One simple vision stands the test of time and guides us into the future.

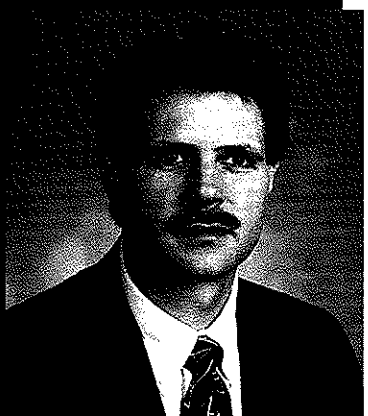
To be the development bank of North Dakota, responsible for financing economic growth while maintaining strong partnerships and a sound financial base with consistent earnings.

Bank of North Dakota Annual Report 1995

BANK OF NORTH DAKOTA
ANNUAL REPORT 1995

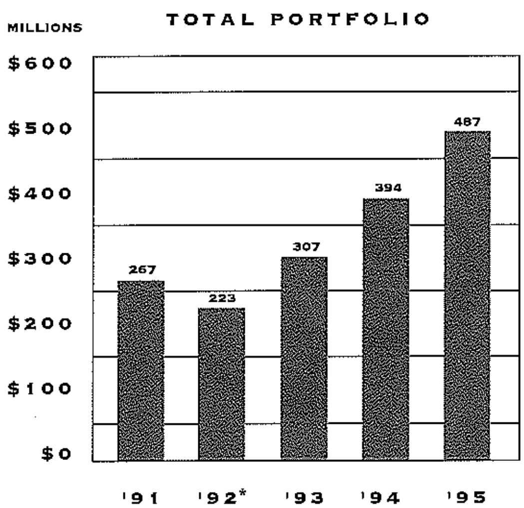
Continuing its commitment as the state's development bank, BND injected more than $100 million into North Dakota's economy during 1995. Through increased lending activities and good expense controls, the Bank also generated a 20% increase in profits. Net income for the year totaled $21,639,000 compared to $18,031,000 in 1994. This increase was achieved in spite of record dividends or transfer payments by the Bank. Return on average equity increased to almost 23%. Return on average assets and the Bank's net interest margin also increased over 1994.

	1994	1995
RETURN ON AVERAGE EQUITY	17.75%	22.89%
RETURN ON AVERAGE ASSETS	1.91%	2.27%
NET INTEREST MARGIN	2.64%	2.91%



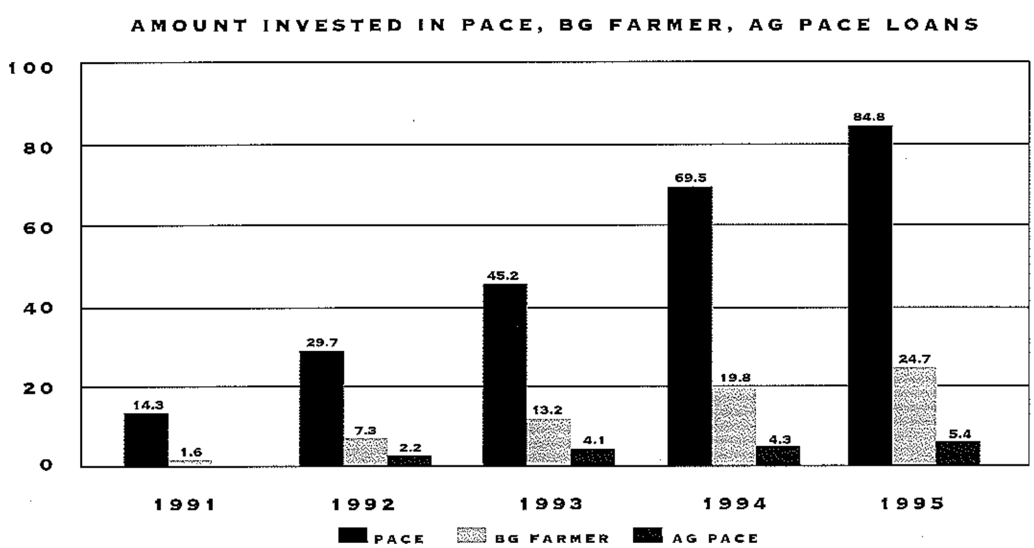
JOHN HOEVEN
PRESIDENT

Together with local financial institutions, the federal guarantee agencies and other funding sources, BND financed 228 business and industrial projects throughout the state. Of these, 129 were new projects or expansions resulting in new job creation. Over the last three years, BND has increased its loan portfolio by more than $250 million to the current total of $487 million. Through participation loans, BND and local financial institutions have injected one-half billion dollars into North Dakota's economy during this three-year period.

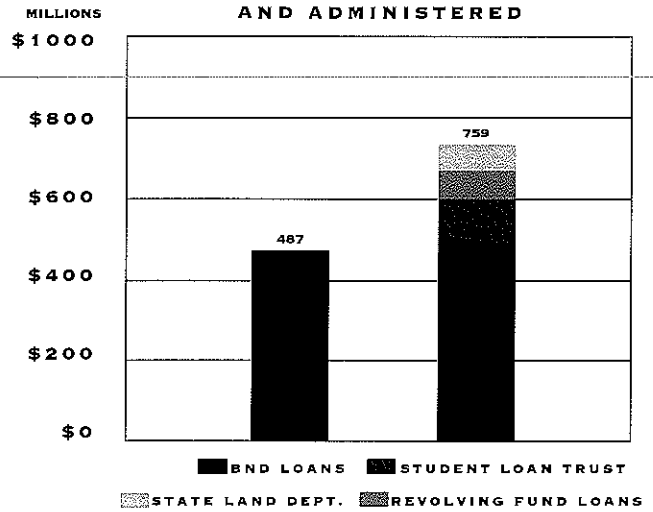


*REFLECTS THE SALE OF STUDENT LOANS OF $92 MM

PACE loans funded or committed now total 209 for more than $80 million. Each of these requires new job creation as criteria for receipt of the loan. Jobs tracked by Bank of North Dakota under the PACE program exceed 3,500. Ag PACE loans outstanding total 109; each of these represent new business start-ups or expansions in rural North Dakota. The Beginning Farmer Loan Program, which was reformatted in 1991, has generated 365 loans to young farmers making first time purchases of farmland. BND is working on a project, with assistance from North Dakota State University, to better track the job creation and economic impact created by these and its other loan programs.



BND LOANS OWNED AND ADMINISTERED



In addition to loans booked into its own portfolio, the Bank also makes and administers loans for other state entities such as the State Land Department and the North Dakota Student Loan Trust. Between its own portfolio and loans administered for others, BND now manages over $750 million in total loans.

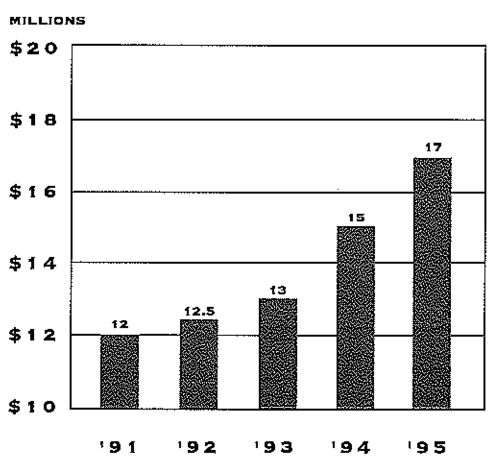
To ensure proper risk management as the loan portfolio grows, BND utilizes a number of techniques. Risk management practices include:

- *A participation lending approach with local financial institutions that ensure quality underwriting and credit administration*
- *Utilization of federal guarantee programs where appropriate*
- *Building a strong loan loss reserve*
- *Careful, on-going credit review, delinquency monitoring, and collection procedures*

These practices have helped BND to minimize loan charge-offs, delinquencies, and non-accruals. Loan recoveries in 1995 actually exceeded loans charged off for the first time since 1977. Recoveries totaled $503,000 versus charge-offs of $338,000. Commercial loan delinquencies were 1.48% versus an industry average of 2.74% and farm loan delinquencies were 1.6% versus the industry average of 1.5%. Total non-accrual loans at year end amounted to just over $1 million. These levels are particularly favorable given the nature of BND's development lending.

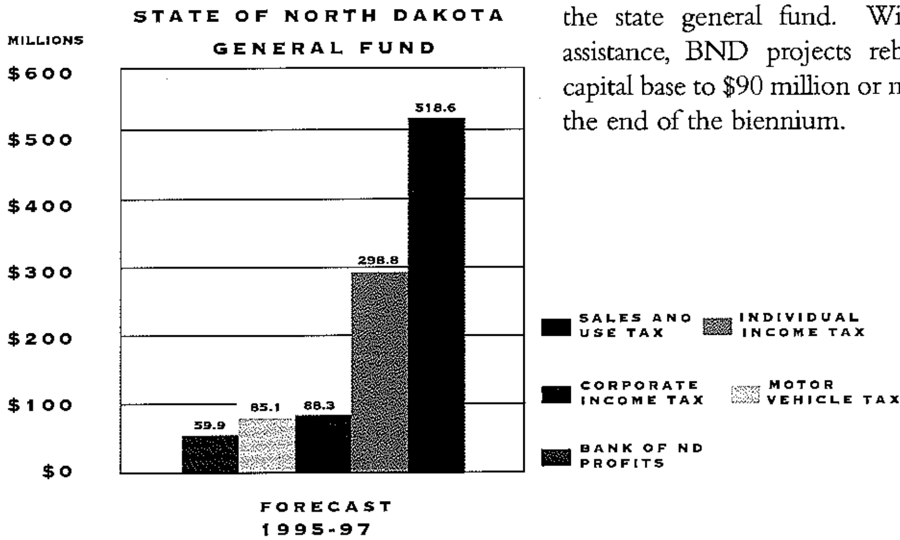
To protect against future losses should the economy suffer a decline, BND is continuing to build its loan loss reserves and utilize federal guarantee programs. Almost one half of BND's total loan portfolio, $241 million of $487 million, is guaranteed. Furthermore, even though recoveries exceeded charge-offs, $1.7 million was added to reserves during the year to bring the loan loss reserve to over $17 million, the highest level in the Bank's history. Loan loss reserves, as a percentage of all loans, are 3.5% and as a percentage of unguaranteed loans, 7%.

ALLOWANCE FOR LOAN LOSSES



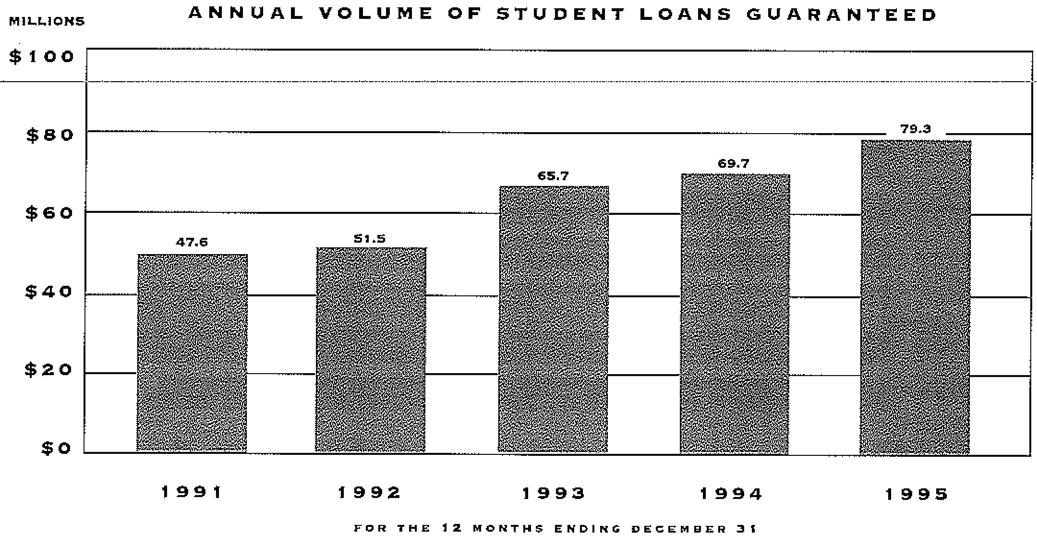
Total assets at the end of 1995 exceeded $1 billion compared to $935 million a year ago. Although BND had anticipated year-end assets to be around $980 million, customer bank clearing pushed the total higher. Bank capital has been reduced to $76 million versus $100 million by legislative action through transfer payment requirements for the state general fund. Also, BND paid $23 million in July, 1995, to the North Dakota Real Estate Trust, to fund the deficit in that entity. The Trust deficit was formerly carried as a contingent liability of the Bank.

Transfer payments from BND may provide the fifth largest source of revenue to the state general fund this biennium. Between the last biennium and this biennium, total transfer payments out of BND could amount to almost $100 million, well exceeding the Bank's current capital. This reduction in capital is a concern because BND must maintain adequate capital to properly support its development bank mission and generate earnings. The Legislature has directed the Office of Management and Budget to delay drawing funds from the Bank until they are needed by the state general fund. With OMB's assistance, BND projects rebuilding its capital base to $90 million or more before the end of the biennium.

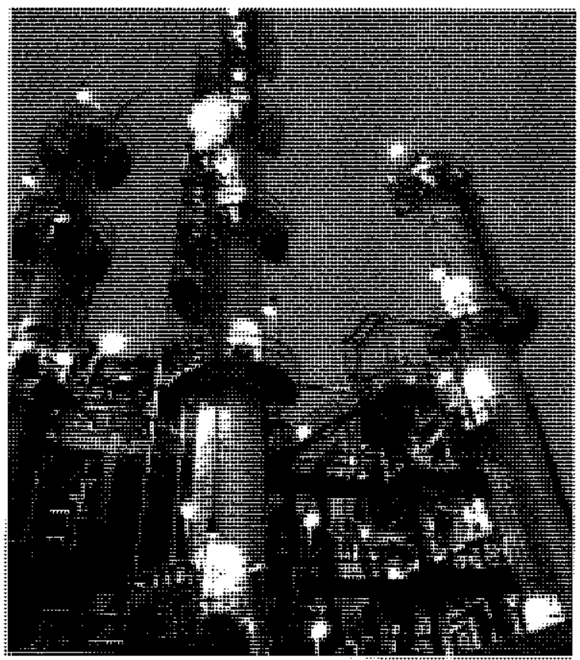


BND is making substantial progress in building its earnings, strengthening its balance sheet, and most importantly, fulfilling its role as the state's development bank because of the outstanding efforts of its employees. They are dedicated, diligent, and truly committed to providing superior customer service through hard work and innovation. In 1995, BND employees actually reduced total controllable expenses compared to the prior year. Data processing costs were reduced, while data processing capabilities improved throughout the Bank. Also, BND initiated development of an overall information technology plan to further upgrade its performance capabilities in 1996.

The Retail and Operations Department increased its volume of check processing without adding staff. New computer hardware and software will be added in 1996 for customer inquiry and service capabilities. Also, BND is working on a joint project with other state agencies to automate their payment processing and provide computer-imaged recordkeeping. The Investment and Trust Division has installed a new safekeeping system to better track the more than $500 million in securities it administers. Improvements in the asset-liability management system have assisted in bringing BND's balance sheet into a hedged position, protecting it against interest rate risk. The Student Loan Division guaranteed a record volume of student loans, and reduced its default rate to 1%, the lowest for any state guarantee agency in the nation. Also, with improved technology, the guarantee agency has brought on new customers and strengthened the relationship with schools throughout the state.



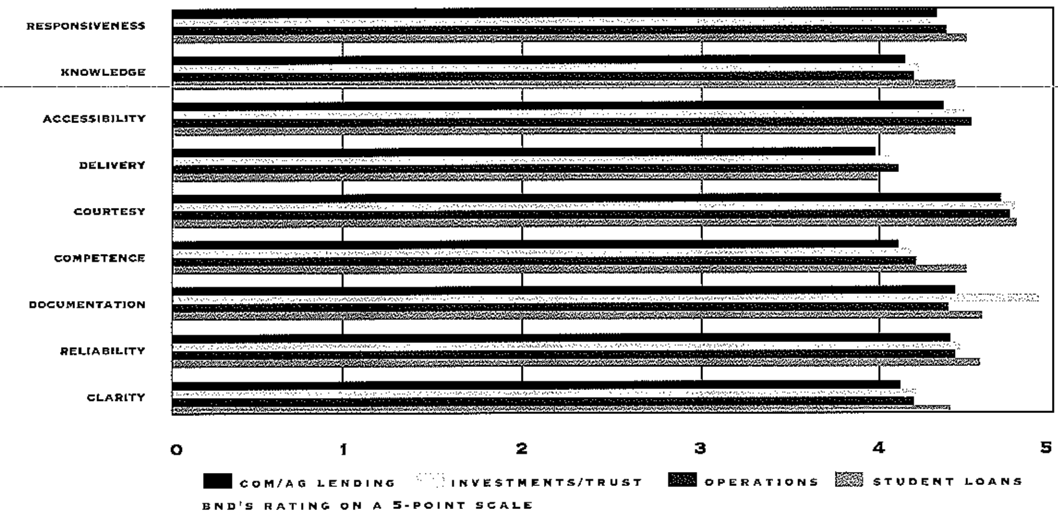
The Lending Division implemented new loan programs such as the Start Up Entrepreneurial Loan Program (STEP) for new business start-ups, and the Cooperative Equity Loan Program to help fiance ag-processing cooperatives. BND also played a major role in formation of the North Dakota Small Business Investment Company (NDSBIC), the first state-wide private venture company with the ability to access low cost funding from the Small Business Administration. NDSBIC, a $15 million investment fund, now provides another important source of capital for business development. BND actively assisted in the organizational effort and offered a 25% back-up guarantee to encourage investment in the fund.



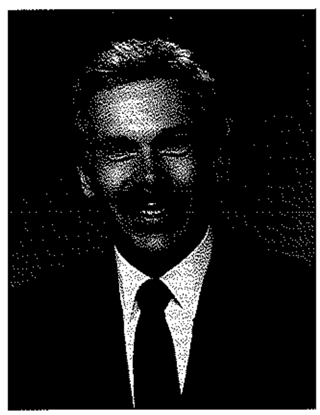
Innovative financing: The Bank of North Dakota provided a letter of credit supported by coal severance revenues to help the Dakota Gasification company finance the construction of an anhydrous ammonia plant.

To assess the quality of BND services, the Bank commissioned a comprehensive customer survey by Integrated Research Group of Fargo, North Dakota. Bankers, economic development professionals, and representatives from the schools of higher education throughout the state were surveyed. The survey results were very positive with 93% of the respondents rating BND good or excellent in realizing its mission, and 97% rating BND's service as good or excellent. The survey cited significant improvement by the Bank over an earlier survey, and also provided important information as to what services should be offered in the future.

DEPARTMENTAL CUSTOMER SATISFACTION



All of these initiatives reflect BND's commitment to serve as the state's development bank. In this endeavor, the Bank is always striving to complement and support private enterprise, not compete with it. As a for-profit business enterprise, BND generates revenue for the state, but as a government entity it serves the public and the private sector. This mission poses great challenges in a time when the role of government and the conventional ways of doing business are being carefully examined. BND is evolving to meet these future needs and challenges.



The Bank of North Dakota is overseen by the North Dakota Industrial Commission: Commissioner of Agriculture Sarah Vogel; Governor Ed Schafer, Chairman; and Attorney General Heidi Heitkamp

BND's Advisory Board: Bill Kingsbury, Elaine Fremling, Curly Haugland, Donald Porter, Maren Daley, Frank Keogh, and Marilyn Burrow

BND's Executive Committee: Ed Sather, Kathy Ibach, Julie Kubisiak, John Hoeven, Bob Gruman, and Dale Eberle

Pictured in the borders of the following financial statements are some of the projects BND helped finance in 1995.

INDEPENDENT AUDITOR'S REPORT

The Industrial Commission
State of North Dakota
Bismarck, North Dakota

We have audited the accompanying balance sheets of The Bank of North Dakota as of December 31, 1995 and 1994, and the related statements of income, changes in capital funds and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Bank of North Dakota as of December 31, 1995 and 1994, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Brady, Martz

BRADY, MARTZ & ASSOCIATES, P.C.

January 19, 1996

THE BANK OF NORTH DAKOTA
BALANCE SHEETS
DECEMBER 31, 1995 AND 1994

ASSETS

	1995	1994
	(in thousands)	
CASH AND DUE FROM BANKS	$ 128,615	$ 99,715
FEDERAL FUNDS SOLD AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL	67,045	79,810
CASH AND CASH EQUIVALENTS	195,660	179,525
SECURITIES AVAILABLE FOR SALE	69,026	37,364
SECURITIES HELD TO MATURITY	278,154	321,035
	347,180	358,399
LOANS HELD FOR SALE	-	203
LOANS	487,297	393,553
Less allowance for loan losses	(17,214)	(15,348)
	470,083	378,408
BANK PREMISES, EQUIPMENT AND SOFTWARE	3,425	3,775
ACCRUED INTEREST RECEIVABLE	13,876	11,152
OTHER ASSETS	3,592	3,811
TOTAL ASSETS	$ 1,033,816	$ 935,070

LIABILITIES AND CAPITAL FUNDS

	1995	1994
DEPOSITS:		
Non-interest bearing	$ 117,579	$ 98,337
Interest bearing	559,219	489,500
	676,798	587,837
FEDERAL FUNDS PURCHASED AND SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE	164,956	155,527
LONG-TERM DEBT	57,000	53,455
OTHER LIABILITIES	59,062	38,045
TOTAL LIABILITIES	957,816	834,864
CAPITAL FUNDS:		
Capital	22,000	22,000
Capital surplus	22,000	22,000
Contributed capital	-	1,394
Unrealized gain on securities available for sale	508	206
Undivided profits	31,492	54,606
TOTAL CAPITAL FUNDS	76,000	100,206
TOTAL LIABILITIES AND CAPITAL FUNDS	$ 1,033,816	$ 935,070

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

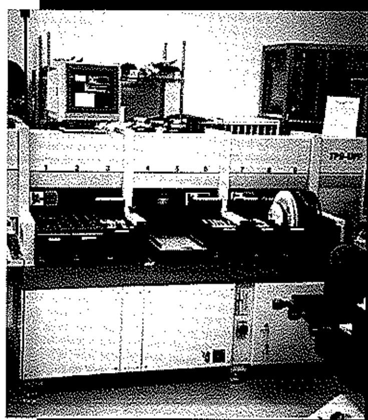
THE BANK OF NORTH DAKOTA

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

	(in thousands) 1995	1994
INTEREST INCOME:		
Interest on federal funds sold and securities purchased under agreements to resell	$ 6,303	$ 4,035
Interest on investment securities	18,133	20,471
Interest and fees on loans	38,560	26,858
	62,996	51,364
INTEREST EXPENSE:		
Interest on deposits	22,800	16,773
Interest on federal funds purchased and securities sold under agreements to repurchase	10,266	7,535
Interest on long-term debt	4,529	4,256
	37,595	28,564
NET INTEREST INCOME	25,401	22,800
PROVISION FOR LOAN LOSSES	1,700	2,500
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	23,701	20,300
OTHER INCOME:		
Service fees and other	6,988	7,437
Securities gains and losses	119	87
Recovery of investment losses	1,500	1,000
	8,607	8,524
OTHER EXPENSE:		
Salaries	4,324	4,155
Pensions and other employee benefits	1,258	1,229
Data processing	2,302	2,499
Other operating expenses	2,200	2,229
Depreciation and amortization	585	681
	10,669	10,793
NET INCOME	$ 21,639	$ 18,031

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS



PHOENIX INTERNATIONAL CORPORATION

Phoenix International is a premier resource for the commercialization of products through innovative applications of technology. Such technology, as the MYDATA Automation machine, allows placement of Surface Mount components at a rate of 3500 per hour, increasing manufacturing time and accuracy and reducing customer cost.

STEFFES & SONS MFG., INC.

Curt Ridl, Ski Department Foreman at Steffes & Son Mfg., Inc., finishes the welds on a replacement snowmobile ski. Steffes recently added 60,000 square feet to its manufacturing facility including a state-of-the-art powder coating system used to paint Steffes' quality line of skis.

THE BANK OF NORTH DAKOTA
STATEMENTS OF CHANGES IN CAPITAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

(in thousands)

	Capital	Capital Surplus	Contributed Capital
BALANCE - JANUARY 1, 1994	$ 22,000	$ 22,000	$ 1,394
Net income	-	-	-
Appropriations	-	-	-
Change in net unrealized gain on securities available for sale	-	-	-
BALANCE - DECEMBER 31, 1994	22,000	22,000	1,394
Net income	-	-	-
Appropriations	-	-	-
Transfer to North Dakota Real Estate Trust	-	-	-
Change in net unrealized gain on securities available for sale	-	-	-
Reclassification of contributed capital	-	-	(1,394)
BALANCE - DECEMBER 31, 1995	$ 22,000	$ 22,000	-

STATEMENTS OF CHANGES IN CAPITAL FUNDS
IN CAPITAL FUNDS
(Continued from above)

Unrealized Gain on Securities Available For Sale	Undivided Profits	Total
$ -	$ 54,606	$ 100,000
-	18,031	18,031
-	(18,031)	(18,031)
206	-	206
206	54,606	100,206
-	21,639	21,639
-	(22,990)	(22,990)
-	(23,157)	(23,157)
302	-	302
-	1,394	-
$ 508	$ 31,492	$ 76,000

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

THE BANK OF NORTH DAKOTA

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

(in thousands)

	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 21,639	$ 18,031
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	695	791
Provision for loan losses	1,700	2,500
Recovery of investment losses	(1,500)	(1,000)
Amortization of premiums and accretion of discounts on investment securities, net	(55)	64
Investment securities gains, net	(119)	(156)
Changes in assets and liabilities:		
Decrease in loans held for sale	203	14,793
Increase in accrued interest receivable	(2,724)	(2,595)
(Increase) decrease in other assets	155	(1,370)
Decrease in other liabilities	(1,974)	(7,869)
NET CASH PROVIDED BY OPERATING ACTIVITIES	18,020	23,189
CASH FLOWS FROM INVESTING ACTIVITIES:		
Securities available for sale transactions:		
Purchase of securities	(72,374)	-
Proceeds from sales, maturities and principal repayments	41,137	158,197
Securities held to maturity transactions:		
Purchase of securities	(21,678)	(324,088)
Proceeds from sales, maturities and principal repayments	66,110	233,331
Net increase in loans	(93,578)	(103,131)
Purchases of equipment and software	(235)	(251)
NET CASH USED BY INVESTING ACTIVITIES	(80,618)	(35,942)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in non-interest bearing deposits	19,242	10,421
Net increase in interest bearing deposits	69,719	4,099
Net increase in federal funds purchased and securities sold under repurchase agreements	9,429	34,415
Proceeds from issuance of long-term debt	3,500	3,500
Transfer to North Dakota Real Estate Trust	(23,157)	-
NET CASH PROVIDED IN FINANCING ACTIVITIES	78,733	52,435
INCREASE IN CASH AND CASH EQUIVALENTS	16,135	39,682
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	179,525	139,843
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 195,660	$ 179,525
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash payments for:		
Interest paid to customers	$ 21,381	$ 16,688
Interest paid on federal funds purchased and securities sold under repurchase agreements	10,282	7,450
Interest paid on long-term debt	4,407	4,146
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Other real estate acquired in settlement of loans	-	82
Transfer from undivided profits to other liabilities	22,990	18,031
Unrealized gains on securities available for sale	302	206

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bank of North Dakota (BND) 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. BND is a unique institution combining elements of banking and state government with a primary role in financing economic development. BND is a participation lender; the vast majority of its loans are made in tandem with financial institutions throughout the State of North Dakota. BND's primary deposit products are interest-bearing accounts for state and political subdivisions.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Statement of Cash Flows - The Bank considers currency on hand, demand deposits in other financial institutions, cash items expected to be converted to cash and federal funds sold and securities purchased under reverse repurchase agreements with original maturities of three months or less as cash and cash equivalents.

Trading Securities - Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading account securities and are reported at fair value. Gains and losses on sales of trading account securities and adjustments to fair values are included in securities gains and losses.

Securities Available For Sale - Securities that are not trading securities and which may be sold before maturity in response to changes in interest rates or prepayment risk, or due to liquidity needs or changes in funding sources or terms, are classified as securities available for sale. These securities are carried at fair value, with unrealized holding gains and losses, reported in capital. When securities are sold, the amortized cost of the specific securities sold is used to compute the gain or loss on sale.

Securities Held To Maturity - Securities which management has the positive intent and ability to hold to maturity. These securities are stated at cost, adjusted for amortization of premiums and accretion of discounts, which are recognized by adjustments to interest income. The allowance for investment losses is established through a provision for investment losses charged to expense and is attributable to specific adverse conditions for particular securities.

Loans Held For Sale - Mortgage loans purchased and held for sale in the secondary market are carried at the lower of cost or market value determined on an aggregate basis. Net unrealized losses are recognized in a valuation allowance through charges to income. Gains and losses on the sale of loans held for sale are determined using the specific identification method.

Loans - Loans are stated at the principal balance outstanding less an allowance for loan losses. Interest income on loans is accrued at the specific rate on the outstanding principal balance.

Interest accruals on loans are discontinued when in management's opinion the collection of the interest is doubtful. When a loan is placed on non-accrual status, accrued but uncollected interest is reversed. Interest accrued during the current year is reversed against current income, and interest accrued from prior years is charged against the allowance for loan losses. The entire change in present value is reported as bad debt expense in the same manner in which impairment initially was recognized or as a reduction in the amount of bad debt expense that otherwise would be reported.

Allowance for Loan Losses - The Bank uses the allowance method in providing for loan losses. Accordingly, the allowance is increased by the current years provision for loan losses charged to operations and reduced by net charge-offs.

The adequacy of the allowance for loan losses and the provisions for loan losses charged to operations are based on management's evaluation of a number of factors, including recent loan loss experience, continuous evaluation of the loan portfolio quality, current and anticipated economic conditions, and other pertinent factors. Loans are charged to the allowance when management believes the collection of the principal is doubtful.

Bank Premises, Equipment and Software - Bank premises, equipment and software are stated at cost less accumulared depreciation or amortization. Depreciation and amortization are provided over the estimated useful lives of the individual assets using the straight-line method. The estimated useful lives used in the computation of depreciation or amortization are 25 years for bank premises, 5 years for equipment and software and 10 years for furniture.

Other Real Estate - Other real estate (ORE), which is included in other assets, represents properties acquired through foreclosure or other proceedings. ORE is recorded at the lower of the amount of the loan or fair market value of the properties. Any writedown to fair market value at the time of transfer to ORE is charged to the allowance for loan losses. Property is evaluated regularly to ensure that the recorded amount is supported by the current fair market value.

Long-Term Debt Issue Costs - Long-term debt issue costs are being amortized over the term of the related long-term debt using the straight-line method.

Defined Benefit Plan - The Bank funds amounts equal to pension costs accrued.

Income taxes - The Bank of North Dakota is a governmental agency of the State of North Dakota and as such is not obligated for federal or state income taxes.

Reclassification - Certain amounts in the 1994 financial statements have been reclassified to conform with the 1995 presentation.

NOTE 2 **FEDERAL FUNDS SOLD AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL**

The breakdown of federal funds sold and securities purchased under agreements to resell are as follows:

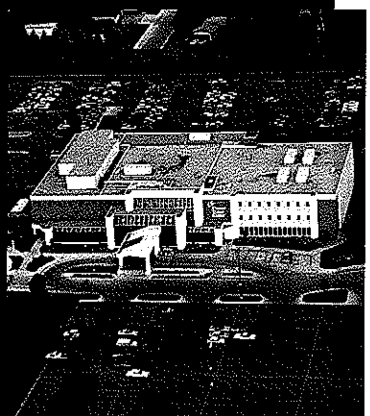
	(in thousands) 1995	1994
Federal funds sold	$ 66,595	$ 71,560
Securities purchased under agreements to resell	450	8,250
	$ 67,045	$ 79,810

Federal funds sold generally mature the day following the date of sale.

The Bank enters into securities purchased under agreements to resell the same securities. These agreements may have a fixed maturity or be open-ended, callable at any time. The agreements are secured by Fed book-entry securities.

BOURGAULT INDUSTRIES LTD.

Bourgault Industries, Minot, is a growing manufacturing firm of farm implements which specializes in cultivators and airseeders–like this state-of-the-art Bourgault 8800 complete with a 3225 airseeder.



GRAND FORKS CLINIC, LTD.

The Grand Forks Clinic, Ltd., a multispecialty clinic with 145 full-time physicians and 14 branch and satellite locations throughout North Dakota and Minnesota, serves a population base of over 250,000 people. The clinic is located in the Medical Park Complex.

NOTE 3 **DEBT AND EQUITY SECURITIES**

Debt and equity securities have been classified in the financial statements according to management's intent. The carrying amount of securities and their approximate fair values at December 31, 1995 and 1994 were as follows:

	(in thousands) Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
SECURITIES AVAILABLE FOR SALE - DECEMBER 31, 1995:				
U.S. Treasury securities	$ 44,793	$ 373	$ -	$ 45,166
Obligations to other U.S. government agencies	22,653	5	-	22,658
Mortgage-backed securities	1,072	130	-	1,202
	$ 68,518	$ 508	$ -	$ 69,026
SECURITIES HELD TO MATURITY - DECEMBER 31, 1995:				
U.S. Treasury securities	$ 123,989	$ -	$ 92	$ 123,897
Obligations to other U.S. government agencies	14,029	105	101	14,033
Mortgage-backed securities	104,886	-	1,663	103,223
Obligations of states and political subdivisions	15,250	-	-	15,250
Commercial paper	20,000	-	-	20,000
	$ 278,154	$ 105	$ 1,856	$ 276,403
SECURITIES AVAILABLE FOR SALE - DECEMBER 31, 1994:				
U.S. Treasury securities	$ 35,001	$ 103	$ 29	$ 35,075
Mortgage-backed securities	2,157	132	-	2,289
	$ 37,158	$ 235	$ 29	$ 37,364
SECURITIES HELD TO MATURITY - DECEMBER 31, 1994:				
U.S. Treasury securities	$ 161,777	$ -	$ 4,134	$ 157,643
Obligations to other U.S. government agencies	14,518	46	562	14,002
Mortgage-backed securities	126,066	-	3,747	122,319
Obligations of states and political subdivisions	14,777	-	-	14,777
Other securities	3,897	-	3,295	602
	$ 321,035	$ 46	$ 11,738	$ 309,343

The maturity distribution of securities at December 31, 1995, is shown below. The distribution of mortgage-backed securities is based on average expected maturities. Actual maturities may differ because issuers may have the right to call or prepay obligations.

	(in thousands) Securities Held To Maturity		Securities Available For Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 158,271	$ 158,162	$ 27,657	$ 27,760
Due from one year to five years	40,699	40,269	40,861	41,266
Due from five to ten years	70,120	68,908	-	-
Due after ten years	9,064	9,064	-	-
	$ 278,154	$ 276,403	$ 68,518	$ 69,026

The maturity distribution of securities at December 31, 1994, is shown below. The distribution of mortgage-backed securities is based on average expected maturities. Actual maturities may differ because issuers may have the right to call or prepay obligations.

	(in thousands)			
	Securities Held To Maturity		Securities Available For Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 38,194	$ 37,853	$ 35,969	$ 36,050
Due from one year to five years	175,411	167,165	1,189	1,314
Due from five to ten years	98,621	95,516	-	-
Due after ten years	8,809	8,809	-	-
	$ 321,035	$ 309,343	$ 37,158	$ 37,364

Proceeds from sales of securities available for sale for the year ended December 31, 1994 is $110,097,000. Gross gains of $204,000 were realized on sales and gross losses of $48,000 were realized on sales in 1994.

Securities carried at $60,177,000 at December 31, 1995 and $127,051,000 at December 31, 1994 were used for securities sold under agreements to repurchase and for other required pledging purposes. The approximate market value of the securities at December 31, 1995 and 1994 was $60,361,000 and $124,721,000, respectively.

NOTE 4 LOANS

The composition of the loan portfolio at December 31, 1995 and 1994 is as follows:

	(in thousands) 1995	1994
Residential loans	$ 27,808	$ 32,913
Guaranteed student loans	168,755	122,714
Bank participation loans:		
Commercial	155,572	120,918
Agricultural	83,217	68,371
Farm real estate loans	33,314	31,255
State institutions	11,271	10,459
Bank stock	7,278	6,780
Other	82	143
	487,297	393,553
LESS ALLOWANCE FOR LOAN LOSSES	17,214	15,348
	$ 470,083	$ 378,205

The amount of impaired loans at December 31, 1995 was $1,138,000. There was no necessary allowance for credit losses related to these loans. The average balance of impaired loans during 1995 was $1,227,000.

The composition of the allowance for loan losses at December 31, 1995 and 1994 is as follows:

	(in thousands) 1995	1994
Balance - beginning of year	$ 15,348	$ 12,900
Provision charged to operations	1,700	2,500
Loans charged off	(337)	(305)
Recoveries	503	253
Balance - end of year	$ 17,214	$ 15,348

NOTE 5 **BANK PREMISES, EQUIPMENT AND SOFTWARE**

The following is a summary of changes in bank premises, equipment, furniture and software at December 31, 1995 and 1994:

(in thousands)

	Balance Jan. 1, 1995	Additions	Retirements	Balance Dec. 31, 1995
Land	$ 287	$ -	$ -	$ 287
Building	3,953	-	-	3,953
Equipment	2,166	155	98	2,223
Furniture	709	71	5	775
Software	1,885	9	-	1,894
	9,000	235	103	9,132
Less accumulated depreciation	5,225	585	103	5,707
	$ 3,775	$ (350)	$ -	$ 3,425

	Balance Jan. 1, 1994	Additions	Retirements	Balance Dec. 31, 1994
Land	$ 287	$ -	$ -	$ 287
Building	3,859	94	-	3,953
Equipment	2,103	63	-	2,166
Furniture	692	17	-	709
Software	1,808	77	-	1,885
	8,749	251	-	9,000
Less accumulated depreciation	4,544	681	-	5,225
	$ 4,205	$ (430)	$ -	$ 3,775

Depreciation and amortization expense on the above assets amounted to $585,000 and $681,000 in 1995 and 1994, respectively.

NOTE 6 **FEDERAL FUNDS PURCHASED AND SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE**

The breakdown of federal funds purchased and securities sold under agreements to repurchase are as follows:

	(in thousands) 1995	1994
Federal funds purchased	$ 164,006	$ 80,288
Securities sold under agreements to repurchase	950	75,239
	$ 164,956	$ 155,527

Federal funds purchased generally mature the day following the date of purchase.

The Bank enters into securities sold under agreements to repurchase the same securities. These agreements may have a fixed maturity or be open-ended, callable at any time. These agreements are secured by Fed book-entry securities. The marker value of these securities at December 31, 1995 and 1994 was $950,000 and $75,351,000, respectively.

NOTE 7 **LONG-TERM DEBT**

Long-term debt consists of:

	(in thousands) 1995	1994
Long-term notes, 7.875% (effective interest rate 7.94%) issued December 1986, due December 1996	$ 50,000	$ 50,000
Less unamortized discount	-	45
	50,000	49,955
Federal Home Loan Bank advances	7,000	3,500
	$ 57,000	$ 53,455

A summary, by years, of future minimum payments required to amortize the outstanding debr is as follows:

	Principal	(in thousands) Interest	Total
1996	$ 50,000	$ 4,266	$ 54,266
1997	-	493	493
1998	-	493	493
1999	3,500	460	3,960
2000	3,500	200	3,700
Total	$ 57,000	$ 5,912	$ 62,912

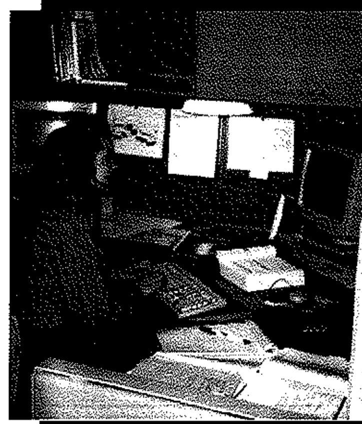
These notes may not be redeemed prior to maturity. Interest is payable semiannually on June 15 and December 15 of each year. The Bank of North Dakota entered into a letter of credit agreement dated December 1, 1986 with the Fuji Bank, Ltd. wbereby tbe Fuji Bank has agreed to provide funds sufficient 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 eligible collateral. The notes are collateralized by government securities and FHA and VA guaranteed loans with balances of approximately $56,862,000 and $60,646,000 as of December 31, 1995 and 1994, respectively. 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 certain restrictive covenants, all of which the Bank is in compliance with as of December 31, 1995 and 1994, respectively.

Federal Home Loan Bank advances are secured by mortgage-backed securities with a carrying value of approximately $10,730,000 and $4,665,000 at December 31, 1995 and December 31, 1994, respectively.

NOTE 8 **OTHER LIABILITIES**

Other liabilities consist of:

	(in thousands) 1995	1994
Appropriations payable	$ 50,627	$ 29,664
Interest	3,326	1,922
Student loan origination fee payable	345	1,183
Official checks	328	481
Accrued expenses	370	806
Other	4,066	3,989
	$ 59,062	$ 38,045



SYKES ENTERPRISES INCORPORATED

Recently up and running with over 150 employees, Sykes Enterprises Incorporated is a customer support center for computer software serving people across the U.S. and around the world.

The 1995 North Dakota Legislature passed House Bill Number 1017 that provides for an appropriation from The Bank of North Dakota to the State's general fund. An appropriation of $24,000,000 was made for the biennium beginning July 1, 1995, and ending June 30, 1997, from the earnings and accumulated and undivided profits of the Bank. The transfers shall be made in amounts and at such times as requested by the director of the Office of Management and Budget (OMB).

If, by April 1, 1997, the director of OMB determines that a transfer is necessary for a July 1, 1997 general fund balance of $10,000,000, an additional transfer of up to $4,000,000 of earnings and accumulated and undivided profits at the request of the director of OMB shall be made to the general fund.

No transfers may be made that would reduce the Bank's capital structure below $76,000,000.

If the revised projection for the July 1, 1997, general fund balance estimated by the director of OMB in November 1996 is $30,000,000 or more, the Bank shall suspend such transfers to the general fund until the Bank's capital structure is $100,000,000.

NORTHERN PRODUCE

Northern Produce of Hatton, a cooperative of over thirty members, now plants over 1200 acres of carrots annually. The vitamin-rich vegetable, once processed, is sent all over the U.S. to pre-packaged-salad businesses, grocery stores, and other food concerns.

NOTE 9 **DEFINED BENEFIT PLAN**

All eligible employees of The Bank of North Dakota participate in the North Dakota Public Employees Retirement System ("System"), multiple-employer public employee retirement system. The payroll for Bank employees covered by the System for the years ended December 31, 1995 and 1994 was approximately $4,267,000 and $4,078,000, respectively. The Bank's total payroll was approximately $4,324,000 and $4,155,000, respectively.

All permanent employees as defined in chapter 54-52 of the North Dakota Century Code are eligible to participate in the System. Employees are entitled to unreduced pension benefits beginning when the sum of age and years of credited service equals 88, or at normal retirement age (65), equal to 1.74% of their final average annual salary for each year of service. Benefits fully vest at age 65 or on reaching five years of service. The System permits early retirement at ages 55-64, with five or more years of service. The System also provides death and disability benefits. Benefits are established by state statute.

State statute requires that 4% of each participating employees' gross wage be contributed to the plan by either the employee or by the employer under a "salary reduction" agreement. The same statute requires the Bank to contribute 4.12% of the employees wages. Administrative expenses and prior service costs are funded through the employer contributions. The contribution requirement for the years ended December 31, 1995 and 1994 was approximately $346,000 and $331,000, respectively.

The pension benefit obligation, which is the actuarial present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and employers. The System does not make separate measurements of assets and pension benefit obligations for individual employers. The pension benefit obligation at June 30, 1995 and 1994, for the System as a whole, was $477.2 million and $450.6 million, respectively. The System's net assets available for benefits (valued at market) on June 30, 1995 were $620.7 million and on June 30, 1994 were $540.3 million, leaving an over funded pension benefit obligation of $143.5 million and $89.6 million, respectively. The Bank's contribution represents approximately 1% of total contributions required of all participating entities.

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due, current measurements of the pension benefit obligation, and net assets available for benefits are presented in the System's June 30, 1995 and 1994 audited financial statements.

NOTE 10 **POST-RETIREMENT BENEFITS**

In addition to providing pension benefits, the state allows all PERS retirees to participate in the State Group Health Plan after retirement. The Bank's contribution requirement for the years ended December 31, 1995 and 1994, was approximately $43,000 and $41,000, respectively.

NOTE 11 **COMMITMENTS AND CONTINGENT LIABILITIES**

State of North Dakota Long-Term Bonds - The State of North Dakota, through the North Dakota Real Estate Trust (Trust), issued long-term bonds in 1982, 1984 and 1986, of which the proceeds were used to provide funds to The Bank of North Dakota. In connection with these bond issues, the Bank of North Dakota is obligated to purchase bonds and uncertificated obligations when there is insufficient cash flow in the Trust for payment of the bonds and interest as they become due.

The 1995 North Dakota Legislature passed House Bill Number 1017 which authorizes a transfer to the Trust from The Bank of North Dakota, in the sum necessary to fund the deficit in the Trust as of June 30, 1995. In July 1995 the Bank transferred $23,157,193 to fund the deficit.

The legislation prevents the Bank from presenting any bond or uncertified obligation to the State Treasurer for payment. However, the Bank may recover any previous, current or future transfers to the Trust from the net assets of the Trust as they may become available.

NOTE 12 **RELATED PARTY TRANSACTIONS**

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. All state funds, and funds of all state penal, education, and industrial institutions must be deposited in the Bank under state law. These transactions are a normal part of bank business and, accordingly, are included in the Bank's financial statements.

NOTE 13 **FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK**

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business. These financial instruments include commitments to extend credit, financial standby letters of credit and put and call agreements. Those instruments involve varying degrees of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract amounts of those instruments reflect the extent of involvement the Bank has in particular classes of off-balance-sheet financial instruments.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and financial standby letters of credit are represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. For the put and call agreements the actual risk of loss is less than the contract amount.

	Contract Amount (in thousands)	
	1995	1994
Financial standby letters of credit	$ 29,954	$ 21,904
Commitments to extend credit	80,916	78,952
Put and call agreements	-	890
	$ 110,870	$ 101,746

Commitments to extend credit are agreements to lend as long as there is not violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained by the Bank upon extension of credit is based on management's credit evaluation of the customer. Collateral held may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties. Funding expectations for commercial and agricultural loan commitments vary. The fair value of these loans is not expected to have a material impact on the financial position of the Bank.

Financial standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The likelihood of funding any of these letters of credit is considered to be remote. The fair value calculation is, therefore, limited to the cash flow associated with fee revenues over the life of the individual instruments. At December 31, 1995 and 1994, the fair value of those fee revenues is estimated to be $1,812,000 and $1,029,000, respectively.

The put and call agreements are contracts which allow the purchaser to exercise an option to sell the securities at a specified price back to the Bank upon specific circumstances and the Bank has a call option to purchase the securities from the customer at a specified future date at a specified price. Risk arises from the possible movements in the value of the securities. The Bank considers the likelihood of its having to fund this agreement to be remote. The fair value of the agreement is considered to be immaterial.

NOTE 14 SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

Most of the Bank's business is with customers within the state of North Dakota. Concentrations of credit are present in the agricultural industry. Due to the pervasive nature of agriculture in the economy of the state, all loans, regardless of type, are impacted by agriculture. Loans for agricultural purposes comprised approximately 24% and 25% of the total loans at December 31, 1995 and 1994, respectively.

NOTE 15 FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, *Disclosures About Fair Value of Financial Instruments* (FAS 107) requires the disclosures of estimated fair values of all asset, liability and off-balance sheet financial instruments. Fair value estimates under FAS 107 are determined as of a specific point in time utilizing various assumptions and estimates. Quoted market prices are the preferred means of estimating the value of a specific instrument, but in the cases where market quotes are not available, fair values are determined using various valuation techniques such as discounted cash flow calculations or by using pricing models.

Cash and Cash Equivalents - The carrying value of cash and cash equivalents approximates fair value due to the relatively short period of time between the origination of the instruments and their expected realization.

Securities Available For Sale and Securities Held To Maturity - The fair value of securities were estimated using quoted market values, when available. If quoted market prices were not available, fair value was estimated using quoted market prices for similar assets.

Loans Held For Sale - Fair values of loans held for sale are stated at quoted market prices.

Residential Loans - The fair value of residential loans has been estimated using a valuation technique which adjusts mortgages to approximate the quoted market yield for GNMA mortgage backed securities.

Guaranteed Student Loans - The fair value of student loans is based on quoted market prices.

Other Loans - The fair value of all other categories of loans has been estimated by discounting future cash flows to reflect management's estimate of current rates for financing borrowers under substantially similar terms and degrees of risk.

Accrued Interest Receivable and Payable - The carrying value of interest receivable and payable approximates fair value due to the relatively short period of time between accrual and expected realization.

Non-Maturity Deposits - In accordance with FAS 107, the fair value of deposits with no stated maturity, sucb as demand deposits, savings, NOW, and money market accounts, are disclosed as the amount payable on demand.

Deposits With Stated Maturities -The fair value of interest bearing certificates of deposit has been estimated by discounting future cash flows using rates currently offered for deposits of similar remaining maturities.

Federal Funds Purchased and Securities Sold Under Agreements To Repurchase - The carrying value of short term borrowings approximates fair value due to the relatively short period of time between the origination of the instruments and their expected payments.

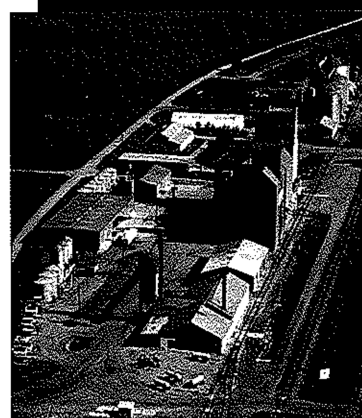
Long-Term Debt - Quoted market prices were used to estimate the fair value of the long-term notes. Discounted cash flow analysis using current market rates of similar maturity debt was used to estimate the fair value of the Federal Home Loan Bank advances.

Other Liabilities - The carrying value of other liabilities approximates fair value due to the short period of time until expected payment.

The carrying values and estimated fair values of the Bank's financial instruments at December 31, 1995 and 1994 were as follows:

(in thousands)

	1995		1994	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and cash equivalents	$ 195,660	$ 195,660	$ 179,525	$ 179,525
Securities available for sale	69,026	69,026	37,364	37,364
Securities held to maturity	278,154	276,403	321,035	309,343
Loans held for sale	-	-	203	203
Residential loans	27,808	28,812	32,913	31,069
Guaranteed student loans	168,755	170,048	122,714	122,696
Other loans	290,734	274,566	237,926	212,802
Accrued interest receivable	13,876	13,876	11,152	11,152
Financial Liabilities:				
Non-maturity deposits	354,369	354,369	306,725	306,725
Deposits with stated maturities	322,429	333,238	281,112	287,230
Federal funds purchased and securities sold under agreements to repurchase	164,956	164,956	155,527	155,527
Long-term debt	57,000	58,319	53,455	53,156
Other liabilities	59,062	59,062	38,045	38,045



ARTHUR FARMERS ELEVATOR COMPANY

Arthur Farmers Elevator Company has a corporate payroll of 55 and additional locations in Ayr, Harvey, and Hurdsfield. The company has served the needs of farmers in their area and beyond for over 90 years.

TEN YEAR

OPERATING RESULTS *(in thousands)*	1995	1994	1993
Interest income	$ 62,996	$ 51,364	$ 46,833
Interest expense	37,595	28,564	23,456
Net interest income	25,401	22,800	23,377
Provision for loan losses	1,700	2,500	600
Net interest income after provision for loan losses	23,701	20,300	22,777
Other income	8,607	8,524	5,388
Other expenses	10,669	10,793	10,635
Net income	21,639	18,031	17,530
Paid to State Treasurer (Appropriation)	-	-	11,116
BALANCE SHEET - YEAR END *(in thousands)*			
TOTAL ASSETS	1,033,816	935,070	872,220
FEDERAL FUNDS SOLD AND SECURITIES PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS	67,045	79,810	62,680
SECURITIES AVAILABLE FOR SALE	69,026	37,364	-
INVESTMENT SECURITIES	278,154	321,035	428,333
U.S. Treasury securities	123,989	161,777	254,792
Obligations of other U.S.Government agencies	14,029	14,518	10,019
Mortgage-backed securities	104,886	126,066	126,532
Other money market instruments			-
Obligations of states and political subdivisions	15,250	14,777	12,989
Commercial paper	20,000	-	17,312
Other securities	-	3,897	6,689
LOANS	487,297	393,756	305,552
Loans held for sale	-	203	14,996
Residential loans	27,808	32,913	42,322
Guaranteed student loans	168,755	122,714	75,026
Bank participation loans –			
Commercial	155,572	120,918	78,697
Agriculture	83,217	68,371	52,567
Farm real estate loans	33,314	31,255	25,638
State institutions	11,271	10,459	12,264
Bank Stock	7,278	6,780	3,204
Other loans	82	143	838
DEPOSITS	676,798	587,837	573,317
Non-interest bearing	117,579	98,337	87,916
Interest bearing	559,219	489,500	485,401
FEDERAL FUNDS PURCHASED AND SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	164,956	155,527	121,112
CAPITAL FUNDS	76,000	100,206	100,000
Capital	22,000	22,000	22,000
Surplus	22,000	22,000	22,000
Contributed capital	-	1,394	1,394
Unrealized Gain on securities available for sale	508	206	-
Undivided profits	31,492	54,606	54,606

SUMMARY

1992	1991	1990	1989	1988	1987	1986
$ 57,107	$ 64,211	$ 69,783	$ 74,899	$ 68,884	$ 68,639	$ 75,948
28,251	41,391	52,727	55,990	49,489	48,221	52,680
28,856	22,820	17,056	18,909	19,395	20,418	23,268
667	698	-	-	750	2,000	10,153
28,189	22,122	17,056	18,909	18,645	18,418	13,115
5,113	5,083	4,631	4,485	3,684	3,484	3,908
10,962	10,791	9,140	8,217	7,089	5,985	7,026
22,340	16,414	12,547	15,176	15,240	15,917	9,997
18,596	4,696	14,000	-	6,000	7,750	3,500
1,064,109	956,759	893,972	971,866	900,113	884,569	944,592
208,951	110,305	170,200	388,172	278,875	198,715	301,575
-	-	-	-	-	-	
458,414	496,789	411,664	319,773	368,499	419,323	345,245
316,861	349,028	230,117	86,228	252,057	270,218	267,828
10,030	55,352	40,484	83,065	48,430	129,658	67,638
63,205	72,925	75,574	-	-	-	-
-	5,000	50,002	136,250	56,978	-	2,577
11,628	7,942	7,381	5,927	4,971	14,450	6,987
50,000	-	-	-	-	-	-
6,690	6,542	8,106	8,303	6,063	4,997	215
313,873	266,854	227,984	203,315	209,225	207,147	213,674
-	-	-	-	-	-	-
61,655	78,564	88,969	99,049	109,445	117,562	128,627
118,639	86,487	46,886	32,744	29,373	21,204	23,745
63,722	51,269	43,474	32,405	30,077	34,437	43,000
43,270	28,636	22,786	15,495	12,489	13,172	4,753
20,675	15,729	12,449	10,004	7,745	6,932	5,773
2,965	3,167	8,441	8,590	13,856	3,102	1,443
2,795	2,698	3,892	4,398	5,975	7,093	5,671
152	304	1,087	631	265	3,645	662
571,355	541,835	509,433	545,868	457,485	559,895	571,545
91,158	80,789	60,794	49,133	48,947	68,563	82,885
480,197	461,046	448,639	496,735	408,538	491,332	488,600
322,308	247,664	227,955	255,952	274,434	162,500	217,877
114,119	92,917	96,618	84,016	89,472	74,232	68,921
22,000	22,000	22,000	22,000	22,000	22,000	22,000
22,000	22,000	22,000	22,000	22,000	22,000	22,000
1,394	1,394	1,394	1,394	1,394	1,394	-
-	-	-	-	-	-	-
68,725	47,523	51,224	38,622	44,078	28,838	24,921

BANK OF NORTH DAKOTA
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