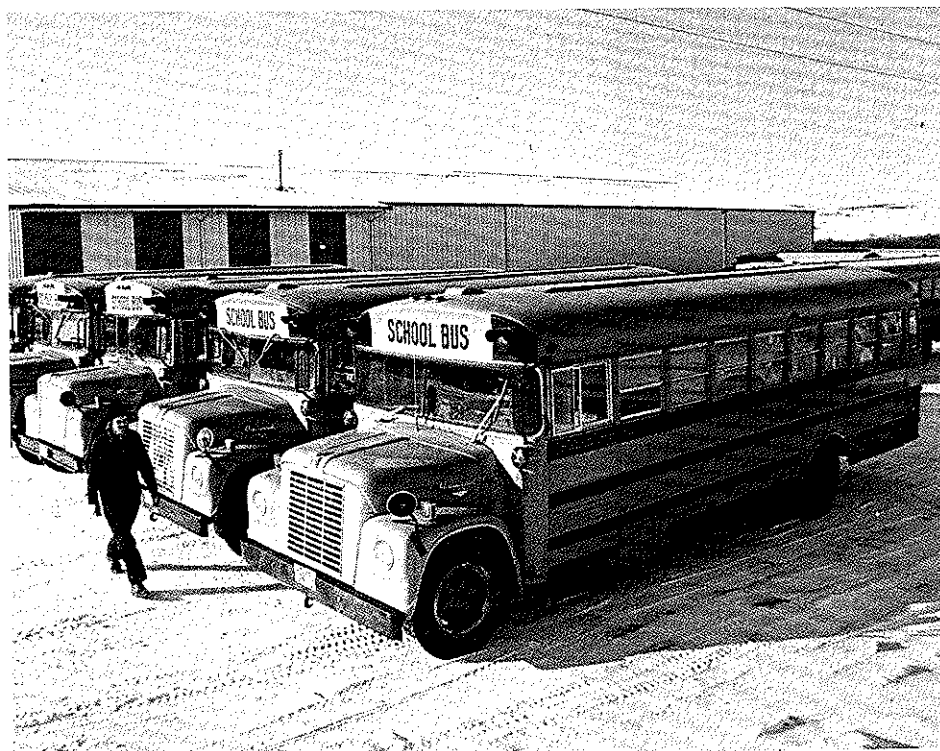


Main Street, Mandan, North Dakota early 1920's.

Bond and Coupon Division



From the time the Bank of North Dakota was created by the Session Laws of 1919 and issued bonds to provide its capital structure, it has been active in contributing to the State's economy by lending funds to school districts, cities, and counties for public improvements. From the first Certificate of Indebtedness issued by a school district in the early 1920's to the present 620 some issues, the Bank of North Dakota has been of service to municipalities in either direct funding of their improvement project or the servicing thereof.



The first coupons and bonds for which the Bank of North Dakota acted as paying agent was the Bank Series of 1919, involving approximately \$94,000 to retire the first year's bond requirements. This compares to \$15,400,000 disbursed by the Bond and Coupon Division to various bondholders during the year of 1979.

Because of increased underwriting, it is estimated the total payout for coupons and maturities in 1980 will be \$23,500,000.

The North Dakota Municipal Bond Bank sold issue No. 2 in the amount of \$16,500,000, dated June 1, 1979. The rate, though higher, provided market entry for 48 Political Subdivisions at an acceptable level.

The Bond Bank is fulfilling a need and is self-sustaining at this time with some progress being made to paying down initial start-up cost.

Administrative and Retail Banking

The Administrative and Retail Banking Department developed from some of the functions performed by the 1919 Audits Department and Transit Department. The Audits Department kept the general ledger and control sheets for all departments; issued drafts, expense checks and cashiers checks and made currency and coin shipments. It kept the records of individual deposits (time and demand) and made all transfers of funds. It also prepared most of the financial reports and the State Examiner reports. The Transit Department was a subordinate department of the Audits Department and was responsible for keeping the records of accounts with Depository Banks, Correspondent Banks and Treasurers. The Bank of North Dakota had offered to perform the functions of a State Clearing House for depository banks.

Presently the Administrative and Retail Banking Department consists of the Cashier's Division, the Comptroller's Division and the Operations Division.



The Bank's lobby, 1950's.

Cashiers Division



Cashier's "Cage", early 1930's.

When the Bank of North Dakota opened in 1919, the teller cages were literally a cage with bars surrounding each cage and suspended from the ceiling. Two teller cages accommodated the services for the three individual checking accounts and the nine individual certificates of deposit.

Through the progress in the past sixty years, we now have six open teller windows which are covered by surveillance cameras. Our individual checking accounts have increased to 3,800 and certificates of deposit to 4,249. We also have 4,526 passbook savings accounts.

Operations Division

The Operations Department in 1919 boasted a staff of around 20 persons, and records show that 462,930 items were processed that year from August to December. In 1979, the Operations Department processed 35,175,488 items, with a staff of 21 full-time employees and 4 permanent part-time employees. These figures take on perspective when it is realized that in 1919, all transactions were posted by hand onto ledgers. Today, the Bank of North Dakota uses modern computer systems and processes most items for the state.



Posting machine - 1950.



Computer - 1979.

Comptrollers Division

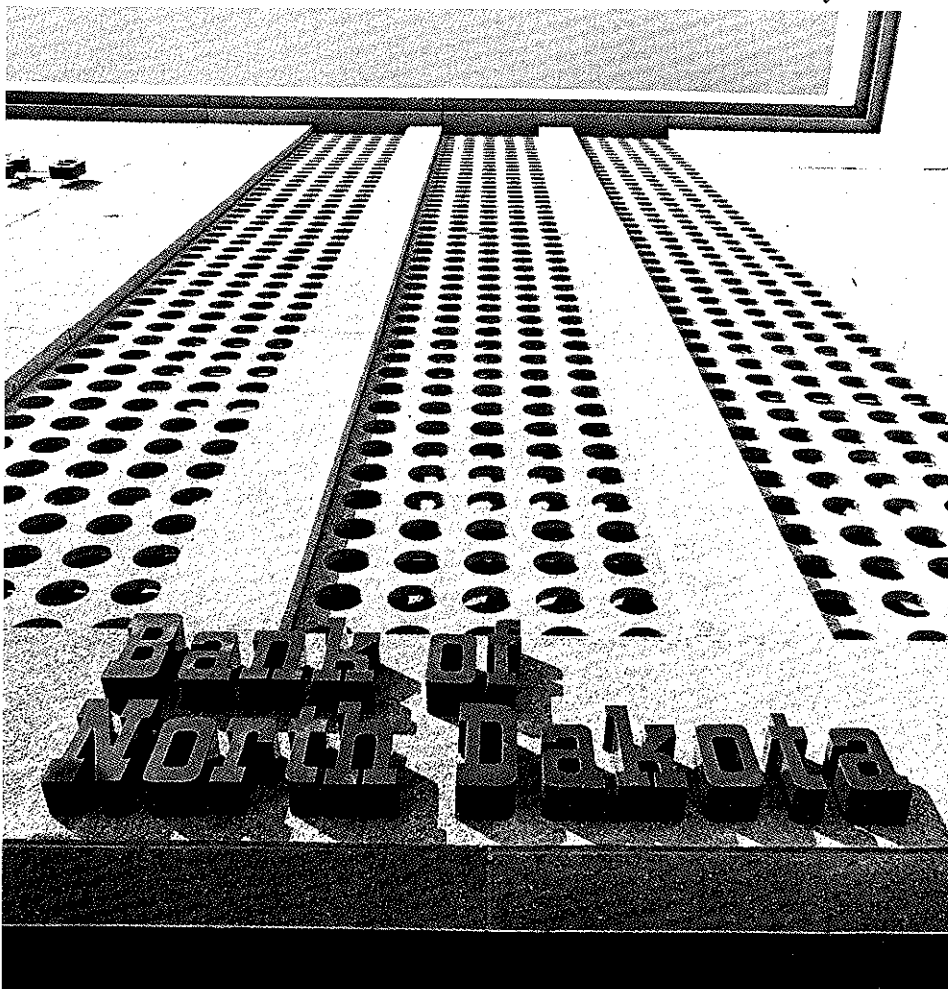
While the Comptrollers Division is a relative newcomer within the Bank of North Dakota, its responsibilities have roots dating back to early days of the Bank's history. In years past, these services were provided by various people with different equipment

and methods. The requirements were basically similar; only the techniques and emphasis have evolved. Accounting, budget, administration, support services, etc., are every bit as essential as they were 60 years ago. Nineteen hundred seventy-nine

operating expenses amounted to 5.7% of gross earnings, reflecting a slight reduction from 1978. Interest expense rose from 69.2% to 77.7% of gross earnings. This is, however, significantly different from Bank of North Dakota's early years of operation, when operating expenses hovered around the 20% mark, and interest expenses were on a much lower scale.

Data Processing, while it represents a relatively new field of operations for Bank of North Dakota, actually only provides an alternative to methods of the past; methods which undoubtedly would prove cumbersome and inefficient in light of today's volume. Providing the same level of services without data processing would be impossible within the same budgetary, space and personnel constraints as Bank of North Dakota operates today.

During the past 60 years, Bank of North Dakota has seen numerous changes in the design and decor of its banking house. The latest series of renovations, while taking several years to complete, has now resulted in greatly improved facilities for employees and customer service. Perhaps one of the most significant aspects of this renovation has been the relocation of the building's main entrance, to provide for improved customer safety and convenience.



Audit Department

Bank of North Dakota's Audit Department has been in existence since the bank's beginning in 1919. However, the department today does not resemble that department of 60 years ago. Regulations adopted by the Industrial Commission on May 8, 1919 state: "The Audits Department shall keep a correct account of all the financial transactions of the Bank for all departments. The Transit Department is hereby established as a subordinate department of the Audits Department."

This meant that the duties would include maintaining a General Ledger, shipping currency and coin, issuing drafts, preparing reports and reconcilements, keeping records of individual deposits and computing daily interest earnings among other things. As is evident from the duties described, the Auditor was extensively involved with operations of the Bank. It was not until 1952 that the first true audit activities began and then only on a very limited basis.

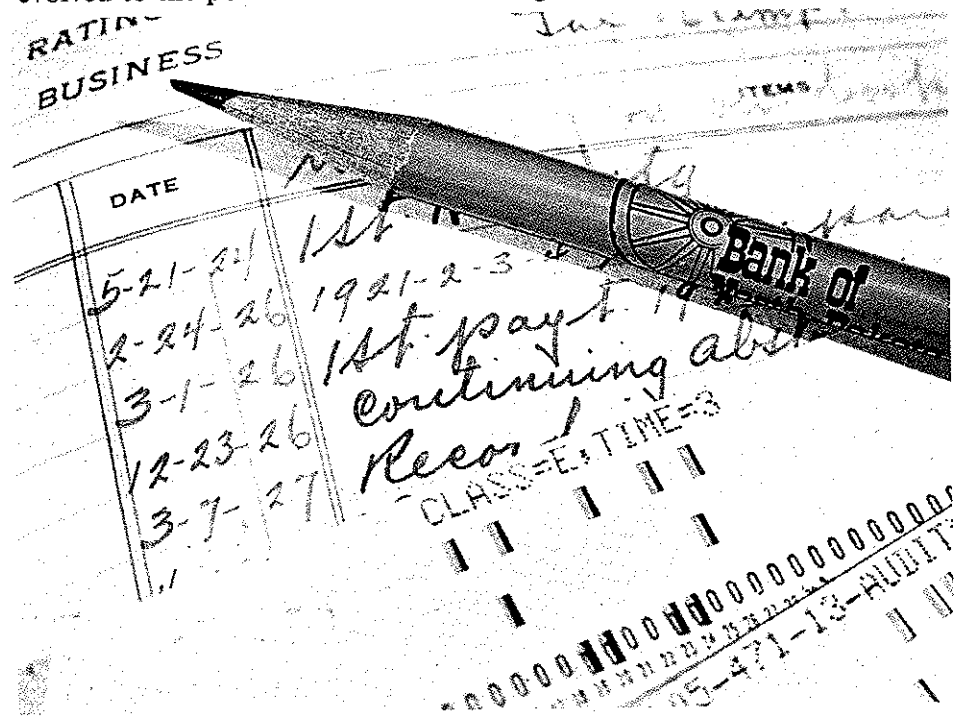
The year 1964 saw some increase in the audit activities, but there was still little emphasis on actual auditing of Bank records until 1972 when a full-time Auditor was employed. At this time significant improvements were seen in the area of audit. In 1975 and 1976 respectively the Bank employed a

Data Processing Coordinator and Comptroller, which again were significant changes in that more of the operational functions were removed from the Auditor's responsibility leaving more time available for audit functions. All of these changes have been beneficial to the enhancement of auditor independence from other departments and functions. As a result, this increased independence has allowed audit personnel to be much more objective in reviewing Bank activities.

The Audit Department has now evolved to the point where no

operational responsibilities exist and in fact no member of the Audit staff is authorized to initiate any transactions for the Bank. Additional emphasis was again provided the audit function in 1978 when the North Dakota Industrial Commission established an Audit Committee composed of the Advisory Board and Auditor.

Over the years Bank of North Dakota has seen much growth and change as seen in this report. As we reflect on "The First 60 Years" you can see that the Bank has been a very progressive organization.



Legal Department

The Legal Department of the Bank of North Dakota dates its beginning from October 2, 1919, with the appointment of the Bank's first Attorney, who also served as the Secretary of the Industrial Commission. On February 2, 1920, the Industrial Commission adopted a rule for the organization of the Bank of North Dakota, which set out the following duties for the Legal Department:

"Passes upon such portion of abstracts as are submitted by Abstract Examiner. Prepares bills for amendments to laws. Renders opinion on questions of law submitted for opinion. Furnishes

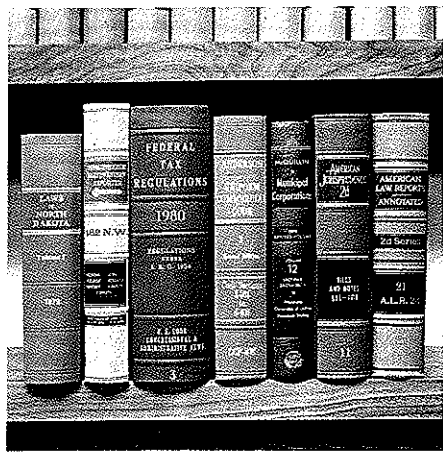
transcripts of minutes of The Industrial Commission, and the whole thereof, that pertain to the Bank of North Dakota, properly attested, for filing in the Minute Book of the Bank of North Dakota. Examines the Minute Book to see that it is complete, as to matters affecting the Bank of North Dakota; that the minutes show what members were present; who was acting as chairman; and who was acting as secretary; and by what authority. Investigates minutes of the Industrial Commission to see if any resolutions pertaining to the Bank of North Dakota have not yet been carried out by the Bank of North Dakota."

attention of the Legal Department.

Because of the reliance on the Legal Department by the other Bank of North Dakota departments for advice and counsel on a diversity of subjects, the Bank's Attorney and Legal Assistant must have a basic working familiarity with the functions and responsibilities of all Bank of North Dakota departments. As those departments have grown, both in size and function over the years, the Legal Department has correspondingly endeavored to maintain and upgrade the quality of legal service it provides to the Bank of North Dakota.



From these narrowly defined duties, the Legal Department's function has evolved today to that of simply serving as legal counsel for all departments of the Bank of North Dakota. The Legal Department consists of an Attorney, who is a Special Assistant Attorney General for the Bank of North Dakota and for the Municipal Bond Bank, and a Legal Assistant, who effectively diverts many of the matters which are routinely brought to the



Personnel Department

The "First Sixty Years" of the Bank's services and progress have been made possible through the supportive efforts and skills of its employees.

On July 28, 1919, under the Governorship of Lynn J. Frazier, the Bank of North Dakota opened its doors for business with 82 employees, of which three (Cathro, Waters and Anderson) were actually employed by the Industrial Commission; 66 employed by the Bank and paid from the Bank's earnings; and 13 appraisers, whose salaries were paid from a special fund created by appraisal fees paid in application for farm loans. The average salary in 1919-20 for a management position was \$5,455 per year; and \$245 per month for Department Heads; with \$102 per month for the clerical positions. The majority of positions were clerical, in description, with the exception of the Director of the Dept. of Statistics and Publications; Abstracters; Appraisers; the Director of the Audit Dept.; the Dept. Director of Credits and the Deputy Director of the Farm Loan Program. The listed 82 employees were charged with direction and operation of \$437,015 in footings, at year-end,

1919.

The Bank maintained approximately 85-90 employees during the first decade of operation. Net operating earnings ranged from \$70,276 in 1919 to \$554,522 in 1929. During the 30's, the Bank increased in employee number (mostly field representatives), while net operating earnings dropped from \$474,114 in 1930 to \$194,911 in 1939. A larger tragedy occurred during this time when one of the field representatives lost his life in the process of executing documentation for a farm foreclosure.

The 40's looked brighter, as F. A. Vogel, Manager and Director General of the Bank, helped to more than triple earnings (from \$205,807 in 1940 to \$764,275 in 1949.) The staff size remained at 110-115. The 50's, with H. C. Bowers, Manager and Director General, made strides in equipment and other technological advances. These advances became more relevant and developing during the 60's. Very little documentation on actual personnel policies, procedures and practices during the first four decades was secured; it is assumed

most employees received wages competitive with the market of the time. The majority of the workforce was made up of female occupied clerical positions, and the few managerial positions were dominated by males. Working hours averaged 30-35 per week.

In 1968, Mr. William Smith was named as First Vice President of the Bank of North Dakota. This was an introduction to the shift from descriptive titles designating management of a specific area to generally accepted banking positions within the industry. During the same year, the Bank had its first female officer.

Shirley Homuth was named an Asst. Cashier in the Securities Department.

In 1972, the North Dakota Legislature created the Central Personnel Division. The Central Personnel Division developed for the Bank (and all other state agencies) a classification and compensation plan. Each type of work performed at the Bank was identified, along with setting forth the qualifications needed to perform each job. A standard specification for each class of work was developed and all of the Bank's employees were placed into

THE FIRST SIXTY YEARS

the classification system. Central Personnel Division established salary ranges for each class based on competitive salary markets at the time. During the time since inception of the classification system, the Bank has requested and received reclassifications of positions, as the job descriptions and responsibility levels change. This remains an on-going process. During the next two years, the State of North Dakota issued a standard set of personnel policy guidelines, which now serves as the base for the Bank's Personnel Policy Manual.

In 1977, the Bank's Affirmative Action Plan was originally approved by the Department of the Treasury (Office of Equal Opportunity Program - Chicago Region) and the Office of Federal Contract Compliance Programs (Department of Labor.) The Bank remains committed to the practice of providing equal employment opportunities to all without regard to race, color, religion, sex, age, national origin, physical disabilities, political affiliations or any non-merit factor. Also during 1977, the Bank instituted a job posting system as the first step in developing an upward mobility

plan for its employees.

During 1978, the Bank enlarged its scope of applicable training programs to further advance the upward mobility plan. In addition to career development, individual (employee) development was a priority item. The Bank sponsored several sessions of "Adventures in Attitudes," produced by Personal Dynamics Institute. It is a five-day seminar, coordinated by Shirley Homuth, Vice President, which involves the individual in over 70 projects for personal growth training. All employees are given the opportunity to participate in inner growth which deals with the complete individual and environment. Completion of the third and fourth floors of the Bank building helped improve the total "working" environment for the employees, and afforded accessibility to handicapped individuals.

In 1979, the Bank refined its Orientation Session to include introductory material from all areas during six, one and one-half hour sessions. Orientation sessions are held at least once during each quarter. Revision and updating of personnel policies and procedures continued throughout the year.

The appraisal system and concept was stressed, along with training and upward mobility.

In June, 1979, the Bank celebrated its 60th Anniversary, with activities held for employees, as well as customers. In June, 1979, the Bank's staff consisted of 104 full-time and six part-time employees to manage over \$572,000,000 in total resources, compared to a staff of 85 to manage \$437,015 in 1919.

The past year had thirteen elections to officer status or promotions within the officer status. Seven females and six males were given official titles or advancement in position titles by the Industrial Commission. The total staff, at year-end, numbered 110 full-time individuals and 14 permanent and temporary part-time employees, each person working cooperatively to make the Bank of North Dakota one of the most efficient and creative financial institutions "anywhere." Our employees share a sense of pride in their part to improve the quality of life in North Dakota, through accomplishment of the Bank's philosophy to "encourage and promote agriculture, commerce and industry."

Official Staff

KEY

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

H. L. Thorndal, President & Manager 1-2-3
Robert E. Caudel, Sr. Vice President 1-2
John W. Fay, Sr. Vice President 1-2
Ruben E. Sailer, Sr. Vice President 1-2-3
Carl C. Arndt, Vice President 3
Jeannine Christy, Vice President
Shirley Homuth, Vice President 3
Allan Nosbusch, VP & Comptroller 3
Ernest Pederson, Vice President 3
Edward B. Sather, Vice President 1-2
Martin E. Stenehjem, Vice President 3
Lewis Wilson, Vice President 2-3
Tom B. Tudor, Acting General Counsel 2
Ila Eckroth, Cashier 3
Craig Sorenson, Auditor 3
Rita Schwab, Assistant Auditor
Cecilia Wanner, Assistant Auditor
Dale Eberle, AVP & Ass't. Comptroller
Nancy Glass, Assistant Vice President
Delores James, Assistant Vice President
Duane Wagner, Assistant Vice President
Sharon Wehner, Assistant Vice President 3
Evelyn Zelmer, Assistant Vice President
Dale Emerson, Assistant Comptroller
Esther Focke, Assistant Comptroller
Joyce Welder, Assistant Comptroller
James Stewart, LLB, CPA
Rodney Anheluk, Assistant Cashier

Russell Erickson, Assistant Cashier
Darlene Felchle, Assistant Cashier
Annis Foss, Assistant Cashier
Donna Frey, Assistant Cashier
Tim Glass, Assistant Cashier
Audre Goll, Assistant Cashier
Sharon Grendahl, Assistant Cashier
Connie Kaldor, Assistant Cashier
Arlene Olson, Assistant Cashier
Betty Renz, Assistant Cashier
Alyce Starck, Assistant Cashier
Donald Young, Assistant Cashier
Betty Zeeb, Assistant Cashier

ADMINISTRATIVE & RETAIL BANKING DEPARTMENT

Ruben E. Sailer, Sr. Vice President
Ila Eckroth, Cashier
Donna Frey, Assistant Cashier
Audre Goll, Assistant Cashier
Carl Arndt, Vice President - Operations
Evelyn Zelmer, Ass't. Vice President
Darlene Felchle, Ass't. Cashier
Betty Renz, Assistant Cashier
Alyce Starck, Assistant Cashier
Allan Nosbusch, VP & Comptroller
Dale Eberle, AVP & Ass't. Comptroller
Dale Emerson, Ass't. Comptroller
Esther Focke, Ass't. Comptroller
Joyce Welder, Ass't. Comptroller

AUDIT DEPARTMENT

Craig Sorenson, Auditor
Rita Schwab, Assistant Auditor
Cecilia Wanner, Assistant Auditor

PERSONNEL DEPARTMENT

Sharon Wehner, Ass't. Vice President

COMMERCIAL & CORRESPONDENT BANKING DEPARTMENT

R. E. Caudel, Sr. Vice President
Jeannine Christy, VP - Student Loans
Ernest Pederson, VP - Special Loans
Martin Stenehjem, VP - Student Loans
Lewis Wilson, VP - Commercial Banking
Delores James, AVP - Student Loans
Duane Wagner, AVP - Loan Servicing
Rod Anheluk, AC - Commercial Banking
Russ Erickson, AC - Commercial Banking
Annis Foss, AC - FHA/VA Home Loans
Sharon Grendahl, AC - Loan Servicing
Arlene Olson, AC - Student Loans
Don Young, AC - Commercial Banking
Betty Zeeb, AC - FHA/VA Home Loans

INVESTMENT & TRUST DEPARTMENT

John W. Fay, Sr. Vice President
Shirley Homuth, VP - Paying Agent
Edward B. Sather, VP - Investments
Nancy Glass, AVP - ND Bond Bank
Tim Glass, AC - Cash Settlement and Fed Funds
Connie Kaldor, AC - Student Loan Bonds
Jim Stewart, LLB, CPA

LEGAL DEPARTMENT

Tom Tudor, Acting General Counsel



Charles Bailly & Company

Certified Public Accountants

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, 1979 and 1978, and the related statements of income, 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, 1979 and 1978, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Charles Bailly & Company

Bismarck, North Dakota
January 22, 1980

Statement of Condition

December 31, 1979 and 1978

	1979	1978
ASSETS		
CASH AND DUE FROM BANKS	\$ 51,914,949	\$ 39,375,784
INVESTMENT SECURITIES (Notes 1 and 2):		
U.S. Government obligations	\$ 84,620,553	\$117,376,744
Federal agency obligations	72,365,476	57,216,107
Money market investments	13,186,905	37,822,796
State, municipal and other obligations	8,240,774	13,294,053
Total investment securities	<u>\$178,413,708</u>	<u>\$225,709,700</u>
FEDERAL FUNDS SOLD	<u>\$ 95,735,000</u>	<u>\$ 37,525,000</u>
LOANS:		
Bank participation loans	\$120,537,951	\$107,474,928
FHA and VA home loans (Note 3)	126,708,682	84,992,295
Federally insured student loans (Note 9)	—	36,463,962
SBA participation loans	16,850,037	15,177,582
Farm real estate loans	20,994,145	14,219,762
Other	5,971,396	3,579,596
Total loans	<u>\$291,062,211</u>	<u>\$261,908,125</u>
Less reserve for loan losses (Notes 1 and 4)	<u>2,000,000</u>	<u>2,000,000</u>
	<u>\$289,062,211</u>	<u>\$259,908,125</u>
BANK PREMISES AND EQUIPMENT (Note 1)	<u>\$ 1,496,084</u>	<u>\$ 1,401,597</u>
ACCRUED INTEREST RECEIVABLE AND OTHER ASSETS	<u>\$ 8,079,257</u>	<u>\$ 8,777,475</u>
Total Assets	<u>\$624,701,209</u>	<u>\$572,697,681</u>
LIABILITIES AND CAPITAL FUNDS		
DEMAND DEPOSITS:		
State Treasurer	\$ 32,337,777	\$ 36,772,910
Political subdivisions	46,428,213	44,395,546
Banks	30,035,213	17,687,924
Individuals, partnerships and corporations	5,450,939	6,200,735
U.S. Government	196,635	199,068
Official checks	349,915	730,685
Total demand deposits	<u>\$114,798,692</u>	<u>\$105,986,868</u>
TIME AND SAVINGS DEPOSITS:		
State Treasurer	\$192,399,720	\$232,351,520
Political subdivisions	83,379,059	47,209,288
Individuals, partnerships and corporations	17,719,613	17,688,356
Total time and savings deposits	<u>\$293,498,392</u>	<u>\$297,249,164</u>
Total deposits	<u>\$408,297,084</u>	<u>\$403,236,032</u>
OTHER LIABILITIES:		
Federal funds purchased	\$ 52,820,000	\$ 35,530,000
Securities sold under agreements to repurchase (Note 2)	67,971,500	36,895,886
Collateralized long-term bonds (Note 3)	47,500,000	50,000,000
	<u>\$168,291,500</u>	<u>\$122,425,886</u>
Accrued expenses and other	9,995,001	6,946,037
Appropriation due State General Fund (Note 5)	10,500,000	4,000,000
Total other liabilities	<u>\$188,786,501</u>	<u>\$133,371,923</u>
CAPITAL FUNDS:		
Capital (Note 1)	\$ 12,000,000	\$ 12,000,000
Surplus	12,000,000	12,000,000
Undivided profits	2,110,102	10,553,301
Reserve for contingencies	1,500,000	1,500,000
Reserve for purchase of land and building improvements	7,522	36,425
Total capital funds	<u>\$ 27,617,624</u>	<u>\$ 36,089,726</u>
COMMITMENTS AND CONTINGENCIES (Note 6)		
Total Liabilities and Capital	<u>\$624,701,209</u>	<u>\$572,697,681</u>

See notes to Financial Statements.

Statement of Income

FOR THE YEARS ENDED DECEMBER 31, 1979 AND 1978

	1979	1978
OPERATING INCOME:		
Interest on loans	\$25,992,014	\$21,153,316
Interest on investment securities —		
U.S. Government obligations	7,315,390	7,778,164
Federal agency obligations	4,872,175	3,433,640
Money market investments	2,002,331	5,372,757
State, municipal and other obligations	708,060	493,821
Interest on Federal funds sold	7,467,911	2,955,485
Service charges and other income	410,805	45,016
Total operating income	<u>\$48,768,686</u>	<u>\$41,232,199</u>
OPERATING EXPENSES:		
Interest expense —		
Interest on deposits	\$24,552,353	\$21,390,105
Interest on Federal funds purchased	3,541,973	3,521,108
Interest on funds borrowed	9,805,553	3,648,011
Total interest expense	<u>\$37,899,879</u>	<u>\$28,559,224</u>
Other expenses —		
Salaries	\$ 1,257,280	\$ 1,120,608
Employee benefits (Note 8)	177,389	151,101
Fees and services	595,128	456,316
Data processing	250,793	200,221
Supplies and materials	96,678	71,437
Provision for loan losses (Note 4)	319,325	348,390
Depreciation	102,647	80,870
Total other expenses	<u>\$ 2,799,240</u>	<u>\$ 2,428,943</u>
Total operating expenses	<u>\$40,699,119</u>	<u>\$30,988,167</u>
Income before security gains (losses)	\$ 8,069,567	\$10,244,032
SECURITY GAINS (LOSSES)	<u>(41,669)</u>	<u>90,063</u>
Net income for the year	<u>\$ 8,027,898</u>	<u>\$10,334,095</u>

Statement of Capital Funds

FOR THE YEARS ENDED DECEMBER 31, 1979 AND 1978

	Capital	Surplus	Undivided Profits	Reserve for Contingencies	Reserve for Purchase of Land and Building Improvements	Total
Balance, December 31, 1977	\$10,000,000	\$12,000,000	\$ 4,344,380	\$ 1,500,000	\$ 411,251	\$28,255,631
Net income for the year 1978	—	—	10,334,095	—	—	10,334,095
Transfer to capital	2,000,000	—	(2,000,000)	—	—	—
Transfer to reserve for purchase of land and building improvements	—	—	(40,000)	—	40,000	—
Remodeling costs paid and capitalized	—	—	414,826	—	(414,826)	—
Transfer to the Community Water Facility Loan Fund (Note 6)	—	—	(2,500,000)	—	—	(2,500,000)
BALANCE, DECEMBER 31, 1978	<u>\$12,000,000</u>	<u>\$12,000,000</u>	<u>\$10,553,301</u>	<u>\$ 1,500,000</u>	<u>\$ 36,425</u>	<u>\$36,089,726</u>
Net income for the year 1979	—	—	8,027,898	—	—	8,027,898
Transfer to State of North Dakota General Fund (Note 5)	—	—	(14,000,000)	—	—	(14,000,000)
Transfer to reserve for purchase of land and building improvements	—	—	(41,500)	—	41,500	—
Remodeling costs paid and capitalized	—	—	70,403	—	(70,403)	—
Transfer to the Community Water Facility Loan Fund (Note 6)	—	—	(2,500,000)	—	—	(2,500,000)
BALANCE, DECEMBER 31, 1979	<u>\$12,000,000</u>	<u>\$12,000,000</u>	<u>\$ 2,110,102</u>	<u>\$ 1,500,000</u>	<u>\$ 7,522</u>	<u>\$27,617,624</u>

See notes to financial statements.

Statement of Changes in Financial Position

FOR THE YEARS ENDED DECEMBER 31, 1979 AND 1978

FUNDS PROVIDED FROM:	<u>1979</u>	<u>1978</u>
Operations —		
Net income for the year	\$ 8,027,898	\$ 10,334,095
Add — Depreciation and amortization expense not requiring expenditure of funds	175,271	80,870
Total from operations	\$ 8,203,169	\$ 10,414,965
Increase in —		
Deposits	5,061,052	26,967,784
Other liabilities	55,414,578	25,086,361
Decrease in —		
Cash and due from banks	—	23,936
Investment securities	47,295,992	16,478,856
Accrued interest receivable	625,594	—
	\$116,600,385	\$ 78,971,902
FUNDS USED TO:		
Purchase —		
Building improvements and equipment	\$ 197,134	\$ 464,165
Bond issue costs	—	544,389
Transfer to —		
Community Water Facility Loan Fund	2,500,000	2,500,000
State of North Dakota General Fund	14,000,000	—
Increase —		
Cash and due from banks	12,539,165	—
Federal funds sold	58,210,000	4,725,000
Loans	29,154,086	67,702,284
Accrued interest receivable	—	3,036,064
	\$116,600,385	\$ 78,971,902

See notes to financial statements.

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Nature of Organization —

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.

b. Investment Securities —

Investment securities are stated at cost, adjusted for amortization of premiums and discounts.

c. Reserve For Loan Losses —

The reserve for loan losses is based on the Bank's past loan loss experience and other such factors which, in management's judgment, deserve current recognition in estimating loan losses.

d. Bank Premises and Equipment —

Bank premises and equipment are stated at cost, less accumulated depreciation of \$435,992 and \$333,345 at December 31, 1979 and 1978, respectively.

It is the policy of the Bank to provide depreciation based on the estimated useful life of the individual units of property. Depreciation is computed on the straight-line method using estimated useful lives of 25 years for the Bank premises and 5-10 years for equipment.

2. INVESTMENT SECURITIES:

The Bank has pledged investment securities to secure the following:

	Amounts Pledged	
	1979	1978
Deposits in the treasury tax and loan account	\$ 2,400,000	\$ 2,400,000
Securities sold under agreements to repurchase	69,354,000	37,545,000
Collateralized long-term bonds (Note 3)	7,000,000	7,000,000
Payment of principal and interest of the 1977 Series A Bond issued by the North Dakota Municipal Bond Bank (Note 9)	<u>15,000,000</u>	<u>16,500,000</u>
	<u>\$93,754,000</u>	<u>\$63,445,000</u>

3. COLLATERALIZED LONG-TERM BONDS:

The Bank issued 9¼% collateralized long-term bonds in December, 1978, totaling \$50,000,000. Annual sinking fund payments of \$2,500,000 are due each December 1 through December 1, 1988, and \$5,000,000 beginning December 1, 1989 through December 1, 1993, when the bonds mature.

Redemption of the bonds may be accelerated by buying a premium which decreases proportionately from 108.538% at December, 1979 until it is eliminated in December, 1991. The bonds are collateralized by FHA or VA guaranteed loans with a principal balance of \$72,211,179 outstanding as of December 31, 1979. The Bank is required to maintain the discounted value of eligible collateral at 115% of the aggregate principal amount of the bonds outstanding. In addition the Bank pledged \$7,000,000 in U.S. Government securities as reserve collateral. The bond indenture contains certain restrictive covenants which, among other things, require the maintenance of a ratio of deposits and long-term debt to capital, surplus and reserves no greater than 20 to 1. The Bank is in compliance with all provisions of the indenture agreement as of December 31, 1979.

4. RESERVE FOR LOAN LOSSES:

Transactions in the reserve for loan losses were as follows:

	1979	1978
Balance January 1	\$2,000,000	\$2,000,000
Add (deduct) —		
Recoveries	31,393	—
Loans charged off	(350,718)	(348,390)
Provision charged to operating expenses	<u>319,325</u>	<u>348,390</u>
Balance, Dec. 31	<u>\$2,000,000</u>	<u>\$2,000,000</u>

5. APPROPRIATION DUE STATE GENERAL FUND:

The North Dakota State Legislature appropriated \$14,000,000 and \$16,000,000 for the State General Fund from the undivided profits of the Bank during the bienniums beginning July 1, 1979 and 1977 respectively. It is the policy of the Bank to make payments on these appropriations semi-annually during the bienniums.

6. COMMITMENTS AND CONTINGENCIES:

a. The 1977 North Dakota State Legislature created a community water facility loan fund to be administered by the Bank of North Dakota. The loan fund will be established from the future undivided profits of The Bank of North Dakota with an authorized ceiling of \$10,000,000. The act provided that \$5,000,000 be transferred from the future undivided profits of the Bank during the biennium ended June 30, 1979, with \$1,250,000 to be transferred on each of the following dates: July 1, 1978; October 1, 1978; January 1, 1979; and April 1, 1979. All such payments have been made as of December 31, 1979. The Legislature did not appropriate the remaining \$5,000,000.

b. 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.

7. TRUST ASSETS:

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.

8. EMPLOYEE BENEFITS AND PENSION PLAN:

a. Included in employee benefits for 1979 and 1978 were the following:

	1979	1978
Employee pension plan	\$ 58,891	\$ 56,073
Social Security taxes	69,557	59,136
Hospitalization	42,957	27,661
Unemployment Compensation insurance	<u>5,984</u>	<u>8,231</u>
	<u>\$177,389</u>	<u>\$151,101</u>

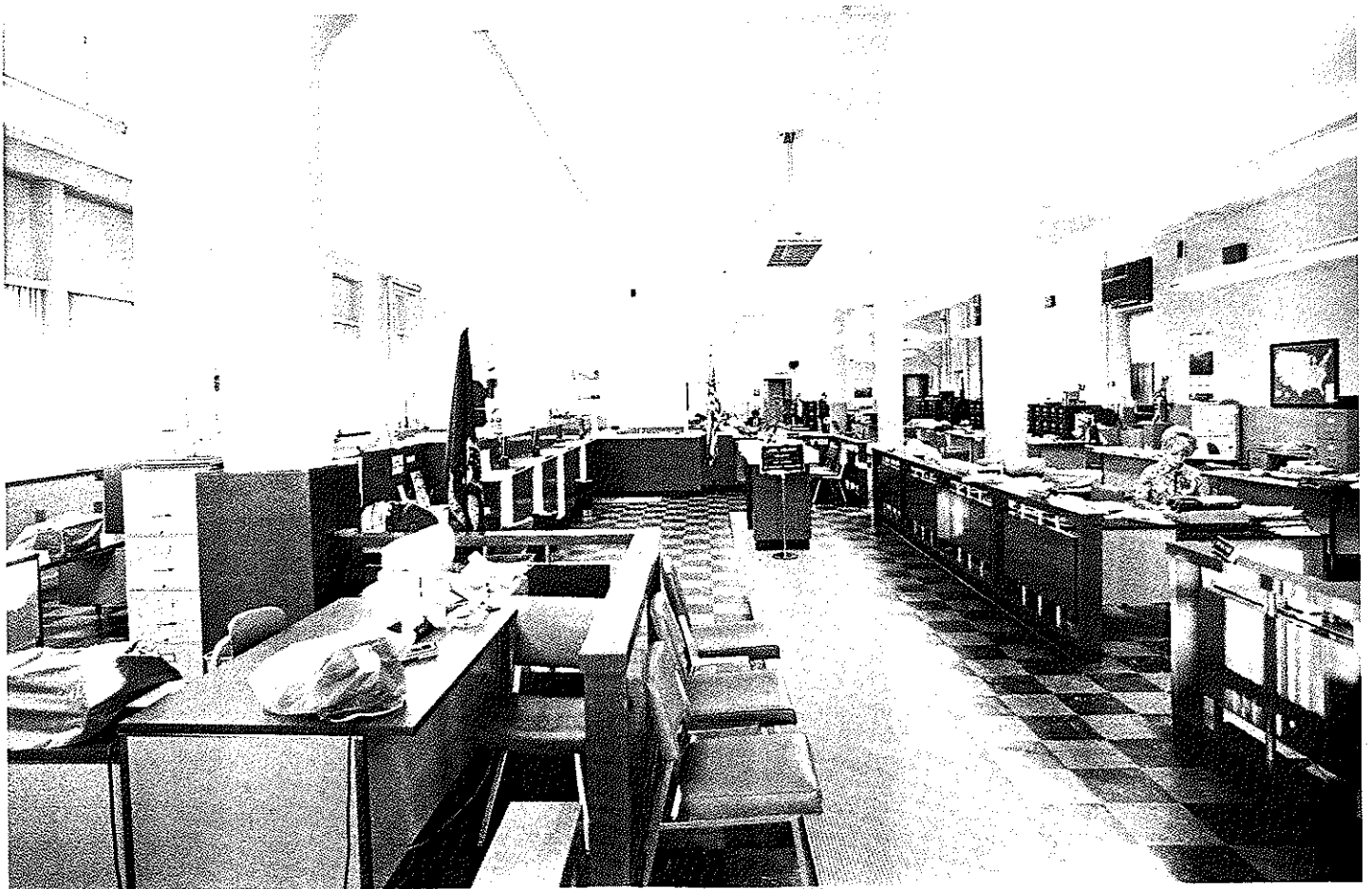
b. The Bank participates in a defined contribution pension plan authorized by the State of North Dakota and administered by the North Dakota Public Employees Retirement System. The plan is applicable to all employees of the Bank. Under the provisions of the plan, The Bank contributes 5.12% and the employee 4.00% of the monthly qualifying salary of the individual employee. Monthly contributions are expensed when paid.

9. RELATED PARTY TRANSACTIONS:

a. The North Dakota Municipal Bond Bank (Bond Bank) was established by the North Dakota Legislature, as provided in Chapter 6-09.4 of the North Dakota Century Code as a separate instrumentality of the State of North Dakota, within The Bank of North Dakota.

All transactions of the Bond Bank are performed by employees of the Bank of North Dakota. The Bond Bank had \$2,163,541 and \$2,601,209 on deposit at The Bank of North Dakota as of December 31, 1979 and 1978 respectively. The Bond Bank had loans of \$1,589,478 and \$1,654,078 from the Bank of North Dakota as of December 31, 1979 and 1978 respectively. The Bank of North Dakota also provides safekeeping services for the investment securities of the Bond Bank.

b. During 1979, the Student Loan Trust Fund created by the North Dakota State Legislature purchased all of the federally insured student loans held by the Bank at their carrying value. The Bank is the administrator of the Trust Fund and receives a fee of 0.4% per annum of the average outstanding principal amount of the student loans. The Bank is also the servicing agent and receives a fee of 1.2% per annum of the average outstanding principal amount of these loans.

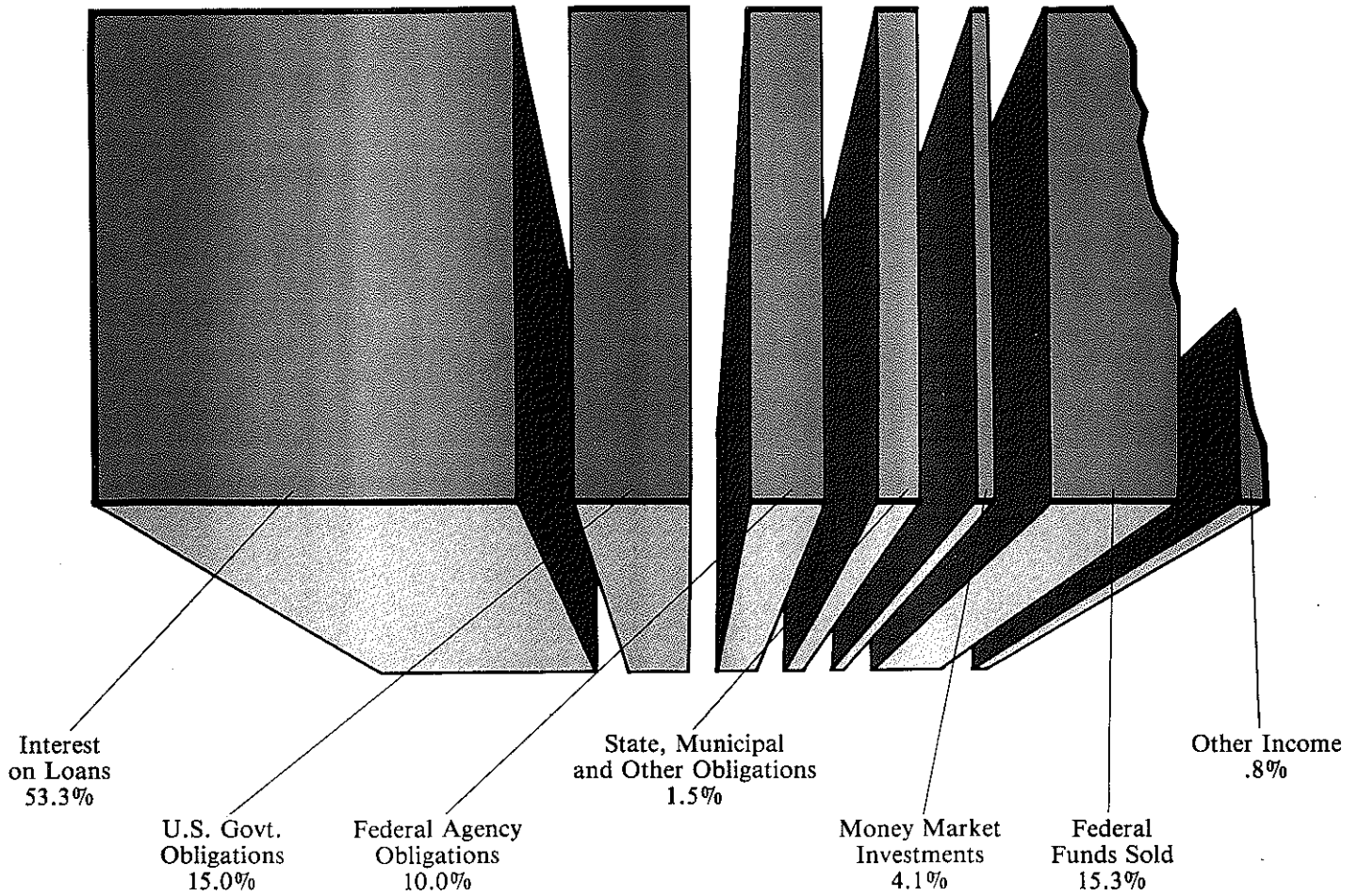


Bank lobby in the 60's.

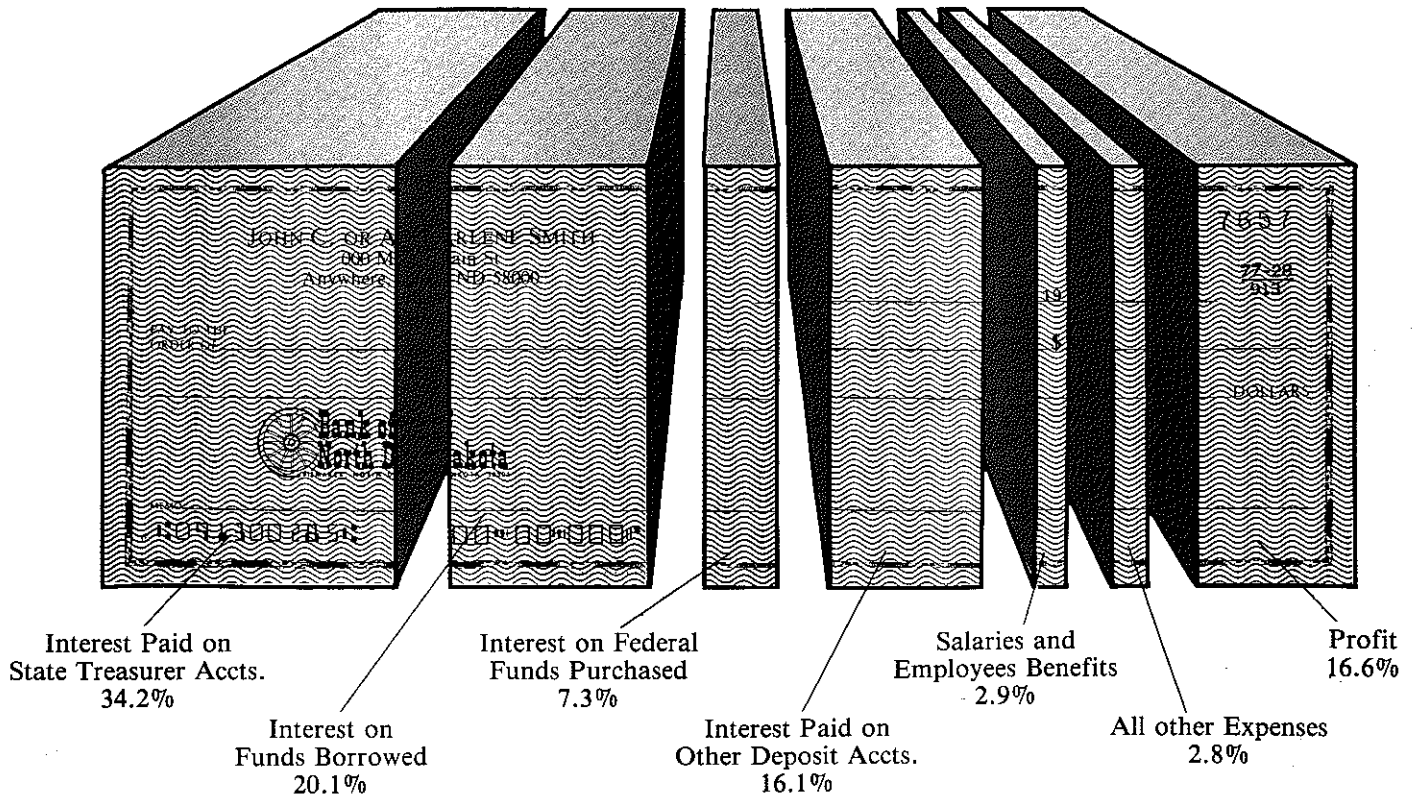


Bank lobby today.

INCOME



EXPENSES & PROFIT



A look into the future?

In 1976 on this page, we wrote a short history of the Bank of North Dakota. In 1977 we outlined a plan for the future, and in 1978's report we noted the progress in the plan, and particularly how we planned to cope with a possible liquidity problem. In 1979 we coped very well. It will be more difficult during 1980 and probably for the entire decade to meet all the credit demands we expect to be presented to the Bank.

The biggest problem facing a regional bank like the Bank of North Dakota will be in attracting funds so as to meet the borrowing needs and overlies of our respondent banks. In order to do this, the Bank will have to aggressively bid for funds, not only in North Dakota, but on the national market. These funds will be more expensive than we are used to, and these costs will have to be passed on to the borrower. Loans will have to be "floated," so as to keep pace with rising costs. We will be offering "cash management" services to the state's political subdivisions. We will be participating loans "up stream" to our money center correspondents, and with our European correspondents. We will probably be funding some of our larger loans with Eurodollars.

The Bank of North Dakota

cannot solve the financing problem facing our housing industry and the state's housing needs. North Dakota needs a Housing Finance Agency to help do this. Such an organization could be managed by the Bank of North Dakota. In order to be able to attract funds on the national market, our capital will have to be increased. It will be necessary to decrease our transfer of profits to the State's General Fund (our dividend). The Bank has been transferring 77% to 93% of net earnings the past couple years. To cut this to 40%, the national average, would be more realistic, and also would enable the Bank to increase its capital, which is too low at this time. We are confident this will be increased and enable the Bank to continue to be strong, so as to attract needed funds.

The Bank will undoubtedly have several Bond Issues during the eighties, and will probably manage several for other state agencies. The North Dakota Municipal Bond Bank, which is managed by the Bank of North Dakota, will have as many issues as necessary to provide funds for political subdivision projects. More real estate and student loan bonds, and probably capital debentures will be issued or managed by the Bank.

No amount of capital or deposits

can make up for an inexperienced and inadequate staff. The Bank has an experienced, capable, and dedicated staff presently. However, it will be necessary to continue to recruit, train, retain, promote, and motivate a staff dedicated to excellence in banking. We will have to be more competitive in salaries and benefits than we presently are. We will need more specialists in electronic funds, data processing, foreign trade financing, and other specialized financing areas. We must continue to be a leader, not a follower. The people who are "Bank of North Dakotans" are the strongest link to a bright future.

We are proud to be a "Banker's Bank" as well as "the Peoples' Bank." We will continue to dedicate our resources to sustain our leadership position as a provider of banking and bank-related services to help North Dakota financial institutions serve their customers. We look to the eighties, and our seventh decade, with confidence.



H.L. Thorndal
President

Five Year Summary

	1979	1978	1977	1976	1975	1974
OPERATING RESULTS (000 omitted)						
Total Income	\$ 48,727	\$ 41,322	\$ 32,401	\$ 28,257	\$ 25,446	\$ 204
Interest Expenses	37,900	28,559	19,483	16,724	15,504	89
Other Oper. Expenses	2,799	2,429	1,858	1,725	1,607	45
NET EARNINGS (profit)	8,028	10,334	11,060	9,808	8,335	70
Paid to St. Treas. (Dividend)	7,500	8,000	8,000	8,000	6,500	N/A
BALANCE AT YEAR END (000 omitted)						
Total Resources	624,701	572,698	512,809	446,393	401,435	17,982
Total Deposits	408,297	403,236	376,268	362,454	311,720	15,620
Demand Deposits	114,799	105,987	92,643	77,934	86,443	15,608
Time Deposits	293,498	297,249	283,625	284,520	225,277	12
Fed. Fds. Purchased/R.P.'s	120,792	72,426	91,646	43,712	49,611	N/A
Fed. Fds. Sold	95,735	37,525	32,800	30,653	22,485	N/A
TOTAL INVESTMENT SECURITIES						
(000 omitted)	178,414	225,710	242,189	240,625	226,153	2,053
U.S. Government	84,621	117,377	91,700	120,159	38,788	110
Federal Agencies	72,365	57,216	41,488	53,318	56,024	N/A
Other Money Market Instruments	13,187	37,823	97,861	50,796	116,581	1,943
N.D. Political Sub. Bds.	8,241	13,294	11,140	16,352	14,760	N/A
TOTAL LOANS (000 omitted)						
	289,062	259,908	192,206	145,448	119,029	617
Farm Home Adm. Loans	0	390	392	1,030	1,665	N/A
Fed. Insured Student Loans	0	36,464	32,539	29,288	27,993	N/A
Farm Real Estate Loans	20,994	14,220	12,972	9,018	6,515	617
FHA Home Loans	83,628	52,312	31,610	16,778	15,018	N/A
GI Home Loans	43,081	32,680	24,446	20,381	20,422	N/A
Small Business Adm. Loans	16,850	15,178	11,933	9,954	7,899	N/A
Bank Participation Loans	118,538	105,475	77,063	58,504	39,422	N/A
Other Loans	5,971	3,189	1,251	495	95	N/A
CAPITAL AND RESERVES						
(000 omitted)	27,618	36,090	28,256	33,195	25,428	2,071
Capital	12,000	12,000	10,000	10,000	8,000	2,000
Surplus	12,000	12,000	12,000	10,000	10,000	40
Undivided Profits	2,110	10,553	4,344	12,330	5,023	6
Reserves	1,508	1,537	1,912	865	2,405	25
OTHER DATA (Numbers)						
Financial Inst. with BND Accts.	207	203	206	206	174	584
Individual Checking Accounts	3,795	3,832	3,895	4,077	3,878	3
Individual Savings Accounts	4,513	3,695	3,161	2,678	1,524	N/A
Fed. Insured Student Loans (made or purchased)	13,577	9,109	8,543	6,577	5,883	N/A
FHA House Loans (made or purchased)	936	710	707	152	46	N/A
GI House Loans (made or purchased)	352	325	301	124	191	N/A
SBA Loans Purchased	70	16	42	21	15	N/A
Bank Participation Loans	1,033	972	470	404	77	N/A
Number of Employees	121	102	98	92	89	70