

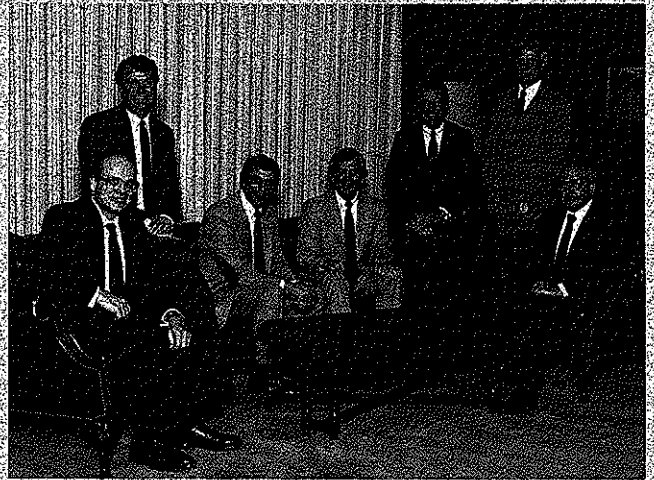
1986



BANK OF NORTH DAKOTA
**ANNUAL
REPORT**

Bank of North Dakota Advisory Board

l-r: Al Wahl, J.J. Joe, Vinstadt, Myron Just, Fred Gangler, Dan O'Day, Les Nesvig, James H. Duncan



North Dakota Industrial Commission

l-r: Attorney General Nicholas J. Spaeth, Governor George A. Sinner, Commissioner of Agriculture Kent Jones



Annual Report

In 1986, the reorganization of the Bank of North Dakota continued. Many of the recommendations made by the consulting firm, Touche Ross & Co., in their 1985 operational audit were implemented. These recommendations included strengthening and developing the Lending and Correspondent Marketing Department by creating a Credit Standards & Review function. This function will help provide improved loan documentation procedures. A Loan Workout function was also established to mitigate problem loans and reduce BND's losses. The Administration and Finance Department was enhanced by the addition of an asset/liability function and a new planning process was developed to enable BND to improve its ability to set goals and objectives. BND also began the conversion to a more sophisticated, comprehensive computer system which will allow the Bank to move forward in the ever increasing, complex world of banking.

Another organizational change that took place in 1986 was the expansion of the Human Resource Department. Human Resources initiated a comprehensive bank-wide Salary Administration Program. This has resulted in compensation based on performance, more effective personnel administration, professional development plans, and management training.

In August of 1986, the Industrial Commission hired Joseph S. Lamb as President and Chief Executive Officer to replace outgoing President H.L. Thorndal.

The Bank instituted several new programs in 1986. In conjunction with Farm Credit Services and other financial organizations, BND established a Farm Real Estate Debt Restructure Program. This program was designed to increase the cash flow of a real estate borrower by deferring principal payments and reducing interest rates for eight years.

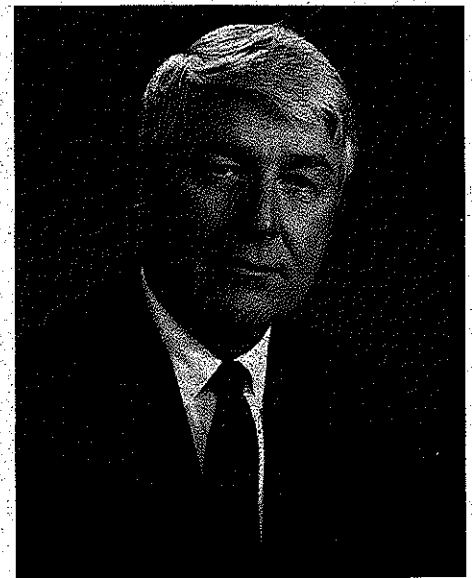
The Bank of North Dakota through its Student Loan Department established an Unsubsidized Guaranteed Student Loan Program. This program was designed to help provide financial assistance to those students whose personal financial status or family's financial status makes them ineligible for the existing student loan program.

In 1986 the Bank continued making loans under the Farm Operating Policy (HB 1404); BND funded 217 farm operating loans for \$13.5 million.

The Bank issued a \$50 million bond issue in 1986, which will be used to reduce the sensitivity of the BND's earnings to interest rate fluctuations by effecting a better matching of the maturities, repricing characteristics and interest rate.

Though the downward trend in loan demand continued in 1986, profits for the Bank remained stable. Loans charges off in 1986 decreased by over \$3.5 million from 1985.

Despite the agricultural downturn, the BND continues to view agriculture as a staple, important industry to North Dakota. The Bank will continue to play an important and ongoing role in encouraging and promoting economic growth for the State of North Dakota.



Joseph S. Lamb, President

Eide Helmeke & Co.
CERTIFIED PUBLIC ACCOUNTANTS

The Industrial Commission
State of North Dakota
Bismarck, North Dakota

We have examined the balance sheets of The Bank of North Dakota as of December 31, 1986, and 1985, and the related statements of income, changes in capital funds and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of The Bank of North Dakota as of December 31, 1986 and 1985, 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.

Eide Helmeke & Co.

January 28, 1987
Bismarck, North Dakota

Balance Sheets

December 31, 1986 and 1985

ASSETS	<u>1986</u>	<u>1985</u>
CASH AND DUE FROM BANKS	\$ 83,961,683	\$ 83,605,610
INVESTMENT SECURITIES (Note 3):		
U.S. Treasury securities	267,828,175	300,933,937
Obligations of other U.S. Government agencies	67,638,312	66,399,789
Obligations of states and political subdivisions	6,986,369	20,352,837
Other securities	2,577,061	3,227,906
	<u>345,029,917</u>	<u>390,914,469</u>
Less allowance for investment losses (Note 3)	1,500,000	-
	<u>343,529,917</u>	<u>390,914,469</u>
FEDERAL FUNDS SOLD AND SECURITIES PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS	<u>301,575,000</u>	<u>255,530,000</u>
LOANS:		
FHA and VA home loans (Note 6)	128,626,990	144,344,222
Bank participation loans	38,337,453	53,439,067
Guaranteed student loans	23,744,940	21,335,795
Bank stock loans	5,670,616	6,478,215
SBA participation loans	3,766,178	5,569,261
Farm real estate loans	5,772,902	4,941,458
Farm survival and agribusiness operating loans	3,913,839	3,243,885
Other	3,841,897	3,881,203
	<u>213,674,815</u>	<u>243,233,106</u>
Less allowance for loan losses (Note 4)	11,988,141	6,365,219
	<u>201,686,674</u>	<u>236,867,887</u>
BANK PREMISES, EQUIPMENT AND SOFTWARE, NET (Note 5)	<u>1,598,521</u>	<u>1,497,308</u>
ACCRUED INTEREST RECEIVABLE	<u>10,392,018</u>	<u>10,048,085</u>
OTHER ASSETS	<u>1,633,370</u>	<u>1,885,104</u>
	<u>\$944,377,183</u>	<u>\$980,348,463</u>
LIABILITIES		
DEPOSITS:		
Demand	\$ 82,727,209	\$103,798,238
NOW accounts	42,389,083	18,930,209
Savings	232,594,294	293,900,078
Time	213,834,625	212,242,689
	<u>571,545,211</u>	<u>628,871,214</u>
FEDERAL FUNDS PURCHASED AND SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Note 3)	217,876,924	246,585,000
LONG-TERM DEBT (Note 6)	77,128,125	30,008,000
ACCRUED INTEREST PAYABLE	4,820,870	5,197,711
OTHER LIABILITIES	2,049,988	3,163,843
APPROPRIATION DUE THE BEGINNING FARMER LOAN PROGRAM (Note 7)		848,682
APPROPRIATION DUE THE HOME-QUARTER PURCHASE FUND (Note 7)	500,000	1,500,000
APPROPRIATION DUE THE STATE OF NORTH DAKOTA GENERAL FUND (Note 7)	<u>1,750,000</u>	<u>5,250,000</u>
Total liabilities	<u>875,671,118</u>	<u>921,424,450</u>
COMMITMENTS AND CONTINGENT LIABILITIES (Note 11)		
CAPITAL FUNDS (Note 8):		
Capital	22,000,000	20,000,000
Surplus	22,000,000	20,000,000
Undivided profits	24,706,065	15,424,013
Reserve for contingencies		3,500,000
Total capital funds	<u>68,706,065</u>	<u>58,924,013</u>
	<u>\$944,377,183</u>	<u>\$980,348,463</u>

The accompanying notes to financial statements are an integral part of these statements.

Statements of Income

For the years ended December 31, 1986 and 1985

	1986	1985
INTEREST INCOME:		
Interest and fees on loans	\$22,365,645	\$24,487,274
Interest on investment securities:		
U.S. Treasury securities	25,657,654	20,648,134
Obligations of other U.S. Government agencies	6,495,309	6,209,476
Obligations of states and political subdivisions	1,031,009	849,146
Other securities	497,971	354,272
Interest on federal funds sold and securities purchased under reverse repurchase agreements	19,900,488	23,397,684
	<u>75,948,076</u>	<u>75,945,986</u>
INTEREST EXPENSE:		
Interest on deposits	33,557,045	40,081,980
Interest on federal funds purchased and securities sold under repurchase agreements	16,160,933	12,877,869
Interest on long-term debt (Note 6)	2,961,924	2,805,630
	<u>52,679,902</u>	<u>55,765,479</u>
Net interest income	23,268,174	20,180,507
PROVISION FOR LOAN LOSSES (Note 4)	<u>10,152,804</u>	<u>6,892,629</u>
Net interest income after provision for loan losses	13,115,370	13,287,878
OTHER INCOME:		
Service fees and other	2,449,199	2,635,989
Security gains	1,458,275	1,068,472
	<u>3,907,474</u>	<u>3,704,461</u>
OTHER EXPENSE:		
Salaries	2,244,113	1,987,322
Pensions and other employee benefits (Note 9)	523,507	477,341
Data processing	635,596	561,803
Other operating expenses	2,166,442	1,462,525
Depreciation (Note 5)	171,134	168,053
Provision for investment losses (Note 3)	1,500,000	
	<u>7,240,792</u>	<u>4,657,044</u>
NET INCOME	<u>\$ 9,782,052</u>	<u>\$12,335,295</u>

The accompanying notes to financial statements are an integral part of these statements.

Statements of Changes in Capital Funds

For the years ended December 31, 1986 and 1985

	Capital	Surplus	Undivided Profits	Reserve for Contingencies	Total
BALANCES, DECEMBER 31, 1984	\$18,000,000	\$20,000,000	\$14,088,718	\$ 3,500,000	\$55,588,718
Net income			12,335,295		12,335,295
Transfer from undivided profits to:					
Capital (Note 8)	2,000,000		(2,000,000)		
Appropriation due the State of North Dakota General Fund (Note 7)			(7,000,000)		(7,000,000)
Appropriation due the Home-Quarter Purchase Fund (Note 7)			(2,000,000)		(2,000,000)
BALANCES, DECEMBER 31, 1985	<u>20,000,000</u>	<u>20,000,000</u>	<u>15,424,013</u>	<u>3,500,000</u>	<u>58,924,013</u>
Net income			9,782,052		9,782,052
Transfer from reserve for contingencies to (Note 8):					
Capital	1,750,000			(1,750,000)	
Surplus		1,750,000		(1,750,000)	
Transfer from undivided profits to (Note 8):					
Capital	250,000		(250,000)		
Surplus		250,000	(250,000)		
BALANCES, DECEMBER 31, 1986	<u>\$22,000,000</u>	<u>\$22,000,000</u>	<u>\$24,706,065</u>	<u>\$</u>	<u>\$68,706,065</u>

The accompanying notes to financial statements are an integral part of these statements.

Statements of Changes in Financial Position

For the years ended December 31, 1986 and 1985

	<u>1986</u>	<u>1985</u>
RESOURCES PROVIDED:		
Operations:		
Net income	\$ 9,782,052	\$ 12,335,295
Items not requiring expenditure of funds:		
Provision for loan and investment losses	11,652,804	6,892,629
Depreciation and amortization	<u>216,737</u>	<u>193,795</u>
Total resources provided from operations	21,651,593	19,421,719
Issuance of long-term debt, net of discount of \$375,000	49,625,000	
Increase in:		
Deposits		38,071,141
Federal funds purchased and securities sold under repurchase agreements		105,745,000
Appropriations due		5,415,473
Decrease in:		
Investment securities	45,884,552	
Federal fund sold and securities purchased under reverse purchase agreements		6,825,000
Loans, net	25,028,409	21,043,791
Other assets	<u>550,216</u>	
	<u>\$142,739,770</u>	<u>\$196,522,124</u>
RESOURCES APPLIED:		
Purchase of bank premises and equipment	\$ 272,347	\$ 304,411
Payment of long-term debt	2,508,000	100,000
Payment of issuance costs of long-term debt	340,960	
Transfer to:		
Appropriation due the State of North Dakota General Fund (Note 7)		7,000,000
Appropriation due the Home-Quarter Purchase Fund (Note 7)		2,000,000
Increase in:		
Cash and due from banks	356,073	27,656,796
Investment securities		155,285,403
Federal funds sold and securities purchased under reverse repurchase agreements	46,045,000	
Accrued interest receivable	343,933	1,985,596
Other assets		448,844
Decrease in:		
Deposits	57,326,003	
Federal funds purchased and securities sold under repurchase agreements	28,708,076	
Accrued interest payable	376,841	585,349
Other liabilities	1,113,855	1,155,725
Appropriations due	<u>5,348,682</u>	
	<u>\$142,739,770</u>	<u>\$196,522,124</u>

The accompanying notes to financial statements are an integral part of these statements.

Notes to Financial Statements

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment securities and allowance for investment losses — Securities are stated at cost reduced by an allowance for investment losses, and adjusted for amortization of premiums and accretion of discounts which are recognized as adjustments to interest income. Gains or losses on disposition are based on the net proceeds and the adjusted carrying amount of the securities sold, using the specific identification method. The allowance for investment losses is established through a provision for investment losses charged to expenses and is attributable to specific adverse conditions for particular securities.

Loans and allowance for loan losses — Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses. Interest on loans is calculated by using the simple interest method on the principal amount outstanding. The allowance for loan losses is established through a provision for loan losses charged to expenses. Loans are charged against the allowance for loan losses when management believes the collectibility of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible based on evaluations of the collectibility of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans and current economic conditions that may affect the borrowers' ability to pay. Accrual of interest is discontinued on a loan when management believes, after considering economic and business conditions and collection efforts, that the borrowers' financial condition is such that collection of interest is doubtful.

Bank premises, equipment and software — Bank premises, equipment and software are stated at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense currently. When depreciable properties are retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income.

Depreciation is provided over the estimated useful lives of the individual assets using the straight-line method. The range of the estimated useful lives used in the computation of depreciation is 25 years for the bank premises and 5 to 10 years for equipment and furniture.

Long-term debt issue costs — Long-term debt issue costs are being amortized using the straight-line method over the term of the related long-term debt.

Pension plan — The Bank funds amounts equal to pension costs accrued.

NOTE 2 — NATURE OF ORGANIZATION AND RELATED PARTY TRANSACTIONS

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. In the course of business the Bank, because of its unique relationship with the State of North Dakota, is a party in many business transactions with other entities of state government. These transactions are a normal part of bank business and, accordingly, are included in the Bank's financial statements.

NOTE 3 — INVESTMENT SECURITIES

Carrying amounts and approximate market value of investment securities at December 31, 1986 and 1985 are summarized as follows:

	1986		1985	
	Carrying Amount	Approximate Market Value	Carrying Amount	Approximate Market Value
U. S. Treasury securities	\$267,828,175	\$279,904,000	\$300,933,937	\$310,825,000
Obligations of other U.S. Government agencies	67,638,312	69,906,000	66,399,789	62,375,000
Obligations of states and political subdivisions	6,986,369		20,352,837	
Other securities	2,577,061	2,358,000	3,227,906	2,516,000
	<u>\$345,029,917</u>		<u>\$390,914,469</u>	

Obligations of states and political subdivisions held by the Bank are primarily city and county obligations. Due to the nature of these securities, a market value is not readily available.

The Bank has established an allowance for investment losses of \$1,500,000 through a provision for investment losses charged to operations for the year ended December 31, 1986.

The Bank has pledged investment securities and sold securities under agreements to repurchase as follows:

	Amounts at Par	
	1986	1985
Investment securities pledged	\$68,375,000	\$19,200,000
Securities sold under agreements to repurchase	\$104,845,000	\$134,420,000

NOTE 4 — LOANS

Loans on which the accrual of interest has been discontinued amounted to approximately \$4,007,000 and \$3,547,000 as of December 31, 1986 and 1985, respectively. If interest on those loans had been accrued, such income would have approximated \$396,000 and \$446,000 for 1986 and 1985, respectively.

Changes in the allowance for loan losses were as follows:

	Year Ended December 31,	
	1986	1985
Balance, beginning of year	\$ 6,365,219	\$5,685,593
Provision charged to operations	10,152,804	6,892,629
Loans charged off	(4,877,078)	(8,327,620)
Recoveries	347,196	2,114,617
Balance, end of year	<u>\$11,988,141</u>	<u>\$6,365,219</u>

NOTE 5 — BANK PREMISES AND EQUIPMENT

Accumulated depreciation on bank premises and equipment was \$1,307,932 and \$1,143,209 as of December 31, 1986 and 1985, respectively. Depreciation expense amounted to \$171,134 and \$168,053 in 1986 and 1985, respectively.

NOTE 6 — LONG-TERM DEBT

Long-term debt consists of:

	1986	1985
Collateralized long-term bonds, 9.25%, issued December 1978, due December 1993	\$27,500,000	\$30,008,000
Long-term notes, 7.875%, (effective interest rate 7.94%) issued December 1986, due December 1996, net of unamortized discount of \$371,875	49,628,125	
	<u>\$77,128,125</u>	<u>\$30,008,000</u>

Collateralized long-term bonds — Annual sinking fund payments of \$2,500,000 are due each December 1 through December 1, 1988, \$5,000,000 beginning December 1, 1989 through December 1, 1992 and \$2,500,000 on December 1, 1993 when the bonds mature. At its option, the Bank may redeem on the due date of any mandatory sinking fund redemption, at 100% of the principal amount thereof plus interest accrued thereon to such date, an additional principal amount of bonds up to the principal amount of bonds required to be redeemed on such date. Redemption of the bonds may be accelerated by paying a premium which decreases proportionately from 108.538% at December, 1979 until it is eliminated after December, 1990. The bonds are collateralized by FHA and VA guaranteed loans with principal balances of approximately \$46,354,000 outstanding as of December 31, 1986. In addition, the Bank pledged \$7,000,000 in U.S. Government securities as additional collateral. The bank is required to maintain an amount of eligible collateral such that the sum of (a) the discounted value of eligible mortgage notes divided by 150%, (b) the fair market value of government securities and eligible money market instruments divided by 125% and (c) the fair market value of cash is not less than 100% of the initial series of bonds outstanding. However, the sum of (x) the discounted value of eligible mortgage notes, (y) the fair market value of government securities and eligible money market instruments and (z) the fair market value of cash shall in no event be less than 115% of the aggregate principal amount of the bonds outstanding. The bond indenture contains certain restrictive covenants which, among other things, require the maintenance of a ratio of deposits and collateralized long-term debt to all capital funds no greater than 20 to 1. The Bank is in compliance with all provisions of the indenture agreement as of December 31, 1986.

During 1986 the Bank exercised its option to redeem \$2,500,000 of bonds at 100% of the principal amount in addition to the remaining mandatory sinking fund redemption of \$8,000. During 1985 the Bank purchased \$100,000 of their outstanding collateralized bonds on the open market resulting in an ordinary gain of \$7,742 which is included in service fees and other income.

Long-term notes — These notes may not be redeemed prior to maturity. Interest is payable semiannually on June 15 and December 15 of each year. The Bank of North Dakota entered into a letter of credit agreement dated December 1, 1986 with the Fuji Bank, Ltd. whereby the Fuji Bank has agreed to provide funds sufficient to pay the principal amount of the notes and up to 198 days' interest on the notes. Simultaneously with the letter of credit agreement, the Bank of North Dakota entered into a security agreement in which the Bank of North Dakota agreed to pledge U.S. Government securities with a principal balance of \$47,175,000 as of December 31, 1986. The Bank is required to maintain an amount of eligible collateral such that the applicable value of the collateral is not less than 102.5% of the stated amount of the Fuji Bank letter of credit. The indenture of trust contains restrictive covenants, all of which the Bank of North Dakota is in compliance with as of December 31, 1986.

NOTE 7 — APPROPRIATIONS DUE

The North Dakota State Legislature appropriated \$7,000,000 for the State General Fund from undivided profits of the Bank. Such monies shall be transferred during the biennium beginning July 1, 1985. The remaining amount due at December 31, 1986 is \$1,750,000.

The North Dakota State Legislature created the Beginning Farmer Loan Program to be administered by the Bank of North Dakota. The revolving loan fund was established by the appropriation of \$5,000,000 from undivided profits of the Bank of North Dakota. At December 31, 1986 the entire appropriation has been transferred.

The North Dakota State Legislature created the Home-Quarter Purchase Fund to be administered by the Bank of North Dakota. The revolving loan fund was established by the appropriation of \$2,000,000 from undivided profits of the Bank of North Dakota. The remaining amount due at December 31, 1986 is \$500,000.

NOTE 8 — TRANSFERS FROM UNDIVIDED PROFITS AND RESERVE FOR CONTINGENCIES

During 1986, the Bank, by order of the Industrial Commission, transferred \$3,500,000 from the reserve for contingencies and \$500,000 from undivided profits to increase its capital and surplus by \$2,000,000 each.

During 1985, the Bank, by order of the Industrial Commission, transferred \$2,000,000 from undivided profits to capital.

NOTE 9 — PENSION PLAN

The Bank's pension expense approximated \$195,000 and \$176,000 in 1986 and 1985, respectively. The Bank participates in a defined benefit pension plan authorized by the State of North Dakota and administered by the North Dakota Public Employees Retirement System. The plan is available to all permanent employees of the Bank. Under the provisions of the plan, the Bank contributes 5.12% of the qualifying salary of each individual employee to the pension fund and 4.00% of the qualifying salary of each individual employee to the employee's pension account. The Bank contributed annually to the plan amounts equal to the accrual of pension expense. Vested benefits including prior service costs currently exceed the fund assets. The Bank has not received information from the plan's administration to determine its share of unfunded vested benefits.

NOTE 10 — 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 balance sheets since such items are not assets of the Bank.

NOTE 11 — COMMITMENTS AND CONTINGENT LIABILITIES

In 1984, the State of North Dakota issued long-term bonds totaling \$62,335,000 which was used to purchase approximately \$17,750,000 in farm loans from the Bank of North Dakota, refund the 1982 North Dakota Real Estate Bonds, provide for payment of interest due on the bonds on September 1, 1984, and pay the costs of issuance. In 1986 the State of North Dakota issued additional long-term bonds totaling \$41,615,000. A portion of the proceeds of the 1986 bond issue was escrowed for the future retirement of \$33,300,000 of the 1984 North Dakota Real Estate Bonds. Bonds of the two issues totaling \$101,485,000 were outstanding as of December 31, 1986. In connection with this bond issue, the Bank of North Dakota is obligated to purchase bonds when there are insufficient monies in any of the pledged funds for payment of the bonds as they become due. It is probable that the Bank of North Dakota will incur a liability on these bond issues. An estimate of this liability cannot be made until such time as Bank management can estimate cash flows for the collateral loans and the bonds. During 1986 the Bank funded a \$215,000 cash flow shortage which is included in other operating expenses. In addition, the Bank charged off a receivable for administration fees from the Real Estate Bond Fund amounting to \$558,419 which is included in other operating expenses.

In 1985 the North Dakota Student Loan Trust issued long-term bonds totaling \$125,200,000 which was used to purchase \$110,700,000 in student loans, fund the related Reserve Fund, and pay the cost of issuance. The State of North Dakota entered into a letter of credit and letter of credit agreement dated November 1, 1985 with the Fuji Bank, Ltd. whereby the Fuji Bank has agreed to provide funds sufficient to pay the principal amount of all bonds outstanding plus interest thereon of the 1985 Series A Bond issue. Simultaneously with the letter of credit agreement, the Bank of North Dakota entered into a commitment arrangement with the State of North Dakota, whereby the Bank of North Dakota has the irrevocable obligation to purchase student loans in an aggregate outstanding principal amount not to exceed the amount of student loans held in the acquisition fund at a purchase price of 100% of principal plus accrued interest to the date of purchase. The outstanding student loans held in the acquisition fund amounted to approximately \$110,567,000 as of December 31, 1986. All of the student loans are guaranteed by the U.S. government and the North Dakota Guaranteed Student Loan Program. The likelihood that the Bank of North Dakota will incur a liability on this bond issue is remote.

In the normal course of business, the Bank makes various commitments and incurs contingent liabilities that are not presented in the accompanying financial statements. The commitments and contingent liabilities include various guarantees, commitments to extend credit and standby letters of credit. At December 31, 1986 standby letters of credit aggregated approximately \$27,100,000. The Bank has included any anticipated losses as a result of the commitments in the allowance for loan losses.

Five Year Summary

	1986	1985	1984	1983	1982
OPERATING RESULTS (000 omitted)					
Total Income	\$ 79,856	\$ 79,650	\$ 82,532	\$ 85,970	\$ 85,761
Interest Expenses	52,680	55,765	60,296	67,692	69,680
Other Oper. Expenses	7,241	4,657	4,128	4,096	3,671
NET EARNINGS (profit)	9,782	12,335	9,318	11,183	7,824
Paid to St. Treas. (dividend)	3,500	3,000	2,500	2,500	2,500
BALANCE AT YEAR-END (000 omitted)					
Total Resources	944,377	980,348	829,623	1,029,670	861,966
Total Deposits	571,545	628,871	590,800	475,847	528,645
Demand Deposits	125,116	122,728	104,288	98,959	105,620
Time Deposits	446,429	506,143	486,512	376,888	432,025
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	217,877	246,585	140,840	453,886	238,061
Federal Funds Sold and Securities Purchased Under Reverse Repurchase Agreements	301,575	255,530	262,355	464,380	232,516
TOTAL INVESTMENT SECURITIES NET (000 omitted)	343,530	390,914	235,629	196,346	231,365
U.S. Government	267,828	300,934	160,028	86,643	97,898
Federal Agencies	67,638	66,400	63,551	98,329	79,588
Other Money Market Instruments	2,577	3,228	3,192	3,278	35,482
ND Political Sub. Bds	6,987	20,352	8,898	8,095	18,397
TOTAL LOANS NET (000 omitted)	201,687	236,868	264,804	284,297	326,657
Guaranteed Student Loans	23,745	21,336	27,676	128	2,005
Farm Real Estate Loans	5,773	4,941	2,186	17,993	18,135
FHA Home Loans	92,060	103,888	111,267	118,760	126,369
GI Home Loans	36,567	40,456	42,771	44,926	47,006
Small Business Adm. Loans	3,766	5,569	7,878	10,408	12,461
Bank Participation Loans	38,337	53,439	71,146	86,685	107,769
Other Loans	13,426	13,604	7,627	8,396	15,912
CAPITAL AND RESERVES (000 omitted)	68,706	68,924	55,589	46,425	45,243
Capital	22,000	20,000	18,000	18,000	16,000
Surplus	22,000	20,000	20,000	18,000	18,000
Undivided Profits	24,706	15,424	14,089	6,925	7,743
Reserve for Contingencies		3,500	3,500	3,500	3,500
OTHER DATA (Numbers)					
Financial Inst. with BND Accts.	211	209	205	210	227
Individual Checking Accounts	2,876	3,000	3,264	3,838	3,836
Individual Savings Accounts	2,935	3,178	4,825	6,764	5,136
Guaranteed Student Loans (made or purchased)	26,668	20,997	15,772	16,250	13,637
FHA House Loans (made or purchased)	0	0	0	0	171
GI House Loans (made or purchased)	0	0	0	0	16
SBA & BI Loans On Hand	52	69	91	112	151
Bank Participation Loans On Hand	273	534	471	708	1,511
Number of Employees	147	144	130	142	140