

STRONG

BANKING

2025

**Bank of North Dakota
ANNUAL REPORT**



"We are North Dakota proud with a passionate mission focus, engaging in creative solutions, and there when needed, with integrity and purpose."

BND CORE VALUES

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CORE VALUE: NORTH DAKOTA PROUD



ABOVE: Harvestone Low Carbon Partners continues to advance low-carbon energy solutions through the Blue Flint plant, where new technologies and strategic investments are advancing a more resilient energy future for the state of North Dakota. RIGHT: Don Morgan, President/CEO Bank of North Dakota.

Letter from the President

This was my first full year at Bank of North Dakota (BND) after accepting the role as President/CEO in August 2024. What a year it has been, and I continue to be humbled as I'm entrusted with this critical role for our state.

We are on the leading edge of significant changes in the financial institutions arena. Standing on the strong shoulders of our past leaders, we embark on a legacy evolution. It is critical to honor our past – the mission statement of 106 years remains unchanged – but we must evolve for the future.

Foundationally, we are committed to Strong Banking. Strong banking practices. Strong financial institution partnerships. Strong state agency collaboration. Strong stakeholder relationships. BND will always uphold the highest principles and policies, ensuring sustainable and ethical banking.

While new efforts are being vetted, it is important to reassure the citizens of North Dakota of our commitment to Strong Banking. We will do what

is right for the state. We will painstakingly measure the risks involved, meet liquidity needs, serve as growth catalysts and provide a healthy return on the funds entrusted to us. To reinforce this commitment, our executive team developed a new core values statement that defines our character and priorities. You will find this statement featured throughout this report.

BND AT A GLANCE

\$231.8 million net income

\$10.7 billion in assets

17.2% ROI

4.69% return to the state

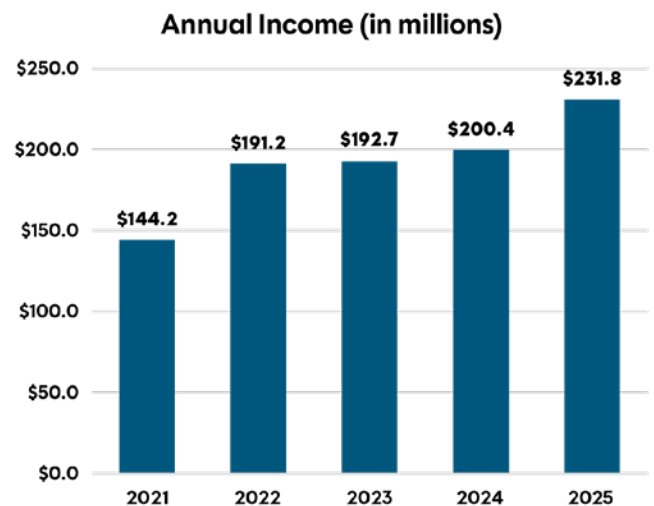


ABOVE: Jody Hoff (left), owner of Amber Waves, gives Dakota Community Bank & Trust Senior Vice President Joy Kitzen (middle) and BND Senior Ag Banking Officer Jim Leier (right) a tour of the company's facility, where it manufactures hopper bottom grain bins in Richardton, North Dakota.

I am incredibly proud of the people I work with every day. The BND team embodies a passion for the people they serve like no other. In addition to a busy legislative session, they stood up five relief loan programs. Each new relief program takes at least 200 hours of staff time to create and implement, and this doesn't take into consideration the hundreds of hours processing loan requests that are in addition to their regular work.

We've improved the experience of our state agency and financial institution partners to complete and track transactions with BND. I commend our Bank's information technology and operations departments for their efforts to bring this to fruition.

As president, I must anticipate the next 10 to 20 years and position the Bank to seize emerging opportunities that align with our responsibilities to financial institutions and state agencies. This means fortifying North Dakota's financing infrastructure by integrating fintech solutions that strengthen local financial institutions and diversify deposits and revenue streams, while maintaining a collaborative, noncompetitive role. Against this backdrop, Congress' passage of the Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act), combined with the state's Office of Management and Budget projections of decreasing oil and gas revenue,



We are on the leading edge of significant changes in the financial institutions arena. Standing on the strong shoulders of our past leaders, we embark on a legacy evolution.



ABOVE: BND President and CEO Don Morgan speaks to attendees of a conference on Public Banking for Community Development at Harvard Law School in November 2025.

compelled BND to pursue fintech opportunities to diversify our revenue streams. Fintech offers the potential to attract nontraditional capital to North Dakota, strengthening our ability to support economic growth well into the future.

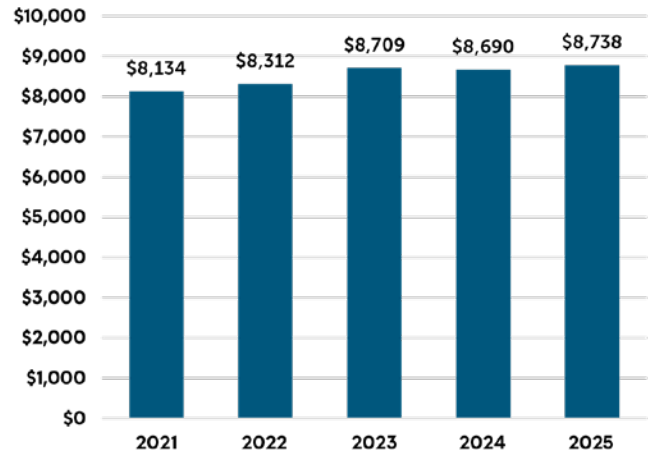
This annual report provides even greater detail on the introduction of the Bank’s fintech initiative, significant financial literacy efforts and our successes of the past year.

The Bank had a net income of \$231.8 million, up from \$200.4 million in 2024. Our asset size was \$10.7 billion compared to \$10.8 billion last year. The return on investment was a healthy 17.2% and the total return to the state was \$353.3 million or 4.69%. Standard & Poors maintained BND’s rating as A+/Stable in its annual review completed in 2025.

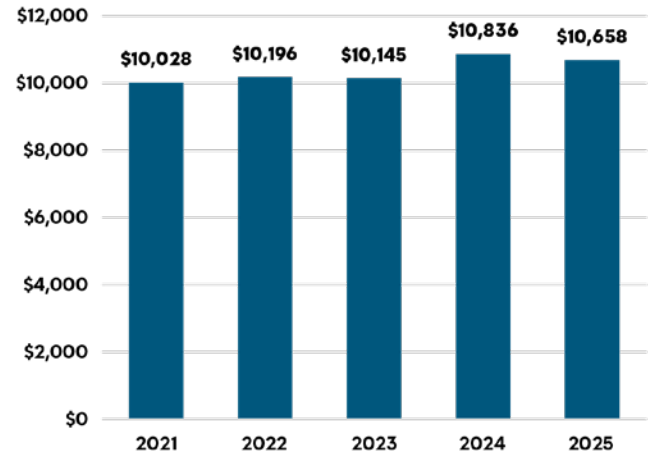
North Dakota’s future is bright, and Bank of North Dakota will continue its support of local economies, committed to our legacy and moving forward at the same time.

Don Morgan, President/CEO
Bank of North Dakota

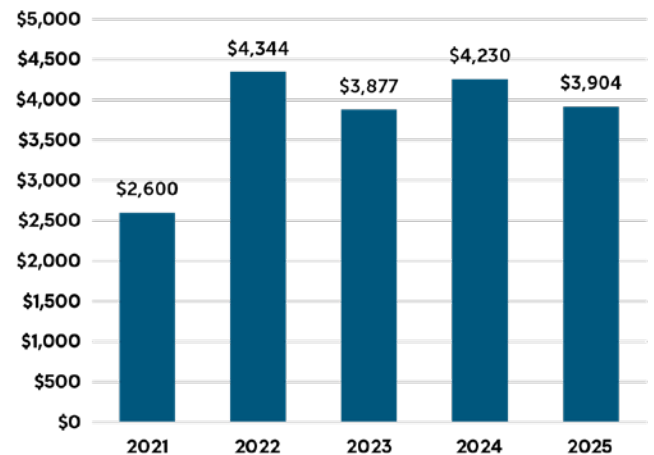
Deposit Size (in millions)



BND Assets (in millions)



Securities Portfolio (in millions)





CORE VALUE: PASSIONATE MISSION FOCUS

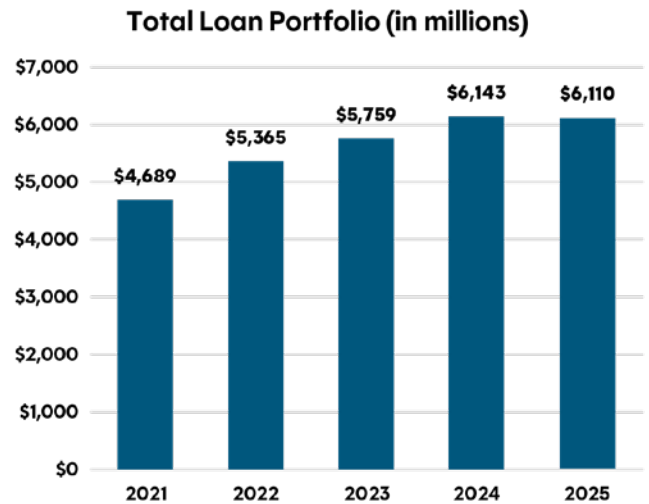
RIGHT: In New Rockford, North Dakota, Bank Forward Market President Josh Guler greets Amanda Hegland, New Rockford Area Betterment Corporation executive director, to keep community businesses thriving.



Lending Portfolio Reports

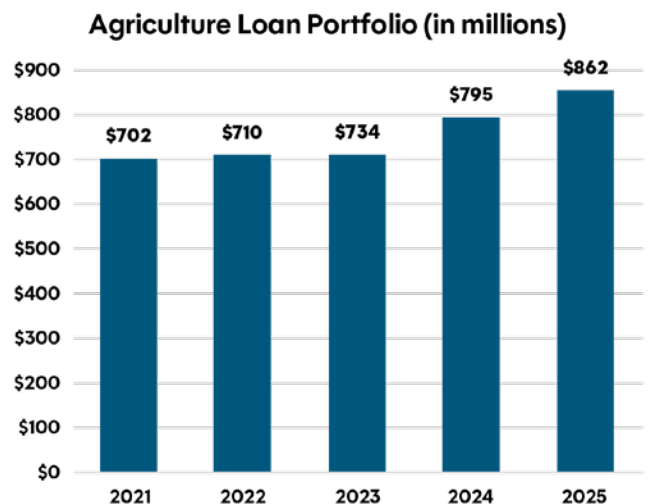
TOTAL LOAN PORTFOLIO

The total loan portfolio was stable from 2024 with only the agriculture loan portfolio showing an increase, strongly correlated with the farm disaster relief loans that were distributed.



AGRICULTURE LOAN PORTFOLIO

The agriculture loan portfolio increased by \$67 million with BND funding and renewing 680 loans for \$324 million. Farm and Ranch Loans led the way with \$156 million, followed by farm disaster relief loans with \$93 million, which includes \$4.1 million in Farm Financial Stability loans and \$450 thousand in Grain Inventory loans.

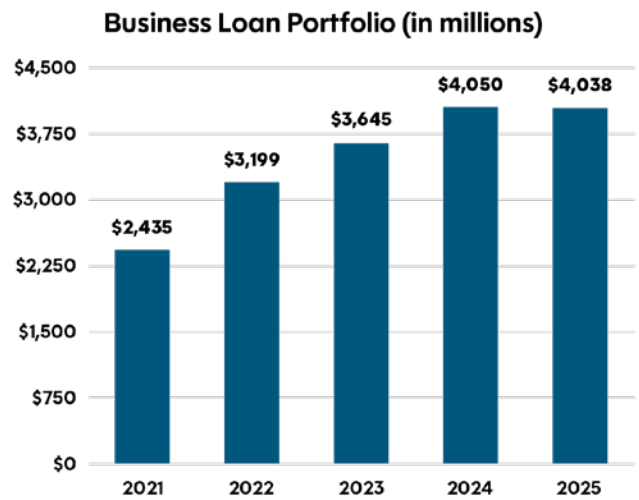




ABOVE: North Dakota State Mill Vice President of Production Operations Dillon Janousek shows BND Business Banker Tyson Zeltinger the new mids storage-and-handling facility, which will provide more flexibility and efficiency of the Mill's operations.

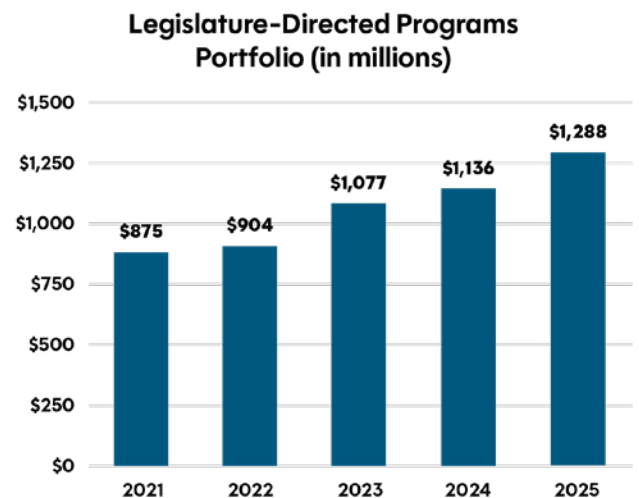
BUSINESS LOAN PORTFOLIO

The business loan portfolio decreased by \$12 million. BND funded and renewed 595 loans for \$1.7 billion in 2025. Commercial participation funding accounted for \$1.1 billion of that amount, followed by state institutions with \$238 million and bank stock funding at \$202 million.



LEGISLATURE-DIRECTED PROGRAMS PORTFOLIO

BND administers \$1.3 billion in net assets in Legislature-Directed programs, an increase of \$413 million since 2021. These programs serve a wide range of purposes including school construction, water projects, and general and medical infrastructure.

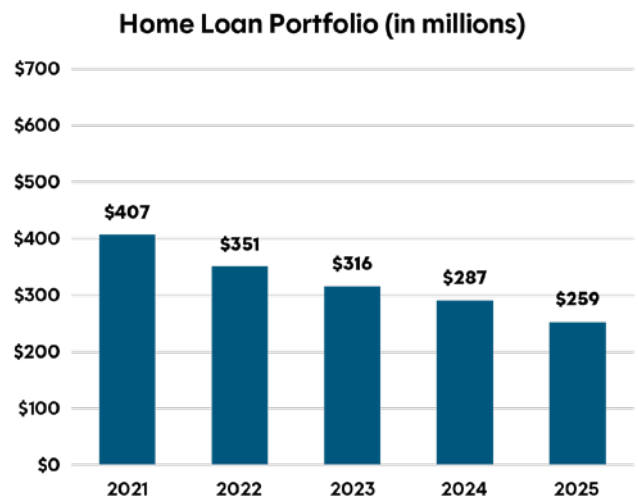




ABOVE: Wyatt Warkenthien, co-founder and head of operations at Lilac Agriculture, shares his story about how earning his college degree and the people he met gave him the confidence to build his own company. Bank of North Dakota's student loan program supported him along the way.

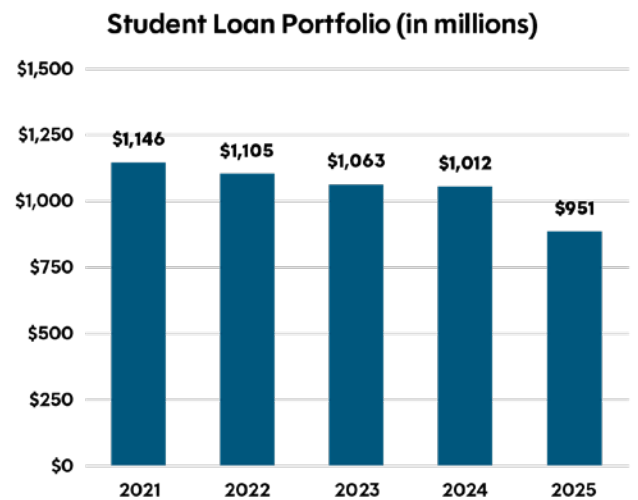
HOME LOAN PORTFOLIO

As planned with the transfer of residential loan servicing to the North Dakota Housing Finance Agency on Oct. 1, 2021, BND no longer originates home loans. The home loan portfolio decreased by \$28 million this year and will continue to decline with payment.



STUDENT LOAN PORTFOLIO

The student loan portfolio decreased by \$61 million. BND continues to focus on state-sponsored DEAL loans, disbursing 6,546 student loans for \$52 million in 2025.





CORE VALUE: ENGAGING IN CREATIVE SOLUTIONS

69th Legislative Session Addressed Key Initiatives

Bank of North Dakota tracked 191 bills this session and served in an advisory capacity to our state's legislative assembly. This collaboration allows us to work with these key stakeholders to develop creative financial solutions for our state.

A total of \$211 million in the Bank's dividends was authorized with legislation specifying how these funds would be distributed. Allocations included \$140 million to the General Fund, \$60 million to Partnership in Assisting Community Expansion (PACE) programs, \$1.9 million to Small Business Development Center programming, \$3 million to the Agricultural Products Utilization Commission, \$1.5 million for ND Career Builders Skilled Workforce Scholarship and dual credit programs, and up to \$5 million for the Theodore Roosevelt Presidential Library interest rate buydown on the line of credit.

The Bank was given the authority to protect the confidentiality of participation loan borrowers, aligning with the way banking information is maintained in the private sector. PACE Program buydown amounts were increased to \$1 million for large projects.

Rail Revolving Loan fund was transferred from the Department of Transportation to BND. The funds provide low-interest loans to upgrade and enhance rail infrastructure that maintains or improves rail service, with repayments cycling back to fund more projects.

The Legislature approved a new long term care loan program for renovation and construction



ABOVE: Governor Kelly Armstrong leads the State of the State Address at the North Dakota State Capitol on January 7, 2025.

of new facilities and BND will develop the parameters in this biennium. The State Hospital also received approval for a line of credit of up to \$100 million for its replacement project.

To spur natural gas pipeline development from the Bakken to eastern North Dakota, the pipeline capacity payment increased to \$100 million as a line of credit. This provides the Pipeline Authority the ability to commit up to \$500 million over a 10-year timeframe in capacity payments to support pipeline development.

Utilizing lines of credit is an important cash management tool available to the State through BND. During this session more than \$1.1 billion in lines of credit was authorized for projects and programs, representing nearly double the level approved in the 68th Legislative Session.

Banking Beyond Boundaries (B3): Strengthening North Dakota's Financing Infrastructure

Fintech, short for financial technology, is evolving financial infrastructure. Traditionally, financial systems relied on legacy technology and centralized processes to deliver services. Fintech replaces these frameworks with digital platforms that enable faster transactions, broader access and real-time data integration. In essence, it is rebuilding the backbone of financial services, transforming how money moves, how risk is managed and how consumers interact with financial institutions.



ABOVE: At the October 2025 Banking Beyond Boundaries conference, BND Chief Banking Officer Craig Hanson (far right) moderates a panel discussion.



On September 18, 2025, Columbia Business School offered the following assessment of the fintech landscape:

“Time will tell how the changes will eventually play out, but we know that the old rules no longer apply. Looking forward, the future of technology in the financial industry and services across the board – from insurance to payments to lending to consumers and so on – will continue to shift dramatically, and while it is quite exciting to observe all the changes, it is imperative to proactively observe and formulate responses to disruptive innovation forces coming our way.”¹

Today, many compare the rise of fintech to the introduction of the internet. The data reinforces this comparison. Between 2023 and 2024, banks with more than \$10 billion in assets recorded approximately 87 million mobile app downloads while fintech platforms generated nearly 1.6 billion downloads. In 2024, 39% of new checking relationships were established with fintechs and indirect banks. Megabanks captured 31%, regional banks 18% and community banks and credit unions 12%.² These trends are evident across multiple segments of the financial services ecosystem.

As BND cast its vision for the future, leadership revisited the Bank's founding documents and reaffirmed its mission to support agriculture, commerce and industry and its role “to cooperate with and coordinate all parts of financial services of the state.”



LEFT: BND President and CEO Don Morgan presents on the evolution of fintech. To fulfill its commitment to helping financial institutions navigate the fintech landscape, BND will continue developing resources and opportunities for others to learn.

BND'S ROLE AS A CATALYST

Fintech innovation demands specialized expertise, significant capital investment and sustained operational commitment – resources that many community banks and credit unions can't deploy independently. BND is committed to bridge this gap. The Bank will serve as a strategic resource, providing opportunities for financial institutions to learn, ask questions and determine if fintech is a part of their long-term strategies.

The first step in this process was the Banking Beyond Boundaries: 2025 Fintech & Financial Innovation Conference hosted by BND in October. The conference convened fintech leaders from across the country to Bismarck, North Dakota, to share their work with several hundred banking leaders and state officials.

It was also a day for BND to share the news of a landmark partnership with Fiserv, a global leader in financial services technology to develop the Roughrider Coin, a U.S. Treasury backed currency that will modernize interbank fund transfers. This initiative has the potential to fundamentally transform a payment settlement process that has remained largely unchanged since the early 1970s.

Fiserv initiated the conversation with BND to serve as a beta site in this groundbreaking development because of the Bank's established relationships with 91 financial institutions in the state. It is expected the first Roughrider Coin transaction will take place in 2026.



TOP: Governor Kelly Armstrong greets attendees and provides opening remarks at the conference. BOTTOM: BND Chief Credit Officer Kirby Evanger visits with two conference attendees.

BUILDING A SUSTAINABLE INNOVATION STRATEGY

BND's Roughrider Coin represents an initial entry point to strengthen local financial institutions and diversify deposits and revenue streams while maintaining a collaborative, non-competitive role. Through this approach, BND's goal is to level the playing field while future-proofing financial services. In order to do this, establishing strategic fintech partnerships with companies like Fiserv, sets the stage for North Dakota to become a fintech hub.

The October conference was only the beginning of the Bank's commitment to building trust and developing interactive platforms for information, knowledge-sharing and collaboration. Every quarter, the Bank hosts Your Direct Line calls open to all bank and credit union staff about a fintech topic. In addition, BND will host biannual meetings between national fintech leaders and North Dakota's financial services C-suite leaders to evaluate fintech solutions and strategic applications for their institutions.



ABOVE: Don Morgan, BND president and CEO, shakes hands with Takis Georgakopoulos, former chief operating officer and now co-president at Fiserv, as they announce North Dakota's Roughrider stablecoin and the partnership between Fiserv, Inc. and Bank of North Dakota in its launch.

WHY DIVERSIFICATION MATTERS

For 106 years, the Bank has primarily relied on the deposit of state tax revenue to fund the work it does for North Dakota. In recent years, the Bank experienced significant growth from \$7 billion in assets in 2019 to over \$10 billion today, driven largely by federal COVID-19 funding and a robust energy sector in the Bakken region.

Looking ahead, long-term projections indicate that oil and gas tax revenue will decline. If BND does not pursue other revenue options, it will constrain the Bank's earning capacity and limit its ability to fulfill its mission to support the residents and economy of North Dakota.

Strategically, this is not a desirable path. BND will conduct rigorous risk assessments of fintech related opportunities and consult with key stakeholders before advancing them. Where appropriate, the Bank will expand its services in a prudent, disciplined manner, balancing innovation with safety and soundness, to benefit the state's financial institutions and residents.

To learn more about BND's role in fintech and financial innovation, visit bnd.nd.gov/fintech.

The website is updated frequently with new information in this rapidly evolving industry.

1 Embracing Change: How Fintech Reshapes the Financial Industry. <https://execed.business.columbia.edu/disrupting-the-finance-world-how-fintech-is-changing-the-game-for-businesses>.

2 "The Deposit Game Has Changed. Is Your Bank Keeping Up?" *BAI Banking Strategies*, June 16, 2025. www.bai.org/banking-strategies/the-deposit-game-has-changed-is-your-bank-keeping-up/



ABOVE: Amanda Woidyla, university and student development coordinator at BND, presents on Smart with My Money, a financial literacy effort and website supported by the State of North Dakota.

Empowering North Dakotans with Financial Knowledge

Financial literacy is important for everyone, regardless of age, income or background. When people have a better understanding of money – how to budget, save, spend – it leads to long-term financial stability and wellbeing.

Throughout the life cycle, people have different financial needs. The 20-year-old faces very different financial decisions than someone in their fifties, underscoring the importance of ongoing financial education at every stage of life.

A common misperception is that a higher income automatically equates to greater financial literacy. While it may provide a larger buffer against financial missteps, it doesn't guarantee that an individual has more money saved for emergencies or retirement.

Recognizing the importance of financial wellbeing, the state of North Dakota announced its pursuit to become the most financially literate state in the country in early 2024.

ESTABLISHING A RESOURCE FOR NORTH DAKOTANS

To support this goal, BND established a unique partnership with Enrich, a national financial literacy software provider. Traditionally purchased by business owners to support employee financial wellness, the platform was expanded through this partnership to serve all North Dakotans.

BND secured statewide access to the platform, making it available to residents and business owners at no cost. Launched as **SmartWithMyMoney.nd.gov**, the site offers trustworthy financial information in easy-to-understand language in written, video and course formats. The site provides learning recommendations that are tailored to an individual's needs throughout their life cycle.

While many sites contain basic information about topics like budgeting and credit cards for example, *Smart with My Money* also helps a person explore how they approach money, building on the individual's inherent strengths to guide them in their decision-making to greater financial wellbeing. The research-based Money Personality Assessment tool is the first step in this process.



THE MONEY PERSONALITY CHALLENGE

To increase awareness and encourage engagement, BND worked with state agency partners to host the Money Personality Challenge in October 2025. An increased presence on television, social media and presentations highlighted the importance of financial literacy for all residents in the state. In addition, a learning calendar and scholarship opportunity for North Dakota high school seniors and college students were provided.

The campaign delivered measurable results. During the challenge:

- 2,384 new users registered
- 8,254 completed sessions
- 41,309 logged views.
- 9 minutes per session on average
- 74,286 minutes spent combined
- 1,238 hours engaging with meaningful, accessible financial education.

These numbers highlight strong user interest, reinforcing the platform’s effectiveness in delivering financial education.



TOP: BND Leader of Education Outreach & Financial Literacy Lance Hill introduces the Smart with My Money financial literacy effort. BOTTOM: Bank of North Dakota Education Outreach Team from left to right Lance Hill, Jocelyn Schneider, Amanda Woidyla, Rachel Grossman and Becca Larsen.



CORE VALUE: THERE WHEN NEEDED

Supporting North Dakota in Challenging Times

BND's commitment to always being there when needed for North Dakotans was demonstrated through a record setting five relief programs released in 2025. BND extends sincere appreciation to its financial institution partners who know their customers best and play a critical role in delivering these programs to them.

Before launching any relief initiative, BND staff engages key stakeholders, including government leaders, association representatives and financial institution partners, to assess needs and shape responsive solutions. Programs are designed with flexible parameters to maximize access and impact.

SUSTAINING THE AGRICULTURE INDUSTRY

In January, the Industrial Commission approved the 2024 Ag Disaster Relief Program to assist North Dakota farmers and ranchers statewide who were negatively impacted by extreme weather events, wildfires, inflationary input costs and volatility in commodity prices. It helped ensure that the state's ag producers could enter the 2025 production season on a more stable foundation. The program closed in June, assisting 239 farmers and ranchers for a total of \$88.5 million.

Severe storms on June 20-21, destroyed essential infrastructure for some of the state's ag producers. On July 1, Governor Armstrong announced the Grain Storage and Facility Rebuilder Program as an immediate source of 2.00% interest rate gap financing so producers could order temporary or permanent grain storage solutions as they worked through their insurance. The program was expanded later in the summer to include storms that hit the state August 7-8.



Many of our ag producers experiencing cash flow struggles this renewal season have been taking advantage of the Farm Financial Stability Loan program through BND. By allowing producers to inject working capital, along with refinancing existing debts, all at better-than-market rates and terms, we are able to give them relief in their 2026 cash flows.



Dustin Nagel
Branch President
Hillsboro
Dakota Heritage Bank

When the program closed on December 31, 74 Ag Facility Repair and Replacement loans were originated for just over \$23 million. There were 39 Temporary Grain Storage Support loans distributed for a total of \$3.5 million.

To close out the year, two new agriculture relief initiatives were announced. Producers were facing an unusual convergence of challenges including the severe weather of summer 2025, high input costs, trade policy uncertainty and low commodity prices – all leading to increased financial stress across the agriculture sector.

The 2026 Farm Financial Stability Loan Program was designed for ag producers with an operating shortfall in 2024 or 2025, and could be used to replenish working capital, term out operating carryover or restructure existing term debts.

The 2026 Grain Inventory Loan Program provides ag producers, who have been impacted by unfavorable commodities markets, short-term financing.

The application period for both programs opened on December 9, 2025, and will close June 30, 2026.

ALLEVIATING STRESS FOR FEDERAL EMPLOYEES

In October, a federal budget impasse triggered a record 43-day federal government shutdown.

Within one week of the shutdown announcement, the Industrial Commission announced the Furloughed Federal Employee Relief Program. BND offered 2.00% interest rate loans to cover the base net pay of eligible individuals for up to three months. While North Dakota Century Code prohibits BND from offering 0.00% interest loans, this program ensured timely financial support during a critical period.

There were 129 federal employees who took advantage of the program for a total of \$1.6 million, providing much needed relief to help families manage financial uncertainty. Of this number, 89% were civilians and 11% were armed forces. Thirty banks assisted with the delivery of the funds.



Base communities like Minot and Grand Forks are deeply connected to our nation's defense mission. When federal employees face furloughs, the entire community feels the impact. The Furloughed Federal Employee Relief Program helps bridge that gap, reinforcing the resilience and unity that make our military communities so strong.



Brekka Kramer
President/CEO
Minot Area
Chamber EDC

BELOW: Airmen assigned to the 69th Bomber and Aircraft Maintenance squadrons posed for a group photo to capture the camaraderie and unity developed through shared experiences during Bomber Task Force 25-2 March 12, 2025, RAF Fairford, England. (U.S. Air Force photo by Staff Sgt. Jasmonet Holmes)





**CORE VALUE:
WITH INTEGRITY
AND PURPOSE**



ABOVE: At an all-employee event, BND team members reviewed the Bank's four- and 10-year goals and learned how EOS Traction builds accountability, empowering everyone to help drive BND's future success.

Traction EOS Implementation Begins

Within weeks of the State Legislature proclaiming sine die, BND's Executive Committee rolled up their sleeves and began implementing Traction EOS (Entrepreneurial Operating System). Traction EOS is designed to help leadership teams strengthen six components of their business – Vision, People, Data, Issues, Process and Traction.

While it takes two years to fully implement the system throughout the organization, employees are already seeing its advantages. One advantage of Traction EOS is organizational clarity, which helps everyone understand where the Bank is going, how it plans to get there and what success looks like. With the significant changes in the banking industry, it has never been more important to define goals and expectations, ensuring that 'business as usual' is not the norm.

Traction EOS also requires stronger accountability at all levels, emphasizing clear roles and responsibilities. Every employee in every division understands how their work is connected into the annual, four-year and ten-year goals for the Bank. With this unified vision, BND remains grounded to our 106-year-old-mission.

BND'S ACCOMPLISHMENTS IN 2025

A new capital plan and dividend policy framework was created. The purpose of the new framework is to help ensure the safety and soundness of the Bank, support the Bank in fulfilling its mission and objectives, and aligns with industry best practices.

The cash management initiative made significant progress by utilizing BND's resources to create an improved approach for many state agencies. A pilot was completed to automate Treasury deposit pricing which supported process and operational efficiency between OST (Office of the State Treasurer) and BND.

The Bank improved our retail banking software when Commercial Center went live, making it easier for state agency and financial institution partners to conduct business with us. A drive-thru window was opened to increase convenience and improve security in the Bank.

The risk management processes have been elevated to meet the challenges of today and the future. A robust risk management program is essential to help identify and control financial and operational risks while supporting regulatory compliance.

BND Leadership Team

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

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



ABOVE: North Dakota remains the nation's only state with a publicly owned bank.

ND INDUSTRIAL COMMISSION



Kelly Armstrong
Governor



Drew H. Wrigley
Attorney General



Doug Goehring
Agriculture Commissioner

BND ADVISORY BOARD



Karl Bollingberg
Chairman



Dennis Johnson
Vice-Chair



Brenda Foster
Board Member



Kathleen Neset
Board Member



Christie Obenauer
Board Member



Bill Price
Board Member



Jean Voorhees
Board Member

BND EXECUTIVE COMMITTEE



Don Morgan
President/CEO



Alison Anderson
Chief Operations
Officer



Kirby Evanger
Chief Credit Officer



Rick Geloff
Chief Innovation Officer



Brenna Grossbauer
Chief Talent Officer



Craig Hanson
Chief Banking Officer



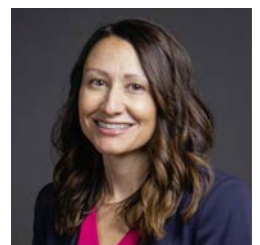
Kelvin Hullet
Chief Public
Affairs Officer



Lori Leingang
Chief Administrative
Officer



Rob Pfennig
Chief Financial Officer



Christy Steffenhagen
Chief Risk Officer

Ending Balance Sheets

Bank of North Dakota
Years Ended December 2025 and 2024
(In thousands)

	2025	2024
Assets		
Cash and due from banks	598,193	390,195
Federal funds sold	11,245	16,540
Securities	3,904,164	4,230,188
Loans		
Commercial	4,037,514	4,049,998
Agriculture	862,398	794,513
Residential	259,258	286,938
Student	951,120	1,011,506
Total Loans	6,110,290	6,142,955
Less Allowance for Loan Loss	(113,858)	(106,535)
Total Loans Less Allowance	5,996,432	6,036,420
Other Assets	147,899	163,135
Total Assets	\$ 10,657,933	\$ 10,836,478
Liabilities and Equity		
Deposits		
Noninterest Bearing	\$ 615,002	\$ 615,171
Interest Bearing	8,123,327	8,074,996
Total Deposits	8,738,329	8,690,167
Federal Funds Purchased and Repurchase Agreements	398,035	370,327
Short- and Long-term Borrowings	150,000	480,000
Other Liabilities	23,390	25,074
Total Liabilities	9,309,754	9,565,568
Equity	1,348,179	1,270,910
Total Liabilities and Equity	\$ 10,657,933	\$ 10,836,478

Ending Income Statements

Bank of North Dakota

Years Ended December 2025 and 2024

(In thousands)

	2025	2024
Interest Income	\$ 498,147	\$ 450,043
Interest Expense	(206,056)	(209,994)
Net Interest Income	292,091	240,049
Provision for Loan Losses	(9,426)	(10,702)
Net Interest Income After Provision	282,665	229,347
Noninterest Income	8,200	8,713
Noninterest Expense		
Salaries and Benefits	(24,553)	(21,749)
Data Processing	(9,246)	(7,765)
Loss on sale of available for sale securities	(16,762)	-
Occupancy and Equipment	(868)	(858)
Other Operating Expenses	(7,672)	(7,253)
Total Noninterest Expense	(59,101)	(37,625)
Net Income	231,764	200,435

View a complete copy of the 2025 Audited Financial Statements
at bnd.nd.gov/annual-report.

Ten-Year Summary

Bank of North Dakota | December 31, 2016-2025

	2025	2024	2023	2022
Operating results (in thousands)				
Interest income	\$498,147	\$450,043	\$365,213	\$260,591
Interest expense	206,056	209,994	137,201	40,882
Net interest income	292,091	240,049	228,012	219,709
Provision for loan losses	9,426	10,702	7,507	-
Net interest income after provision for loan losses	282,665	229,347	220,505	219,709
Noninterest income	8,200	8,713	6,697	4,751
Noninterest expense	59,101	37,625	34,463	33,310
Net income	231,764	200,435	192,739	191,150
Payments to general fund	210,000	-	140,000	-
Payments to other funds	48,278	51,289	88,238	30,397
Balance sheet (in thousands)				
Total assets - year end	10,657,933	10,836,478	10,144,628	10,195,815
Federal funds sold and resell agreements	11,245	16,540	37,470	44,605
Securities	3,904,164	4,230,188	3,876,909	4,344,352
Loans	6,110,290	6,142,955	5,758,740	5,364,627
Agricultural	862,398	794,513	734,237	709,866
Business	4,037,514	4,049,998	3,644,897	3,199,277
Residential	259,258	286,938	316,153	351,076
Student	951,120	1,011,506	1,063,453	1,104,408
Deposits	8,738,329	8,690,167	8,709,148	8,311,947
Noninterest bearing	615,002	615,171	664,010	632,498
Interest bearing	8,123,327	8,074,996	8,045,138	7,679,449
Federal funds purchased and repurchase agreements	398,035	370,327	323,010	205,845
Short- and long-term debt	150,000	480,000	25,000	675,000
Equity	1,348,179	1,270,910	1,059,287	997,188
Capital	2,000	2,000	2,000	2,000
Capital surplus	72,000	72,000	72,000	72,000
Undivided profits	1,190,929	1,217,443	1,068,297	1,100,653
Accumulated other comprehensive income (loss)	83,250	(20,533)	(83,010)	(177,465)

2021	2020	2019	2018	2017	2016
\$204,457	\$225,479	\$263,738	\$240,002	\$219,700	\$210,803
28,921	41,018	58,515	46,442	37,865	33,975
175,536	184,461	205,223	193,560	181,835	176,828
4,750	16,800	6,000	12,000	12,000	16,000
170,786	167,661	199,223	181,560	169,835	160,828
6,381	4,603	6,916	7,170	6,335	6,323
32,996	31,063	37,090	30,222	30,886	30,996
144,171	141,201	169,049	158,508	145,284	136,155
35,000	70,000	35,000	70,000	170,000	-
39,605	67,550	45,109	58,614	16,932	19,989
10,028,128	7,744,319	7,058,432	7,015,834	7,003,302	7,295,268
4,450	10,000	10,685	39,465	57,555	63,070
2,600,007	1,849,609	2,016,126	1,912,743	1,665,252	2,068,327
4,688,820	4,756,542	4,537,943	4,584,233	4,909,278	4,789,553
701,768	762,809	647,108	665,691	668,904	687,486
2,434,765	2,272,999	2,078,573	2,039,833	2,071,953	1,982,625
406,565	535,098	628,319	694,577	762,480	739,412
1,145,722	1,185,636	1,183,943	1,184,132	1,405,941	1,380,030
8,133,894	5,795,472	5,089,092	4,769,819	4,604,958	4,887,192
765,200	750,741	628,256	567,352	555,020	663,156
7,368,694	5,044,731	4,460,836	4,202,467	4,049,938	4,224,036
763,250	775,005	365,335	271,505	299,775	242,480
108,000	186,010	631,030	1,103,436	1,263,569	1,280,538
981,569	912,904	939,028	861,884	824,802	875,732
2,000	2,000	2,000	2,000	2,000	2,000
72,000	72,000	72,000	72,000	72,000	72,000
939,900	870,333	866,682	777,742	747,848	789,496
(32,331)	(31,429)	(1,654)	10,142	2,954	12,236

**FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**



Bank *of* North Dakota

BANK OF NORTH DAKOTA
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Independent Auditor's Report

Governor of North Dakota and the Legislative Assembly
State of North Dakota
Bismarck, North Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Bank of North Dakota, which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of income, comprehensive income, equity, and cash flows for the years then ended, and the related notes to the financial statements.

Unmodified Opinion on Financial Accounting Standards Board (FASB) Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bank of North Dakota as of December 31, 2025 and 2024, and the results of its operations and its cash flows for years then ended, in accordance with financial reporting provisions as promulgated by FASB described in Note 1.

Adverse Opinion U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Bank of North Dakota as of December 31, 2025 and 2024, or the results of its operations or its cash flows for the years then ended.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bank of North Dakota, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, Bank of North Dakota is a governmental entity as defined by the Governmental Accounting Standards Board (GASB). Accordingly, the standards as promulgated by GASB are the appropriate accounting standards for Bank of North Dakota to follow. However, Bank of North Dakota has prepared its financial statements in accordance with accounting standards as promulgated by FASB even though the entity meets the “governmental” criteria. The effects on the financial statements of the variances between the accounting policies described in Note 1 and generally accepted accounting principles for governmental entities, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank of North Dakota’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank of North Dakota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank of North Dakota's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Eide Bailly LLP

Bismarck, North Dakota
January 30, 2026

BANK OF NORTH DAKOTA
BALANCE SHEETS
DECEMBER 31, 2025 AND 2024
(In Thousands)

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and due from banks	\$ 598,193	\$ 390,195
Federal funds sold	<u>11,245</u>	<u>16,540</u>
Cash and cash equivalents	<u>609,438</u>	<u>406,735</u>
Debt securities		
Available-for-sale debt securities, at fair value (amortized cost 2025 - \$3,853,502, 2024 - \$4,287,999, net of allowance for credit losses 2025 - \$0, 2024 - \$0)	<u>3,890,912</u>	<u>4,202,501</u>
Loans held for investment	<u>6,110,290</u>	<u>6,142,955</u>
Less allowance for credit losses	<u>(113,858)</u>	<u>(106,535)</u>
	<u>5,996,432</u>	<u>6,036,420</u>
Interest receivable	88,495	85,431
Bank premises, equipment, and software, net	8,408	8,661
Other restricted stock, at cost	13,252	27,687
Other assets	<u>50,996</u>	<u>69,043</u>
Total assets	<u><u>\$10,657,933</u></u>	<u><u>\$ 10,836,478</u></u>
LIABILITIES AND EQUITY		
Deposits		
Non-interest bearing	\$ 615,002	\$ 615,171
Interest bearing	<u>8,123,327</u>	<u>8,074,996</u>
	<u>8,738,329</u>	<u>8,690,167</u>
Federal funds purchased	398,035	370,327
Short and long-term debt	150,000	480,000
Other liabilities	<u>23,390</u>	<u>25,074</u>
Total liabilities	<u>9,309,754</u>	<u>9,565,568</u>
Equity		
Capital	2,000	2,000
Capital surplus	72,000	72,000
Undivided profits	1,190,929	1,217,443
Accumulated other comprehensive income (loss)	<u>83,250</u>	<u>(20,533)</u>
Total equity	<u>1,348,179</u>	<u>1,270,910</u>
Total liabilities and equity	<u><u>\$10,657,933</u></u>	<u><u>\$ 10,836,478</u></u>

See Notes to Financial Statements

BANK OF NORTH DAKOTA
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Thousands)

	<u>2025</u>	<u>2024</u>
INTEREST INCOME		
Loans, including fees	\$ 323,761	\$ 307,887
Securities	173,841	140,949
Federal funds sold	545	1,207
Total interest income	<u>498,147</u>	<u>450,043</u>
INTEREST EXPENSE		
Deposits	177,119	181,061
Federal funds purchased and repurchase agreements	17,388	20,034
Short and long-term debt	11,549	8,899
Total interest expense	<u>206,056</u>	<u>209,994</u>
NET INTEREST INCOME	292,091	240,049
PROVISION FOR CREDIT LOSSES	<u>9,426</u>	<u>10,702</u>
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	<u>282,665</u>	<u>229,347</u>
NONINTEREST INCOME		
Service fees and other	8,200	8,713
Total noninterest income	<u>8,200</u>	<u>8,713</u>
NONINTEREST EXPENSE		
Salaries and benefits	24,553	21,749
Data processing	9,246	7,765
Occupancy and equipment	868	858
Loss on sale of available for sale securities	16,762	-
Other operating expenses	7,672	7,253
Total noninterest expenses	<u>59,101</u>	<u>37,625</u>
NET INCOME	<u>\$ 231,764</u>	<u>\$ 200,435</u>

BANK OF NORTH DAKOTA
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Thousands)

	<u>2025</u>	<u>2024</u>
Net income	<u>\$ 231,764</u>	<u>\$ 200,435</u>
Other comprehensive income		
Unrealized gain on available-for-sale debt securities	106,146	49,637
Cash flow hedging activities -interest rate swap contracts	(19,125)	12,840
Reclassification adjustment for net losses on sale of available for sale securities realized in net income	<u>16,762</u>	<u>-</u>
Other comprehensive income	<u>103,783</u>	<u>62,477</u>
Comprehensive income	<u>\$ 335,547</u>	<u>\$ 262,912</u>

BANK OF NORTH DAKOTA
STATEMENTS OF EQUITY
YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Thousands)

	<u>Capital</u>	<u>Capital Surplus</u>	<u>Undivided Profits</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total</u>
BALANCE, DECEMBER 31, 2023	\$ 2,000	\$ 72,000	\$ 1,068,297	\$ (83,010)	\$ 1,059,287
Net income			200,435		200,435
Unrealized gain on available-for-sale debt securities				49,637	49,637
Unrealized gain on interest rate swaps				12,840	12,840
Transfers to other state funds			(51,289)		(51,289)
	<u>2,000</u>	<u>72,000</u>	<u>1,217,443</u>	<u>(20,533)</u>	<u>1,270,910</u>
BALANCE, DECEMBER 31, 2024					
Net income			231,764		231,764
Unrealized gain on available-for-sale debt securities				106,146	106,146
Unrealized loss on interest rate swaps				(19,125)	(19,125)
Reclassification adjustment for net losses on sale of available for sale securities realized in net income				16,762	16,762
Transfers to other state funds			(258,278)		(258,278)
	<u>2,000</u>	<u>72,000</u>	<u>1,190,929</u>	<u>83,250</u>	<u>1,348,179</u>
BALANCE, DECEMBER 31, 2025					

See Notes to Financial Statements

BANK OF NORTH DAKOTA
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Thousands)

	<u>2025</u>	<u>2024</u>
OPERATING ACTIVITIES		
Net income	\$ 231,764	\$ 200,435
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	621	650
Provision for credit losses	9,426	10,702
Amortization of debt securities	56,590	63,828
Loss on available-for-sale securities	16,762	-
Net change in interest receivable	(3,064)	(12,477)
Net change in other assets	(433)	26,258
Net change in other liabilities	1,570	(830)
NET CASH FROM OPERATING ACTIVITIES	<u>313,236</u>	<u>288,566</u>
INVESTING ACTIVITIES		
Debt securities available for sale transactions		
Purchases of available-for-sale debt securities	(953,582)	(1,315,469)
Proceeds from sales, maturities, and repayments of available for sale securities	1,314,727	968,443
Purchase of Federal Home Loan Bank stock	(298,090)	(186,087)
Proceeds from sales, maturities, and repayments of Federal Home Loan Bank stock	312,525	165,643
Loan principal originations net	26,663	(386,303)
Purchases of premises, equipment, and software	(368)	(162)
NET CASH (USED FOR) FROM INVESTING ACTIVITIES	<u>401,875</u>	<u>(753,935)</u>
FINANCING ACTIVITIES		
Net change in non-interest bearing deposits	(169)	(48,839)
Net change in interest bearing deposits	48,331	29,858
Net change in federal funds purchased	27,708	47,317
Proceeds from issuance of short and long-term debt	11,227,001	7,166,016
Repayment of short and long-term debt	(11,557,001)	(6,711,016)
Payment of transfers to other state funds	(258,278)	(51,289)
NET CASH FROM (USED FOR) FINANCING ACTIVITIES	<u>(512,408)</u>	<u>432,047</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	202,703	(33,322)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>406,735</u>	<u>440,057</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 609,438</u>	<u>\$ 406,735</u>

BANK OF NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024
(In Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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, fiduciary, investment management services, and other financial services, and state government with a primary role in financing economic development. BND is a participation lender; the vast majority of its loans are purchased from financial institutions throughout the State of North Dakota. BND’s primary deposit products are interest-bearing accounts for state and political subdivisions. Deposits held at the Bank are not covered by depository insurance, but rather are guaranteed by the State of North Dakota as described in NDCC Section 6-09-10.

Bank of North Dakota is included as part of the primary government in the State of North Dakota’s reporting entity. As such, BND is required to follow the pronouncements of the Government Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing generally accepted accounting principles for governmental entities.

However, the accompanying financial statements are prepared in accordance with Financial Accounting Standards Board Accounting Standards Codification, which are generally accepted accounting principles for financial institutions.

BND also prepares financial statements in accordance with GASB pronouncements.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determinations of the allowance for credit losses and the fair market value of interest rate swaps.

Significant Group Concentrations of Credit Risk

Most of the Bank’s lending activities are with customers within the State of North Dakota. The Bank’s loan portfolio is comprised of the following concentrations as of December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Commercial loans, of which 1% and 1% are federally guaranteed	66%	66%
Student loans, of which 100% and 100% are guaranteed	16%	16%
Residential loans, of which 67% and 67% are federally guaranteed	4%	5%
Agricultural loans, of which 4% and 4% are federally guaranteed	14%	13%
	<u>100%</u>	<u>100%</u>

BANK OF NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024
(In Thousands)

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include cash and balances due from banks and federal funds sold, all with original maturities of 90 days or less.

Securities

Debt securities that 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 available-for-sale. These securities are recorded at fair value, with unrealized gains and losses excluded from earnings and reported in comprehensive income (loss). Debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity and recorded at amortized cost.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities, which for premiums is the earlier of maturity or call date. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Allowance for Credit Losses – Available-for-Sale Securities

The Bank measures the allowance for credit losses on available for sale debt securities by first assessing whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost. If it is determined that the Bank intends or will be required to sell the security, it is written down to its fair value through income. For securities issued by government agencies that do not meet the aforementioned criteria, there are no expected credit losses as they are guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. For other debt securities that do not meet the aforementioned criteria, the Bank evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses on available-for-sale investments is recorded and is limited to the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income (loss).

Changes in the allowance for credit losses are recorded as provision for or (reversal) of credit losses. Losses are charged against the allowance when management believes the uncollectability of an available-for-sale debt security is confirmed or when the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available-for-sale debt securities totaling \$12,333 and \$14,154 at December 31, 2025 and 2024, respectively, is included in interest receivable on the balance sheets and is excluded from the estimate of credit losses.

BANK OF NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024
(In Thousands)

Other Restricted Stock

The Bank is a member of the Federal Home Loan Bank (FHLB) system. Members are required to own a certain amount of stock based on the level of borrowings and other factors and may invest additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Effective December 15, 2023, the amount of stock that the Bank must hold is equal to .06% of total bank assets plus 4.50% of total FHLB advances. Since ownership of this stock is restricted, these securities are carried at cost and evaluated periodically for impairment.

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate footnote. Fair value estimates involve uncertainties and matters of significant judgement regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Loans

Loans are reported at the outstanding unpaid principal balances, adjusted for charge-offs, unamortized deferred fees and costs on originated loans and premiums or discounts on purchased loans. Interest income on loans is accrued at the specific rate on the unpaid principal balance. Unearned income, deferred fees and costs, and discounts and premiums are amortized to income over the estimated life of the loan using the interest or straight line method.

Interest income on loans is accrued at the specific rate on the unpaid principal balance. The accrual of interest is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in the process of collection or when, in management's opinion, the borrower may be unable to meet payments as they become due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on non-accrual or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Accrued interest receivable on loans totaling \$75,131 and \$69,511 at December 31, 2025 and 2024, respectively, is included in interest receivable on the balance sheets and is excluded from the estimate of credit losses.

BANK OF NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024
(In Thousands)

Commercial loans are primarily made for business working capital needs and are underwritten based on the identified or projected cash flows of the borrower and/or the underlying collateral provided by the borrower. The primary repayment risks of C&I loans are that the cash flows of the borrower may be unpredictable, and the collateral securing these loans may fluctuate in value. Collateral for these loans generally includes the business assets financed, accounts receivable, inventory, and equipment. The collateral securing these loans may depreciate over time, may be difficult to appraise, and may fluctuate in value based on the success of the business. These loans may incorporate a corporate or personal guarantee.

Commercial real estate loans are offered to commercial customers for the acquisition of real estate used in their businesses, such as offices, warehouses and production facilities, and to real estate investors for the acquisition of apartment buildings, retail centers, office buildings and other commercial buildings. Commercial real estate loans are underwritten after evaluating and understanding the borrower's ability to operate profitably and prudently expand its business. Management examines current and projected cash flows to determine the ability of the borrower to repay its obligations as agreed. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally dependent on sufficient income from the properties securing the loans to cover operating expenses and debt service. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy.

Agricultural operating loans are generally comprised of loans to fund farm operations and the purchase of equipment and livestock. Operating lines are typically written for one year and secured by the crop and other farm assets or business assets, as considered appropriate. Repayment of agricultural loans depends on the successful operation or management of the farm property securing the loan or for which an operating loan is utilized. The ability of the borrower to repay may be affected by many factors outside of the borrower's control including adverse weather conditions, loss of livestock due to disease or other factors, declines in market prices for agricultural products and the impact of government regulations.

Agricultural real estate loans are primarily comprised of real estate operated and owned or leased by a farmer, or other organization authorized to own, or lease land used for farming or ranching. The Bank may make direct loans through Beginning Farmer and Established Farmer for the purchase of farm real estate. The Bank may also participate in loans for the purchase of farm real estate through other agricultural programs.

Residential real estate loans are collateralized by primary and secondary positions on 1-4 family real estate and are underwritten primarily based on borrower's documented income, credit scores, and collateral values. Repayment of these loans is largely dependent on the borrower's financial stability and may be impacted by adverse personal circumstances. Credit risk is minimized within the residential mortgage portfolio due to relatively smaller loan balances spread across many individual borrowers. The Bank no longer originates residential mortgage loans. In December 2020, the Bank signed a Servicing Agreement with the North Dakota Housing Finance Agency (NDHFA) effective April 1, 2021, to transfer the Bank's mortgage servicing to NDHFA.

BANK OF NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
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Student loans are offered to North Dakota residents and non-residents to attend both in-state and out-of-state schools. Dakota Education Alternative Loans (DEAL) are fully guaranteed by the North Dakota Guaranteed Student Loan Program, which is administered by the Bank. DEAL Student Loans are offered to assist in covering the cost of attending college if federal loans, grants, scholarships and savings do not meet funding needs. It can be used for undergraduate and graduate classes. In addition, refinancing options are available to combine loans from one or more lenders into one new loan, with the option for extended repayment terms. Effective April 1, 2024, student loans are only offered to North Dakota residents attending an eligible in-state and out-of-state school, and out-of-state residents attending a North Dakota school.

Allowance for Credit Losses (ACL) - Loans

The ACL for loans is a valuation allowance for the current expected credit losses in the Bank's loan portfolio that is deducted from the loan's amortized cost basis to present the net amount expected to be collected. Loans are charged-off against the allowance when management believes the collectability of the loan balance is unlikely. Subsequent recoveries, if any, are credited to the ACL.

Management estimates the allowance over the loan's entire contractual term, adjusted for expected prepayments when appropriate. The allowance estimate considers relevant, available information from internal and external sources relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for qualitative or environmental factors that cause the estimate for expected losses as of the evaluation date to differ from historical loss experience. Qualitative factors include consideration of the following: changes in lending policies and procedures; changes in economic conditions, changes in the nature and volume of the portfolio; changes in the experience, ability and depth of lending management and other relevant staff; changes in the volume and severity of past due, nonaccrual and other adversely graded loans; changes in the loan review system; changes in the collateral valuations; concentrations of credit; the effect of other external factors such as competition and legal and regulatory requirements; and other relevant factors determined by management.

The ACL is measured on a collective (pool) basis when similar risk characteristics exist and on an individual basis when management determines that the loan does not share similar risk characteristics with other loans. The Bank has identified the following loan pools: commercial, agricultural, residential, and student loans. Relevant risk characteristics for commercial, agricultural, residential, and student loan pools include debt service coverage, loan-to-value ratios, financial performance, credit scores, debt-to income ratios, collateral type, and loan-to-value ratios. The Bank uses the Weighted Average Remaining Maturity method to measure the ACL for all loan pools to calculate a loss rate that combines the pool's risk characteristics, historical loss experience, and reasonable and supportable future economic forecasts to project lifetime losses. The loss rate is then combined with the loans balance and contractual maturity, adjusted for expected prepayments, to determine expected future losses. Future and supportable economic forecasts are based on various economic conditions over a period of up to 96 months followed by a reversion back to historical losses.

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Loans that do not share similar risk characteristics to their loan pool are evaluated on an individual basis and are excluded from the collective measurement. Loans can be identified for individual evaluation for various reasons including delinquency, nonaccrual status, risk rating and loan modifications. A loan is considered collateral dependent when management determines that foreclosure is probable or when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The ACL on collateral dependent loans is measured using the amortized cost basis of the financial asset less the fair value of the underlying collateral, adjusted for costs to sell, when applicable. If the value of the underlying collateral is determined to be less than the recorded amount of the loan, a specific reserve for that loan is recorded. If the Bank determines that the loss represented by the specific reserve is uncollectible it records a charge-off for the uncollectible portion.

Allowance for Credit Losses (ACL) – Unfunded Commitments

The Bank establishes a liability for estimated expected credit losses on unfunded commitments to originate or fund loans and standby letters of credit, excluding commitments that are unconditionally cancellable. The estimate is included in “Other Liabilities” on the balance sheets. Expected credit losses are estimated over the contractual period in which the Bank is exposed to credit risk through the commitment adjusted for anticipated prepayments when appropriate. The estimate of the liability also considers the likelihood that funding will occur. The ACL on unfunded commitments is adjusted through provision for credit losses on statements of income. The underwriting process and risks associated with unfunded commitments and standby letters of credit are essentially the same as loans and therefore the Bank uses the same ACL process as loans to estimate the liability.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Derivatives and Hedging Activities

At the inception of a derivative contract, the Bank designates the derivative as one of three types based on the Bank’s intentions and belief as to likely effectiveness as a hedge. These three types are (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (“fair value hedge”), (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (“cash flow hedge”), or (3) an instrument with no hedging designation (“stand-alone derivative”). For a fair value hedge, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item, are recognized in current earnings as fair values change. For a cash flow hedge, the gain or loss on the derivative is reported in other comprehensive income and is reclassified into earnings in the same periods during which the hedged transaction affects earnings. For both types of hedges, changes in the fair value of derivatives that are not highly effective in hedging the changes in fair value or expected cash flows of the hedged item are recognized immediately in current earnings. Changes in the fair value of derivatives that do not qualify for hedge accounting are reported currently in earnings, as non-interest income or expense.

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Net cash settlements on derivatives that qualify for hedge accounting are recorded in interest income or interest expense, based on the item being hedged. Net cash settlements on derivatives that do not qualify for hedge accounting are reported in non-interest income. Cash flows on hedges are classified in the cash flow statement the same as the cash flows of the items being hedged.

The Bank formally documents the relationship between derivatives and hedged items, as well as the risk-management objective and the strategy for undertaking hedge transactions at the inception of the hedging relationship. This documentation includes linking fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Bank also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative instruments that are used are highly effective in offsetting changes in fair values or cash flows of the hedged items. The Bank discontinues hedge accounting when it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative is settled or terminates, a hedged forecasted transaction is no longer probable, a hedged firm commitment is no longer firm, or treatment of the derivative as a hedge is no longer appropriate or intended.

When hedge accounting is discontinued, subsequent changes in fair value of the derivative are recorded as non-interest income. When a fair value hedge is discontinued, the hedged asset or liability is no longer adjusted for changes in fair value and the existing basis adjustment is amortized or accreted over the remaining life of the asset or liability. When a cash flow hedge is discontinued but the hedged cash flows or forecasted transactions are still expected to occur, gains or losses that were accumulated in other comprehensive income into earnings over the same periods which the hedged transactions will affect earnings.

Bank Premises, Equipment, and Software

Buildings and related components are depreciated using the straight-line method with useful lives ranging from 5 to 40 years. Furniture, fixtures, software and equipment are depreciated using the straight-line or accelerated method with useful lives ranging from 3 to 10 years.

Foreclosed Assets

Foreclosed assets, which are included in other assets, represent assets acquired through loan foreclosure or other proceedings. Foreclosed assets are recorded at the lower of the amount of the loan or fair market value of the assets. Any write-down to fair market value at the time of the transfer to foreclosed assets is charged to the allowance for credit losses. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and change in the valuation allowance are included in other operating expenses. Foreclosed assets totaled \$644 and \$0 as of December 31, 2025 and 2024, respectively.

Defined Benefit Plan

The Bank funds amounts equal to pension costs accrued.

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Income Taxes

Bank of North Dakota is a governmental agency of the State of North Dakota and, as such, is not subject to federal or state income taxes.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale and unrealized gains and losses on interest rate swaps which are also recognized as separate components of equity.

NOTE 2 - RESTRICTION AND CONCENTRATION ON CASH AND DUE FROM BANKS

The Federal Reserve announced the reduction of the reserve requirement ratio to zero percent across all deposit tiers, effective March 26, 2020. Depository institutions that were required to maintain deposits in a Federal Reserve Bank account to satisfy reserve requirements will no longer be required to do so.

The Bank has depository relationships where it is a requirement of the other institution in order to have a business relationship. Deposits at these institutions are insured up to \$250,000 with the Federal Deposit Insurance Corporation except for deposits with the Federal Reserve Bank and the Federal Home Loan Bank. The amount of cash deposits not covered by FDIC insurance was \$264,022 and \$31,943 as of December 31, 2025 and 2024, respectively. Of these amounts, \$261,346 and \$28,982 were deposited at the Federal Reserve Bank.

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NOTE 3 - SECURITIES

The following summarizes the amortized cost, gross unrealized gain, gross unrealized losses, fair value and allowance for credit losses of available-for-sale debt securities at December 31, 2025 and 2024:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
DECEMBER 31, 2025					
Debt securities available for sale					
U.S. government agencies	266,759	1,957	1,280	-	267,436
States and municipalities	1,000	-	-	-	1,000
Mortgage-backed	3,585,743	54,670	17,937	-	3,622,476
	<u>\$ 3,853,502</u>	<u>\$ 56,627</u>	<u>\$ 19,217</u>	<u>\$ -</u>	<u>\$ 3,890,912</u>

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
DECEMBER 31, 2024					
Debt securities available for sale					
US Treasury	\$ 908,898	\$ -	\$ 19,850	\$ -	\$ 889,048
U.S. government agencies	291,783	1,404	6,597	-	286,590
States and municipalities	1,000	-	-	-	1,000
Mortgage-backed	3,086,318	7,430	67,885	-	3,025,863
	<u>\$ 4,287,999</u>	<u>\$ 8,834</u>	<u>\$ 94,332</u>	<u>\$ -</u>	<u>\$ 4,202,501</u>

There were \$1,787,177 and \$1,496,309 of debt securities pledged as of December 31, 2025 and 2024 for other required pledging purposes. FHLB stock totaling \$13,252 and \$27,687 as of December 31, 2025 and 2024, respectively, was pledged on the FHLB advances (Note 8).

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The amortized cost and fair value of debt securities by contractual maturity at December 31, 2025, follows:

	<u>Available for Sale</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>
Due in one year or less	\$ 578,729	\$ 572,597
Due in one to five years	1,951,611	1,973,472
Due from five to ten years	1,214,510	1,237,703
Due after ten years	108,652	107,140
	<u>\$ 3,853,502</u>	<u>\$ 3,890,912</u>

During the year ended December 31, 2025, proceeds from the sale of available-for-sale securities were \$806,572 with \$16,762 of gross realized losses. There were no sales of available-for-sale securities during the year ended December 31, 2024.

The following tables shows the gross unrealized losses and fair value of the Bank's available-for-sale securities with unrealized losses for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position. Securities at December 31, 2025 are as follows:

	<u>Less Than Twelve Months</u>		<u>Over Twelve Months</u>		<u>Total</u>	
	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
DECEMBER 31, 2025						
Debt securities available for sale						
U.S. government agencies	85	11,768	1,195	132,184	1,280	143,952
Mortgage-backed	224	75,743	17,713	1,270,399	17,937	1,346,142
	<u>\$ 309</u>	<u>\$ 87,511</u>	<u>\$ 18,908</u>	<u>\$ 1,402,583</u>	<u>\$ 19,217</u>	<u>\$ 1,490,094</u>

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Securities at December 31, 2024 were as follows:

	Less Than Twelve Months		Over Twelve Months		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
DECEMBER 31, 2024						
Debt securities available for sale						
US Treasury	\$ -	\$ 2,135	\$ 19,850	\$ 886,893	\$ 19,850	\$ 889,028
U.S. government agencies	427	59,900	6,170	176,338	6,597	236,238
States and municipalities	-	-	-	-	-	-
Mortgage-backed	15,828	888,149	52,057	1,439,536	67,885	2,327,685
	<u>\$ 16,255</u>	<u>\$ 950,184</u>	<u>\$ 78,077</u>	<u>\$ 2,502,767</u>	<u>\$ 94,332</u>	<u>\$ 3,452,951</u>

As of December 31, 2025 and 2024 no ACL was established for available-for-sale securities. Unrealized losses as of December 31, 2025 and 2024 are a result of expected fluctuations in the bond market primarily driven by changes in market interest rate.

As December 31, 2025 and 2024 unrealized losses on available-for-sale securities are primarily composed of securities that are directly or implicitly guaranteed by the U.S. government and are highly rated by major rating agencies with a history of no credit losses. Timely payments of principal and interest are expected. Obligations of states and political subdivisions are of high credit quality, with a total of 100% rated AA or higher. All issuers continue to make timely principal and interest payments and financial statements are periodically reviewed as part of post-purchase analysis. The decline in value in any of these securities is deemed to be temporary and not attributable to credit losses. Furthermore, the Bank does not intend to sell, and it is likely that management will not be required to sell, these securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions.

Management evaluates debt securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

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NOTE 4 - LOANS

The composition of the loan portfolio as of December 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Commercial	\$ 4,037,514	\$ 4,049,998
Student	951,120	1,011,506
Residential	259,258	286,938
Agricultural	<u>862,398</u>	<u>794,513</u>
	6,110,290	6,142,955
Allowance for credit losses	<u>(113,858)</u>	<u>(106,535)</u>
	<u>\$ 5,996,432</u>	<u>\$ 6,036,420</u>

Unamortized deferred student loan costs totaled \$11,878 and \$14,650 as of December 31, 2025 and 2024, respectively. Net unamortized loan premiums and discounts, including purchased servicing rights, on residential loans totaled (\$2) and (\$5) as of December 31, 2025 and 2024, respectively.

In the normal course of business, overdrafts of deposit accounts are reclassified as loans. There were \$0 overdrafts of deposit accounts as of December 31, 2025. There were \$0 overdrafts of deposit accounts as of December 31, 2024.

For purposes of determining the allowance for credit losses, the Bank has segmented certain loans in the portfolio by product type. Loans are segmented into the following pools: commercial, agricultural, residential real estate, and student loans. The Bank also sub-segments the commercial and agricultural segments into classes based on the associated risks within those segments. Commercial loans are divided into three classes: commercial participations, bank stock, and all other business loans (including PACE). Agricultural loans are also divided into three classes: farm & ranch, farm real estate, and all other farm loans. Each class of loan exercises significant judgment to determine the estimation method that fits the credit risk characteristics of its portfolio segment.

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The following tables present the activity in the ACL by portfolio segment for the years ended December 31, 2025 and 2024:

	2025				
	Commercial	Agricultural	Residential	Student	TOTAL
Beginning Balance:	\$ 92,544	\$ 12,857	\$ 1,134	\$ -	\$ 106,535
Charge-offs	(7,549)	(30)	(17)	-	(7,596)
Recoveries	1,896	342	-	-	2,238
Provision	12,432	345	(96)	-	12,681
Ending Balance	<u>\$ 99,323</u>	<u>\$ 13,514</u>	<u>\$ 1,021</u>	<u>\$ -</u>	<u>\$ 113,858</u>

	2024				
	Commercial	Agricultural	Residential	Student	TOTAL
Beginning Balance:	\$ 87,562	\$ 10,878	\$ 1,425	\$ -	\$ 99,865
Charge-offs	(4,970)	(2,052)	-	-	(7,022)
Recoveries	312	399	-	-	711
Provision	9,640	3,632	(291)	-	12,981
Ending Balance	<u>\$ 92,544</u>	<u>\$ 12,857</u>	<u>\$ 1,134</u>	<u>\$ -</u>	<u>\$ 106,535</u>

In addition to the ACL on loans, the Bank has established an ACL on off-balance sheet exposures of \$7,313 and \$10,568 at December 31, 2025 and 2024, respectively. The following table presents the activity in the ACL on off-balance sheet exposures for the years ended December 31, 2025 and 2024.

	2025	2024
Beginning Balance	\$ 10,568	\$ 12,847
Reversals to ACL recorded as provision for credit losses	(3,255)	(2,279)
Ending Balance	<u>\$ 7,313</u>	<u>\$ 10,568</u>

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The Bank's internally assigned ratings are as follows:

	Risk Code	Description
Exceptional	1	Loan considered prime on the basis of very substantial financial capacity with minimal risk of non payment.
Excellent	2	Loan considered sound on the basis of strong financial capacity with little or no apparent weakness and very limited risk of non payment. The probability of serious financial deterioration is highly unlikely.
Good	3	Loan may reveal weaknesses in some areas, however, not of a serious nature and the debt remains collectible in its entirety. The collateral may be characterized as being less marketable than that of a higher rated borrower.
Acceptable	4	Bank feels that the credit risk is acceptable, but may require above average officer attention. Credit in this class exhibit the earliest signs of potential problems. A greater reliance will be placed on the quality and marketability of the underlying collateral as the cash flow may be unproven or somewhat erratic.
Special Mention	5	May be bankable based on certain types of loan programs which fall within the Bank's mission. This type of loan may be currently protected, but has potential unrealized weaknesses. The loan will require close monitoring as deterioration remains a strong possibility. The potential problems must remain manageable and must not pose a serious threat to repayment.
Substandard	6	Well defined weaknesses jeopardize orderly repayment. The loan is no longer protected by sound net worth or repayment capacity of the borrower. Even though elements of loss are present, the borrower can potentially repay if deficiencies are corrected. Close monitoring of this type of loan is extremely important to prevent loss to the Bank.
Doubtful	7	Loan had deteriorated to the point where collection or liquidation in full on the basis of current information, conditions and values is highly questionable and improbable. A doubtful classification is warranted during this period of quantifying/defining the amount of exposure or loss. A well defined corrective action or liquidation plan should be developed and implemented as soon as possible to limit further loss potential for the Bank.
Loss	8	Loan is considered uncollectible and of such value that it should be charged-off. This classification does not mean that the asset has no recovery or salvage value.

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The following tables represents credit exposures by internally assigned risk ratings for the years ended December 31, 2025 and 2024. The rating analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements as scheduled or at all. The Bank's internal credit risk rating is based on experiences with similarly rated loans. Credit risk ratings are refreshed periodically as they become available, at which time management analyzes the resulting scores, as well as other external statistics and factors, to track loan performance.

Risk Rating	2025				
	Commercial Participations	Bank Stock	Business Loans (Including PACE)	Farm & Ranch	Farm Real Estate
No assigned risk rating	\$ -	\$ -	\$ -	\$ -	\$ -
1	3,690	-	133,900	588	-
2	16,779	1,416	12,430	18,409	7,444
3	872,086	260,899	322,542	98,378	128,119
4	1,397,330	82,999	452,594	98,469	248,439
5	83,858	19,486	37,370	28,176	22,276
6	57,570	-	42,855	515	9,555
7	8,840	-	3,891	87	-
8	-	-	-	-	-
Loan types excluded from allowance	-	-	226,979	-	-
Total	\$ 2,440,153	\$ 364,800	\$ 1,232,561	\$ 244,622	\$ 415,833

Risk Rating	All Other Farm Loans	Residential Real Estate	Student Loans	Total
No assigned risk rating	\$ -	\$ 259,033	\$ -	\$ 259,033
1	-	-	-	138,178
2	5,370	-	-	61,848
3	42,794	-	-	1,724,818
4	92,070	-	-	2,371,901
5	23,841	-	-	215,007
6	2,907	-	-	113,402
7	37	-	-	12,855
8	-	-	-	-
Loan types excluded from allowance	34,924	225	951,120	1,213,248
Total	\$ 201,943	\$ 259,258	\$ 951,120	\$ 6,110,290

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2024					
Risk Rating	Commercial Participations	Bank Stock	All Other Business Loans (Including PACE)	Farm & Ranch	Farm Real Estate
No assigned risk rating	\$ -	\$ -	\$ -	\$ -	\$ -
1	3,847	-	140,563	16	-
2	17,279	1,776	13,211	17,039	6,130
3	746,131	319,723	333,067	106,973	114,791
4	1,534,066	51,157	490,680	76,168	251,241
5	100,153	19,486	37,456	18,146	20,718
6	47,829	-	33,328	1,271	7,641
7	4,885	-	2,744	94	-
8	-	-	-	-	-
Loan types excluded from allowance	-	-	152,617	-	-
Total	\$ 2,454,190	\$ 392,142	\$ 1,203,666	\$ 219,707	\$ 400,521

Risk Rating	All Other Farm Loans	Residential Real Estate	Student Loans	Total
No assigned risk rating	\$ -	\$ 286,713	\$ -	\$ 286,713
1	-	-	-	144,426
2	4,820	-	-	60,255
3	46,031	-	-	1,666,716
4	81,293	-	-	2,484,605
5	4,576	-	-	200,535
6	6,612	-	-	96,681
7	51	-	-	7,774
8	-	-	-	-
Loan types excluded from allowance	30,902	225	1,011,506	1,195,250
Total	\$ 174,285	\$ 286,938	\$ 1,011,506	\$ 6,142,955

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The following tables include an aging analysis of the recorded investment of past due financing receivables as of December 31, 2025 and 2024. Also included are loans that are 90 days or more past due with interest and principal still accruing, because they are (1) well-secured and in the process of collection, (2) real estate loans or loans exempt under regulatory rules from being classified as nonaccrual or (3) student loans where accrued interest is guaranteed.

2025						
Loan Class	31-60 days past due	61 - 90 days past due	Greater than 90 days	Total Past Due	Current	Total Loans
Commercial						
Participations	\$ 4,582	\$ 7,407	\$ 28,873	\$ 40,862	\$ 2,399,291	\$ 2,440,153
Bank Stock	-	-	-	-	364,800	364,800
All other Business						
Loans (Including						
PACE)	10,398	533	11,057	21,988	1,210,573	1,232,561
Farm & Ranch	2,748	4,997	-	7,745	236,877	244,622
Farm Real Estate	3,212	261	5,661	9,134	406,699	415,833
All other Farm loans	743	128	88	959	200,984	201,943
Residential Real						
Estate	4,517	1,577	3,722	9,816	249,442	259,258
Student Loans	8,346	3,779	15,276	27,401	923,719	951,120
Totals	\$ 34,546	\$ 18,682	\$ 64,677	\$ 117,905	\$ 5,992,385	\$ 6,110,290

2024						
Loan Class	31-60 days past due	61 - 90 days past due	Greater than 90 days	Total Past Due	Current	Total Loans
Commercial						
Participations	\$ 17,150	\$ 7,288	\$ 16,556	\$ 40,994	\$ 2,413,196	\$ 2,454,190
Bank Stock	3,298	-	-	3,298	388,844	392,142
All other Business						
Loans (Including						
PACE)	13,752	170	1,083	15,005	1,188,661	1,203,666
Farm & Ranch	1,091	667	1,603	3,361	216,346	219,707
Farm Real Estate	2,477	521	3,245	6,243	394,278	400,521
All other Farm loans	160	51	531	742	173,543	174,285
Residential Real						
Estate	6,090	3,103	2,835	12,028	274,910	286,938
Student Loans	9,015	4,249	15,276	28,540	982,966	1,011,506
Totals	\$ 53,033	\$ 16,049	\$ 41,129	\$ 110,211	\$ 6,032,744	\$ 6,142,955

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The following table presents the amortized cost basis of loans on nonaccrual status and loans past due over 89 days still accruing as of the years ended December 31, 2025 and 2024.

	<u>December 31, 2025</u>		
	<u>Nonaccrual</u>	<u>Nonaccrual With No Allowance for Credit Loss</u>	<u>Loans Past Due Over 89 Days Still Accruing</u>
Commercial Participations	\$ 45,034	\$ 10,488	\$ -
Bank Stock	-	-	-
All Other Business Loans (Including PACE)	26,509	2,477	-
Farm & Ranch	-	-	-
Farm Real Estate	-	-	5,661
All Other Farm Loans	37	37	50
Residential Real Estate	-	-	3,722
Student Loans	-	-	15,276
	<u>\$ 71,580</u>	<u>\$ 13,002</u>	<u>\$ 24,709</u>

	<u>December 31, 2024</u>		
	<u>Nonaccrual</u>	<u>Nonaccrual With No Allowance for Credit Loss</u>	<u>Loans Past Due Over 89 Days Still Accruing</u>
Commercial Participations	\$ 5,117	\$ 3,984	\$ 12,544
Bank Stock	-	-	-
All Other Business Loans (Including PACE)	4,828	410	494
Farm & Ranch	359	359	1,244
Farm RE	-	-	3,245
All Other Farm Loans	582	501	-
Residential Real Estate	-	-	2,835
Student Loans	-	-	15,276
	<u>\$ 10,886</u>	<u>\$ 5,254</u>	<u>\$ 35,638</u>

The Bank recognized \$1,621 and \$174 of interest income on nonaccrual loans during the years ended December 31, 2025 and 2024, respectively. The Bank charged-off \$1,778 and \$89 of accrued interest during the years ended December 31, 2025 and 2024, respectively.

Accruing loans 90 days or more past due include guaranteed student loans of \$15,276 and \$15,276 as of December 31, 2025 and 2024, respectively. The Bank is entitled to reimbursement from the guarantor 270 days after default in the case of a student loan payable in monthly installments and 330 days in the case of a student loan payable in less frequent installments.

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Residential loans of \$3,722 and \$2,835 as of December 31, 2025 and 2024, respectively, are also included in accruing loans 90 days or more past due.

A loan which meets any of the following criteria must be placed in a non-accrual status:

- The following loans on which the principal and interest is 90 or more days past due: Unsecured loans, loans secured by other than real property, loans secured by a mortgage on commercial real estate, loans secured by a farm real estate mortgage, loans secured by a conventional residential real estate mortgage.
- A loan where the borrower has filed for bankruptcy or where the lead bank or the Bank deems itself insecure due to the financial condition of the borrower.
- A loan which the North Dakota Department of Financial Institutions recommends to be placed in a non-accrual status.

A loan which meets the criteria for non-accrual status may be retained in accrual status if it is (1) guaranteed or insured by the state or federal government or secured by collateral with a fair market value sufficient to discharge the outstanding principal and interest and (2) in the process of collection supported by a document source of collection.

A loan which has been placed in a non-accrual status may be returned to an accrual status only if principal and interest are no longer due and unpaid and if current principal and interest appear to be collectable. In addition, the loan must either be secured by collateral with a fair market value sufficient to discharge the outstanding principal and interest or the borrower must demonstrate through a documented repayment plan the ability to discharge the outstanding principal and interest.

In the event of a foreclosure a residential loan guaranteed by the Federal Housing Administration will be paid in full and the property title is transferred to them with the exception of flooded properties. The Department of Veterans Affairs has the option of paying their guaranty percentage and the Bank keeps the foreclosed property as well as any gain or loss from the sale or they can pay the loan in full and title is transferred to them.

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The following table presents the amortized cost basis of collateral dependent loans, by the primary collateral type, which are individually evaluated to determine expected credit losses, and the related ACL allocated to these loans as of December 31, 2025 and 2024.

	December 31, 2025				
	Real Estate	Equipment	Other	Total	ACL
Commercial Participations	\$ 43,960	\$ 1,062	\$ 12	\$ 45,034	\$ 7,974
Bank Stock	-	-	-	-	-
All Other Business Loans (Including PACE)	25,773	247	599	26,619	5,802
Farm & Ranch	87	-	-	87	8
Farm Real Estate	-	-	-	-	-
All Other Farm Loans	77	-	-	77	-
Residential Real Estate	662	-	-	662	-
Student Loans	-	-	-	-	-
Total	<u>\$ 70,559</u>	<u>\$ 1,309</u>	<u>\$ 611</u>	<u>\$ 72,479</u>	<u>\$ 13,784</u>

	December 31, 2024				
	Real Estate	Equipment	Other	Total	ACL
Commercial Participations	\$ 5,373	\$ 262	\$ 1,272	\$ 6,907	\$ 1,430
Bank Stock	-	-	-	-	-
All Other Business Loans (Including PACE)	4,648	226	320	5,194	1,098
Farm & Ranch	359	-	94	453	15
Farm Real Estate	-	-	-	-	-
All Other Farm Loans	552	30	-	582	30
Residential Real Estate	674	-	-	674	-
Student Loans	-	-	-	-	-
Total	<u>\$ 11,606</u>	<u>\$ 518</u>	<u>\$ 1,686</u>	<u>\$ 13,810</u>	<u>\$ 2,573</u>

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Occasionally, the Bank may modify loans to borrowers who are experiencing financial difficulty. Loan modifications to borrowers experiencing financial difficulty may be in the form of principal forgiveness, term extension, an other-than-insignificant payment delay, interest rate reduction, or combination thereof.

The following tables present the amortized cost basis of loans that were both, experiencing financial difficulty and modified by loan type and type of modification for the years ended December 31, 2025 and 2024.

December 31, 2025							
	Principal Forgiveness	Payment Delay	Term	Interest Rate Reduction	Combination Term Extension and Principal Forgiveness	Combination Term Extension and Interest Rate	Percentage of Modifications Relative to Year-End Balance
Commercial Participations	\$ -	\$ 3,048	\$ 2,085	\$ -	\$ -	\$ 45	0%
Bank Stock	-	-	-	-	-	-	0%
All Other Business Loans (Including PACE)	-	264	7,708	-	-	-	1%
Farm & Ranch	-	-	-	-	-	-	0%
Farm Real Estate	-	-	-	-	-	-	0%
All Other Farm Loans	-	-	2,686	-	-	-	1%
Residential Real Estate	-	-	-	-	-	-	0%
Student Loans	-	-	-	-	-	-	0%
Total	\$ -	\$ 3,312	\$ 12,479	\$ -	\$ -	\$ 45	0%

December 31, 2024							
	Principal Forgiveness	Payment Delay	Term	Interest Rate Reduction	Combination Term Extension and Principal Forgiveness	Combination Term Extension and Interest Rate	Percentage of Modifications Relative to Year-End Balance
Commercial Participations	\$ -	\$ 4,777	\$ 2,011	\$ -	\$ -	\$ -	0%
Bank Stock	-	-	-	-	-	-	0%
All Other Business Loans (Including PACE)	-	-	106	-	-	-	0%
Farm & Ranch	-	-	458	-	-	-	0%
Farm Real Estate	-	-	-	-	-	-	0%
All Other Farm Loans	-	-	-	-	-	-	0%
Residential Real Estate	-	-	-	-	-	-	0%
Student Loans	-	-	-	-	-	-	0%
Total	\$ -	\$ 4,777	\$ 2,575	\$ -	\$ -	\$ -	0%

The Bank has no material commitments to lend additional funds to customers whose loans were classified as restructured at December 31, 2025 and 2024 to borrowers included in the tables above.

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The following tables present the financial effect of the loan modifications presented above to the borrowers experiencing financial difficulty for the years ended December 31, 2025 and 2024.

	December 31, 2025		
	Principal Forgiveness	Weighted Average Interest Rate Reduction	Weighted Average Term Extension (Yrs)
Commercial Participations	\$ -	2.65%	1
Bank Stock	-	0.00%	-
All Other Business Loans (Including PACE)	-	0.00%	1
Farm & Ranch	-	0.00%	-
Farm Real Estate	-	0.00%	-
All Other Farm Loans	-	0.00%	5
Residential Real Estate	-	0.00%	-
Student Loans	-	0.00%	-

	December 31, 2024		
	Principal Forgiveness	Weighted Average Interest Rate Reduction	Weighted Average Term Extension (Yrs)
Commercial Participations	\$ -	0.00%	2
Bank Stock	-	0.00%	-
All Other Business Loans (Including PACE)	-	0.00%	1
Farm & Ranch	-	0.00%	1
Farm RE	-	0.00%	-
All Other Farm Loans	-	0.00%	-
Residential Real Estate	-	0.00%	-
Student Loans	-	0.00%	-

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The Bank closely monitors the performance of loans modified to borrowers experiencing financial difficulty to understand the effectiveness of its loan modifications. The following tables present the performance of such loans that have been modified during the years ended December 31, 2025 and 2024.

	<u>December 31, 2025</u>		
	<u>30-89 Days Past due</u>	<u>Over 89 Days Past Due</u>	<u>Total Past Due</u>
Commercial Participations	\$ 101	\$ -	\$ 101
Bank Stock	-	-	-
All Other Business Loans (Including PACE)	-	-	-
Farm & Ranch	-	-	-
Farm Real Estate	-	-	-
All Other Farm Loans	19	-	19
Residential Real Estate	-	-	-
Student Loans	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 120</u>	<u>\$ -</u>	<u>\$ 120</u>

	<u>December 31, 2024</u>		
	<u>30-89 Days Past due</u>	<u>Over 89 Days Past Due</u>	<u>Total Past Due</u>
Commercial Participations	\$ -	\$ -	\$ -
Bank Stock	-	-	-
All Other Business Loans (Including PACE)	-	-	-
Farm & Ranch	-	-	-
Farm Real Estate	-	-	-
All Other Farm Loans	-	-	-
Residential Real Estate	-	-	-
Student Loans	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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The following tables present the amortized cost basis of loans that had a payment default during the years ended December 31, 2025 and 2024 and were modified as borrowers experiencing financial difficulty during the period.

	December 31, 2025				
	<u>Principal Forgiveness</u>	<u>Payment Delay</u>	<u>Term Extension</u>	<u>Interest Rate Reduction</u>	<u>Combination Term Extension and Interest Rate</u>
Commercial Participations	\$ -	\$ 56	\$ -	\$ -	\$ 45
Bank Stock	-	-	-	-	-
All Other Business Loans (Including PACE)	-	-	-	-	-
Farm & Ranch	-	-	-	-	-
Farm Real Estate	-	-	-	-	-
All Other Farm Loans	-	-	19	-	-
Residential Real Estate	-	-	-	-	-
Student Loans	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ 56</u>	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ 45</u>
	December 31, 2024				
	<u>Principal Forgiveness</u>	<u>Payment Delay</u>	<u>Term Extension</u>	<u>Interest Rate Reduction</u>	<u>Combination Term Extension and Interest</u>
Commercial Participations	\$ -	\$ -	\$ -	\$ -	\$ -
Bank Stock	-	-	-	-	-
All Other Business Loans (Including PACE)	-	-	-	-	-
Farm & Ranch	-	-	-	-	-
Farm Real Estate	-	-	-	-	-
All Other Farm Loans	-	-	-	-	-
Residential Real Estate	-	-	-	-	-
Student Loans	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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The following tables present loans purchased and sold during the years ended December 31, 2025 and 2024. The Bank considers all newly originated participations as purchased loans, as reflected below.

	<u>December 31, 2025</u>	
	<u>Purchases</u>	<u>Sales</u>
Commercial Participations	\$ 343,150	\$ -
Bank Stock	-	-
All Other Business Loans (Including PACE)	109,637	-
Farm & Ranch	73,561	-
Farm Real Estate	-	-
All Other Farm Loans	72,224	-
Residential Real Estate	-	-
Student Loans	-	-
	<u> </u>	<u> </u>
Total	<u>\$ 598,572</u>	<u>\$ -</u>

	<u>December 31, 2024</u>	
	<u>Purchases</u>	<u>Sales</u>
Commercial Participations	\$ 642,936	\$ -
Bank Stock	-	-
All Other Business Loans (Including PACE)	233,056	-
Farm & Ranch	126,423	-
Farm Real Estate	-	-
All Other Farm Loans	18,722	-
Residential Real Estate	-	-
Student Loans	-	-
	<u> </u>	<u> </u>
Total	<u>\$ 1,021,137</u>	<u>\$ -</u>

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NOTE 5 - LOAN SALES AND LOAN SERVICING

BND has contracts to provide servicing of loans for others. These loans are not included in the accompanying balance sheets. The unpaid principal balances of loans serviced for others as of December 31, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Student loans		
North Dakota Student Loan Trust	\$ 354	\$ 405
Residential loans		
Fannie Mae	13,711	15,291
Other state fund loans		
School Construction Assistance Revolving Loan Fund	329,438	326,240
Infrastructure Revolving Loan Fund	191,731	180,263
Medical Facility Infrastructure Loan Fund	45,757	42,719
Rebuilders Loan Program	43,749	26,663
State Water Commission	484	506
Water Infrastructure Revolving Loan Fund	102,457	64,362
Board of University and School Lands	2,057	2,211
Information Technology Department	248	443
Department of Human Services	1,619	1,860
Addiction Counseling Internship Loan Program	73	84
Workforce Safety	19	31
Clean Sustainable Energy	69,616	44,827
Legacy Investment for Technology Fund	28,252	31,901
Bulk Propane Storage	896	975
Legacy Infrastructure Loan Fund	135,889	92,066
Rural Workforce Initiative to Support Housing	4,748	1,670
State Rail Revolving Loan Fund	12,064	-
	<u>\$ 983,162</u>	<u>\$ 832,517</u>

Under existing student loan servicing agreements, the Bank generally agrees to reimburse lenders for all principal, accrued interest and special allowance which the lender has been denied if the denial resulted from the actions or inactions of the Bank. Under the existing residential loan servicing agreement with Fannie Mae, the Bank will indemnify Fannie Mae and hold them harmless against all losses, damages, judgments, or legal expenses that result from the Bank's failure in any way to perform its services and duties.

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NOTE 6 - BANK PREMISES, EQUIPMENT, AND SOFTWARE

A summary of the cost and accumulated depreciation of premises and equipment follows:

	<u>2025</u>	<u>2024</u>
Land	\$ 2,449	\$ 2,449
Building	10,597	10,388
Equipment	1,011	869
Furniture	815	815
Software	6,491	6,491
	<u>21,363</u>	<u>21,012</u>
Less accumulated depreciation	<u>12,955</u>	<u>12,351</u>
	<u>\$ 8,408</u>	<u>\$ 8,661</u>

Depreciation expense totaled \$621 and \$650 for the years ended December 31, 2025 and 2024, respectively.

NOTE 7 - DEPOSITS

As of December 31, 2025, the scheduled maturities of certificates of deposits are as follows:

One year or less	\$ 4,348,816
One to three years	405,477
Over three years	<u>393,937</u>
	<u>\$ 5,148,230</u>

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NOTE 8 - FEDERAL HOME LOAN BANK (FHLB) ADVANCES

Short and long-term debt consists of:

	<u>2025</u>	<u>2024</u>
Federal Home Loan Bank advances - short-term	<u>\$ 150,000</u>	<u>\$ 480,000</u>
	<u><u>\$ 150,000</u></u>	<u><u>\$ 480,000</u></u>

A summary, by years, of future minimum payments required to amortize the outstanding short and long-term debt is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	<u>\$ 150,000</u>	<u>\$ 33</u>	<u>\$ 150,033</u>

The FHLB short-term advances outstanding as of December 31, 2025, matured in January 2026 and had a fixed interest rate of 3.98%. The FHLB short-term advances outstanding as of December 31, 2024, matured in January 2025 and had a fixed interest rate of 4.62%. All FHLB advances must be secured by minimum qualifying collateral maintenance levels. Residential, agriculture, and commercial loans with carrying values of \$1,061,182 and \$1,021,616 as of December 31, 2025 and 2024, respectively, are currently being used as security to meet these minimum levels.

NOTE 9 - OTHER ASSETS

	<u>2025</u>	<u>2024</u>
Fees receivable	\$ 1,329	\$ 1,265
Securities receivable	1,677	1,679
Interest rate swap receivable	45,841	64,965
Foreclosed assets	644	-
Prepaid expenses, deferred expenses and other receivables	<u>1,505</u>	<u>1,134</u>
	<u><u>\$ 50,996</u></u>	<u><u>\$ 69,043</u></u>

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NOTE 10 - OTHER LIABILITIES

Other Liabilities consist of:

	<u>2025</u>	<u>2024</u>
Interest payable	\$ 8,703	\$ 9,443
Salary and benefits payable	4,534	3,413
ACL on unfunded loan commitments	7,313	10,568
Accounts payable, accrued expenses and other liabilities	<u>2,840</u>	<u>1,650</u>
	<u>\$ 23,390</u>	<u>\$ 25,074</u>

NOTE 11 - PENSION PLAN

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible employees who become totally disabled after a minimum of 180 days of service receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

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Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

Bank of North Dakota's required and actual contributions to NDPERS for the fiscal years ending December 31, 2025 and 2024 were approximately \$2,109 and \$1,940, respectively, and are charged directly to operations. There were no surcharges paid by the Bank to the Plan in 2025 and 2024.

Effective January 1, 2025, the Main Defined Benefit Retirement Plan closed to newly enrolled new employees hired January 1, 2025 or later. This closure is in accordance with House Bill 1040 passed in the 68th Legislative Assembly. NDPERS announced Define Contribution (DC) 2025 Tier 3 as the approved retirement plan for newly enrolled new employees hired January 1, 2025 or later.

Specific plan assets and accumulated benefit information for the Bank's portion of the fund is not available. Under the Employee Retirement Income and Security Act of 1974 ("ERISA"), a contributor to a multi-employer pension plan may be liable in the event of complete or partial withdrawal for the benefit payments guaranteed under ERISA, but there is no intention to withdraw. NDPERS operates as a multi-employer plan for accounting purposes and as a multiple-employer plan under ERISA and the Internal Revenue Code. There are no collective bargaining agreements in place that require contributions to the Plan. As of December 31, 2025, and 2024, there were no funding improvement plans or rehabilitation plans implemented. The Plan is a single plan under Internal Revenue Code 413(c) and, as a result, all of the assets stand behind all of the liabilities. Accordingly, contributions made by a participating employer may be used to provide benefits to participants of other participating employers.

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NDPERS issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. The Bank's contributions to the Plan do not represent more than 5 percent of total contributions to the Plan as indicated in the Plan's most recently available annual report as of June 30, 2025. That report may be obtained by writing to NDPERS; 400 East Broadway, Suite 505; PO Box 1657; Bismarck, ND 58502-1657.

NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES

Legislative Action – Various legislative bills provide state agencies the authority to borrow money from the Bank of North Dakota during the biennium beginning July 1, 2025 and ending June 30, 2027. Following is a summary of legislative action and/or North Dakota Statute in effect:

2025 Legislation Impacting Capital

H.B. 1014, Section 11 – The Industrial Commission shall transfer to the general fund \$140,000 from the current earnings and the accumulated undivided profits of the Bank of North Dakota during the biennium beginning July 1, 2023 and ending June 30, 2025. The moneys must be transferred in the amounts and at the times requested by the Director of the Office of Management and Budget after consultation with the Bank of North Dakota president. As of June 30, 2025, the Bank had transferred \$140,000.

H.B. 1009, Section 8 – The Bank shall transfer the sum of \$3,000 or so much of the sum as may be necessary from its current earnings and undivided profits to the Agriculture Commissioner for deposit in the Agriculture Products Utilization Commission Fund during the biennium beginning July 1, 2025, and ending June 30, 2027. As of December 31, 2025, the Bank had transferred \$3,000.

S.B. 2003, Section 9 – The Bank shall transfer the sum of \$1,500 or so much of the sum as may be necessary from its current earnings and undivided profits to the State Board of Higher Education Scholarships during the biennium beginning July 1, 2025, and ending June 30, 2027. As of December 31, 2025, the Bank had transferred \$100.

S.B. 2014, Section 9 – The Industrial Commission shall transfer to the general fund \$140,000 from the current earnings and the accumulated undivided profits of the Bank of North Dakota during the biennium beginning July 1, 2025 and ending June 30, 2027. The moneys must be transferred in the amounts and at the times requested by the Director of the Office of Management and Budget after consultation with the Bank of North Dakota president. As of December 31, 2025, the Bank had transferred \$70,000.

S.B. 2014, Section 10 – The Bank shall transfer up to \$60,000 from its current earnings and undivided profits to economic development programs administered by the Bank, including the Partnership in Assisting Community Expansion Fund, the Agriculture Partnership in Assisting Community Expansion Fund, the Biofuels Partnership in Assisting Community Expansion Fund, and the Beginning Farmer Revolving Loan Fund; during the biennium beginning July 1, 2025 and ending June 30, 2027. As of December 31, 2025, the Bank had transferred \$8,000.

S.B. 2014, Section 10 – The Bank shall transfer up to \$1,900 from its current earnings and undivided profits to the University of North Dakota Small Business Development Center during the biennium beginning July 1, 2025 and ending June 30, 2027. As of December 31, 2025, the Bank had transferred \$1,900.

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S.B. 2014, Section 10 – The Bank shall transfer up to \$5,000 from its current earnings and undivided profits to the parks and recreation department for an interest rate buydown on the line of credit for the Theodore Roosevelt Presidential Library project during the biennium beginning July 1, 2025, and ending June 30, 2027. As of December 31, 2025, the Bank provided no such transfers.

Continuing Legislation Impacting Capital

S.B. 2003, Section 31 – This section is an amendment which continues funding commitments established in the 2021 session under Section 6 of chapter 126. The Bank shall transfer the sum of \$2,250 or so much of the sum as may be necessary from its current earnings and undivided profits to the Skilled Workforce Student Loan Repayment Fund during the period July 1, 2021, and ending June 30, 2027. As of December 31, 2025, the Bank had transferred \$400.

S.B. 2003 Section 32 - This section is an amendment which continues funding commitments established in the 2021 session under Section 7 chapter 126. The Bank shall transfer the sum of \$2,250 or so much of the sum as may be necessary from its current earnings and undivided profits to the Skilled Workforce Scholarship Fund during the period July 1, 2021, and ending June 30, 2027. As of December 31, 2025, the Bank had transferred \$1,168.

S.B. 2003 Section 33 - This section is an amendment which continues funding commitments established in the 2023 session under Section 7 chapter 3. The Bank shall transfer the sum of \$1,500 or so much of the sum as may be necessary from its current earnings and undivided profits to the North Dakota university system for dual-credit tuition scholarships. As of December 31, 2025 the Bank had transferred, \$1,500.

S.B. 2003, Section 34 – This section is an amendment of which continues funding commitments established in the 2023 session laws under Section 8 of chapter 3. The Bank shall transfer the sum of \$3,400 or so much of the sum as may be necessary from its current earnings and undivided profits to the Skilled Workforce Student Loan Repayment Program Fund during the biennium beginning July 1, 2025, and ending June 30, 2027. As of December 31, 2025, the Bank had transferred \$600.

S.B. 2003, Section 35 – This section is an amendment of which continues funding commitments established in the 2023 session laws under Section 9 of chapter 3. The Bank shall transfer the sum of \$3,400 or so much of the sum as may be necessary from its current earnings and undivided profits to the Skilled Workforce Scholarship Fund during the biennium beginning July 1, 2025, and ending June 30, 2027. As of December 31, 2025, the Bank had transferred \$1,100.

2025 Legislation Impacting State Agency Borrowing Authority

H.B. 1012, Section 24 – The Department of Health and Human Services may borrow from Bank of North Dakota, up to \$8,411 through a line of credit for costs associated with a child welfare technology project during the biennium beginning July 1, 2025, and ending June 30, 2027. As of December 31, 2025, no funds have been utilized.

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H.B. 1015, Section 14 – The Office of Management and Budget may borrow from Bank of North Dakota, up to \$100,000 through a line of credit for costs associated with the construction of a new state hospital during the biennium beginning July 1, 2025, and ending June 30, 2027. The interest rate associated with the line of credit must be the prevailing interest rate charged to North Dakota government entities. As of December 31, 2025, no funds have been utilized.

H.B. 1487, Section 2 – The Office of Management and Budget may borrow from Bank of North Dakota, up to \$5,600 through a line of credit for costs associated with the construction of a facility in Minot to lease to other state agencies during the biennium beginning July 1, 2025, and ending June 30, 2027. The interest rate associated with the line of credit must be the prevailing interest rate charged to North Dakota government entities. As of December 31, 2025, no funds have been utilized.

H.B. 1577, Section 4 – The Department of Environmental Quality may borrow from Bank of North Dakota, up to \$9,700 through a line of credit for costs associated with providing wastewater infrastructure grants during the biennium beginning July 1, 2025, and ending June 30, 2027. The interest rate associated with the line of credit must be the prevailing interest rate charged to North Dakota government entities. As of December 31, 2025, no funds have been utilized.

S.B. 2015, Section 5 – In the event that the Department of Corrections and Rehabilitation is unable to secure a federal grant in the amount of \$990 for the purpose of acquiring tasers, body cameras, and ballistic vests, and notifies The Office of Management and Budget that they were unsuccessful in attaining these funds, the Department of Corrections and Rehabilitation may borrow up to \$990 from the Bank of North Dakota for these purchases during the biennium beginning July 1, 2025, and ending June 30, 2027. The interest rate associated with the line of credit must be the prevailing interest rate charged to North Dakota government entities. As of December 31, 2025, no funds have been utilized.

S.B. 2017, Section 3 – Bank of North Dakota shall extend a line of credit to the Office of Administrative Hearings to help manage agency cashflow needs during the biennium beginning July 1, 2025, and ending June 30, 2027. The line of credit may not exceed \$150, and the interest rate associated with the line of credit must be the prevailing rate charged to North Dakota government entities. As of December 31, 2025, no funds have been utilized.

S.B. 2018, Section 11 – The Department of Commerce may borrow from Bank of North Dakota, up to \$25,000 through a line of credit to the North Dakota Development Fund for programs under chapter 10-30.5 during the biennium beginning July 1, 2025, and ending June 30, 2027. The interest rate associated with the line of credit must be the prevailing interest rate charged to North Dakota government entities. As of December 31, 2025, no funds have been utilized.

S.B. 2265, Section 1 – The Bank of North Dakota shall extend a line of credit not to exceed \$3,000 to the Department of Veterans' Affairs for costs associated with the construction of a welcome center, parking lot, and related infrastructure at a veterans' national cemetery in the state, for the biennium beginning July 1, 2025, and ending June 30, 2027. The appropriation in this section is considered a one-time funding item and must be at the prevailing interest rate charged to North Dakota government entities. As of December 31, 2025, no funds have been utilized.

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Continuing Commitments and Contingent Liabilities

H.B. 1008, Section 4– Bank of North Dakota shall extend a line of credit not to exceed \$900 to the Public Services Commission for costs associated with a rail rate complaint case. The Public Service Commission shall repay the loan from net damages or proceeds of a successful rail complaint case. If funds available by June 30, 2027, are insufficient, the Commission may request a deficiency appropriation from the Legislative Assembly. The interest rate associated with the line of credit must be the prevailing interest rate charged to North Dakota government entities. As of December 31, 2025, no funds have been utilized.

H.B. 1018, Section 7 – Bank of North Dakota shall extend a line of credit to the State Historical Society to provide funding to pay costs associated with the construction of a North Dakota Military Museum and related expansion projects for the State Historical Society during the biennium beginning July 1, 2025, and ending June 30, 2027. The line of credit may not exceed \$20,000, and the interest rate associated with the line of credit must be the prevailing rate charged to North Dakota government entities. The unpaid principal balance as of December 31, 2025 and 2024 was \$5,646 and \$2,256, respectively.

H.B. 1019, Section 9.13 – The Bank of North Dakota shall extend a line of credit not to exceed \$70,000 to the Parks and Recreation Department for the Theodore Roosevelt Presidential Library project. The interest rate on the line of credit may not exceed the prevailing interest rate charged to North Dakota governmental entities. The unpaid principal balance as of December 31, 2025 was \$70,000.

H.B. 1020, Section 8 - During the biennium beginning July 1, 2025, and ending June 30, 2027 the Department of Water Resources may borrow from Bank of North Dakota, up to \$100,000 through a line of credit to the Water Infrastructure Revolving Loan Fund for costs associated with local cost-share loans for projects approved by the State Water Commission under section 6-09-49.2. The interest rate associated with the line of credit must be at the prevailing rate charged to North Dakota government entities. As of December 31, 2025, no funds are outstanding on this line of credit.

H.B. 1020, Section 11 - The Department of Water Resources may request from the Bank of North Dakota, up to \$260,000 through a line of credit to the Department of Water Resources. The interest rate associated with the line of credit must be at the prevailing rate charged to North Dakota government entities. As of December 31, 2025, no funds have been utilized.

H.B. 1024, Section 2 - The sixty-ninth legislative assembly intends for the attorney general to seek federal reimbursement for costs related to unlawful activity during Dakota Access Pipeline construction. Any reimbursements must be used to repay Bank of North Dakota loans issued to fund the state’s response. The provisions of section 54-16-13 apply to these loans, except that emergency commission approval is not required. These provisions indicated in section 54-16-13 state with emergency commission and budget section approval, state entities may borrow from the Bank of North Dakota for governor-declared disasters, up to expected federal reimbursement or full costs if contingency funds fall short. Interest is paid from contingency funds. Borrowed funds are appropriated for disaster response, and any repayment shortfall requires a deficiency appropriation request. The unpaid principal balance as of December 31, 2025 and 2024 was \$13,362 and \$13,362, respectively.

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H.B. 1332, section 1.5 –The Bank of North Dakota may extend a line of credit up to \$30,000 to the Agriculture Commissioner to support a grant from the Agriculture Diversification and Development Fund. The interest rate associated with the line of credit must be the prevailing interest rate charged to North Dakota governmental entities. As of December 31, 2025, no funds have been utilized.

S.B. 2014, section 26 – This bill is an amendment to Section 54-17.7-04 regarding the North Dakota Pipeline Authority which grants the authority may borrow up to \$100,000 through a line of credit from the Bank. The interest rate associated with the line of credit must be the prevailing interest rate charged to North Dakota government entities. As of December 31, 2025, no funds have been utilized.

S.B. 2188, Section 2 – This bill is an amendment to Section 54-63.1-07 regarding the Clean Sustainable Energy Fund which grants a line of credit from Bank of North Dakota to the Industrial Commission to support loans or loan guarantees issued from the clean sustainable energy fund. The line of credit should not exceed \$390,000 at the prevailing interest rate charged to North Dakota government entities and is accessible to the extent needed until June 30, 2029. The unpaid principal balance as of December 31, 2025 and 2024 was \$37,293 and \$16,470, respectively

S.B. 2342, Section 2 – Upon approval from the Agriculture Diversification and Development Committee, the Bank of North Dakota shall extend a line of credit not to exceed \$5,000 to the Agriculture Commissioner for deposit in the agriculture diversification and development fund during the biennium beginning July 1, 2025, and ending June 30, 2027. These costs are associated with a value-added milk processing facility incentive program to provide grants to the total construction cost of building or expanding a value-added milk processing facility. The interest rate associated with the line of credit must be the prevailing interest rate charged to North Dakota government entities. As of December 31, 2025, no funds have been utilized.

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Administered Programs

School Construction Assistance Revolving Loan Fund

Chapter 15.1-36-08 provides for the creation of the School Construction Assistance Revolving Loan Fund. The School Construction Assistance Revolving Loan Fund is a special revolving loan fund administered by the Bank of North Dakota. The Fund consists of all moneys appropriated or transferred to the Fund by the Legislative Assembly and all interest or other earnings of the Fund, and all repayments of loans made from the Fund. Moneys in the Fund, interest upon the moneys in the Fund, and payments to the Fund of principal and interest are appropriated to the Bank of North Dakota on a continuing basis for the purpose of providing low-interest school construction loans and for paying administrative costs, in accordance with this section. With the advice and consent of the Superintendent of Public Instruction, the Bank of North Dakota shall award the loans in accordance with a prioritization system that is based on a review of all applications filed during the twelve-month period preceding April 1st. The maximum loan amount for which a school district may qualify is \$20,000. The term of the loan is twenty years, unless the board of the school district requests a shorter term in the written loan application. The interest rate of the loan may not exceed two percent per year. The Bank may adopt policies and establish guidelines to administer this loan program in accordance with this section. The Bank of North Dakota may use a portion of the interest paid on the outstanding loans as a servicing fee to pay for administration costs which may not exceed one-half of one percent of the amount of the interest payment. The Bank of North Dakota shall deposit principal and interest payments made by school districts for loans under this section in the School Construction Assistance Revolving Loan Fund. As of December 31, 2025 and 2024, outstanding loans in the School Construction Assistance Revolving Loan Fund totaled \$329,438 and \$326,240, respectively.

Farm Real Estate Loan Guarantee Program

Chapter 6-09.7-09 provides that the Bank of North Dakota may guarantee the loan of money by banks, credit unions, lending institutions that are part of the farm credit system, and savings and loan associations in this state to eligible persons for the purchase of agricultural real estate or the restructuring of agricultural real estate loans, provided the transactions do not exceed a loan to value ratio of 80% and further provided that no single loan exceeds \$400. The Bank may have no more than \$8,000 in outstanding loan guarantees under this Program. The Bank may guarantee up to 75% of the amount of principal due the lender. The guarantee term may not exceed 5 years. As of December 31, 2025, and 2024, the Bank had guarantees outstanding totaling \$0 and \$0, respectively, and had no guarantee commitments outstanding, respectively, included in commitments to extend credit. The Bank has not recorded a contingent liability related to the guarantee loan program as of December 31, 2025 and 2024.

Self-Insurance Health Plan – Bank of North Dakota Line of Credit

Chapter 54-52.1 provides that the Bank shall extend to the Public Employees' Retirement Board a line of credit not to exceed \$50,000. The Board shall repay the line of credit from health insurance premium revenue or repay the line of credit from other funds appropriated by the Legislative Assembly. The Board may access the line of credit to the extent necessary to provide adequate claims payment funds, to purchase stop-loss coverage, and to defray other expenditures of administration of the self-insurance health plan. As of December 31, 2025, the outstanding loan balance was \$0.

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Achieving a Better Life Experience Plan

Chapter 6-09.38.1 provides that the Bank of North Dakota shall adopt rules to administer, manage, promote, and market the North Dakota Achieving a Better Life Experience Plan. The Bank shall ensure the North Dakota Achieving a Better Life Experience Plan is maintained in compliance with internal revenue service standards for qualified state disability expense programs. The Bank, as trustee of the North Dakota Achieving a Better Life Experience Plan, may impose an annual administrative fee to recover expenses incurred in connection with operation of the plan. Administrative fees received by the Bank are appropriated to the Bank on a continuing basis to be used as provided under this section. Money and assets in North Dakota Achieving a Better Life Experience Plan accounts or in qualified Achieving a Better Life Experience plan accounts in any state may not be considered for the purpose of determining eligibility to receive, or the amount of, any assistance or benefits from local or state means-tested programs.

Invisible Reinsurance Pool – Bank of North Dakota Line of Credit

Chapter 26.1-36.7-.07 provides that the Bank shall extend to the Reinsurance Association of North Dakota a line of credit not to exceed \$25,000. The Association shall repay the line of credit from assessments against insurers writing or otherwise issuing group health benefit plans in this state or from other funds appropriated by the Legislative Assembly. As of December 31, 2025, the outstanding loan balance was \$0.

Establishment and Maintenance of Adequate Guarantee Funds – Use of Strategic Investment and Improvement Funds

Chapter 6-09.7-05 provides that the Bank shall establish and at all times maintain an adequate guarantee reserve fund in a special account at the Bank. The Bank may request the Director of the Office of Management and Budget to transfer funds from the Strategic Investment and Improvement Fund (SIIF) created by this section 15-08.1-08 to maintain one hundred percent of the guarantee reserve fund balance. Transfers from SIIF may not exceed a total of \$140,000. Moneys in the guarantee reserve fund are available to reimburse lenders for guaranteed loans in default. The securities in which the moneys in the reserve fund may be invested must meet the same requirements as those authorized for investment under the State Investment Board. The income from such investments must be made available for the costs of administering the program and must be deposited in the reserve fund. The amount of the reserves for all guaranteed loans must be determined by a formula that will assure, as determined by the Bank, an adequate amount of reserve. As of December 31, 2025, the balance in the reserve fund was \$25,559.

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Beginning Entrepreneur Loan Guarantee Program

Chapter 6-09.15 provides that the Bank of North Dakota provide a Beginning Entrepreneur Loan Guarantee Program. The Program includes an agreement with a lender that in the event of default by a beginning entrepreneur under a note and mortgage or other loan or financing agreement, the Bank shall pay the lender the amount agreed upon up to 85% of the amount of principal due the lender on a loan at the time the claim is approved. The total outstanding loans that the Bank may guarantee cannot exceed 5% of the Bank's tier one capital as defined by the Department of Financial Institutions. A lender may apply to the Bank for a loan guarantee for a loan up to \$500. The term of the guarantee may not exceed five years. As of December 31, 2025, and 2024, the Bank has guarantees outstanding totaling \$5,399 and \$6,422, respectively, and had guarantee commitments outstanding of \$323 and \$21, respectively, included in commitments to extend credit. The Bank has not recorded a contingent liability related to the guarantee loan program as of December 31, 2025 and 2024.

Rebuilders Permanent Loan Fund

Chapter 6-09.46.2 provides that the Bank shall develop a rebuilders loan program to make or participate in loan to North Dakota residents as a result of a presidentially declared disaster in the state, a governor-declared disaster in the state, an emergency in the state, a weather-related incident in the state as determined by the governor, or an economic hardship as determined by the governor. Excluding the rebuilders and rebuilders home loans transferred to the fund, the Bank of North Dakota shall deposit in the fund all principal and interest paid on the loans made from the fund. The Bank may deduct from interest payments received on a loan under the program a service fee for administering the fund for the Bank and the originating financial institution. The fund must be audited annually pursuant to section 6-09-29, and the cost of the audit and any other actual costs incurred by the Bank on behalf of the fund, must be paid by the fund. The Bank committed up to \$50,000 of capital or so much as the sum as needed. As of December 31, 2025, the Bank transferred \$36,500.

Rural Workforce Initiative to Support Housing

Bank of North Dakota shall administer the Rural Workforce Initiative to Support Housing (R-WISH) program. The intent of the program is to support rural communities with construction of market rate housing for workforce when a company is locating or expanding in a community of 20,000 and under in population.

The program is designed to support projects that are challenged because of the disproportionate costs comparable to attainable market rents; project must demonstrate that traditional financing terms are unfeasible. The program may provide equity or other financing alternatives. The Bank shall have the ability to utilize up to \$10,000 of capital for the program. As of December 31, 2025, the Bank transferred \$4,748.

Farm Financial Stability Buydown

The Farm Financial Stability 2026 Loan Program approved by the Industrial Commission will provide below-market interest rates and extended terms to North Dakota farmers who have been impacted by low commodity prices, weather, and/or high input costs. The Bank has committed up to \$30,000 for loan buydown associated with these loans. As of December 31, 2025, the Bank has transferred \$1,000.

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The Extraordinary Medical Needs Housing Loan Fund

H.B. 1012, Section 37 – This bill is an amendment that adds a new section to chapter 6-09 of the North Dakota Century Code. Bank of North Dakota shall administer a new loan program for construction projects which provide housing for individuals with disabilities with extraordinary medical needs. Projects may include land purchase and construction costs and must meet requirements approved by the Department of Health and Human Services and the North Dakota Housing Finance Agency. The Extraordinary Medical Needs Housing Loan Fund, a special state treasury fund, finances these loans. It includes legislative transfers, interest earnings, and loan repayments, and is continuously appropriated to the Bank to provide loans under this program. As of December 31, 2025, no funds have been utilized.

Long-term Care Facility Infrastructure Loan Program

H.B. 1619, Section 1 – This bill is an amendment that reenacts subsection 3 of section 6-09-47 of the North Dakota Century Code. Bank of North Dakota shall administer a new Long-term Care Facility Infrastructure Loan program for the purpose of providing loans to nursing and basic care facilities, renovation projects, or the construction of new facilities. Loan applications must detail the project, show need and viability, and include required financial information. Loans may cover up to fifty percent of project costs, should not exceed \$10,000, carry interest up to two percent, and have terms up to twenty years. Projects must be completed within twenty-four months. All repayments must be deposited in the Strategic Investment and Improvements Fund, with the Bank allowed a service fee of up to one-half of one percent. Pursuant to H.B. 1619, Section 3; The sum of \$15,000, or so much of the sum as may be necessary, may be appropriated to Bank of North Dakota for the purpose of providing loans under this program within section 1 of this Act. As of December 31, 2025, no funds have been utilized.

Rail Revolving Loan Fund

S.B. 2014, Section 20 – This bill adds a new section to chapter 6-09 of the North Dakota Century Code. Under chapter 6-09-49.3 of the North Dakota Century Code, Bank of North Dakota shall administer the Rail Revolving Loan Fund to provide loans for constructing or upgrading rail infrastructure. The Bank may establish eligibility and participation policies, must evaluate repayment ability, and may issue loans only to applicants that demonstrate sufficient future income; Class I railroads are ineligible. Projects must be approved by the Department of Transportation before loan issuance. All principal and interest repayments must be deposited in the fund, and the Bank may retain up to one-half of one percent of outstanding loan balances for administrative costs. All fund money is continuously appropriated to the Bank for loan disbursements and administration, and the fund is subject to annual audit. Pursuant to S.B. 2014, Section 11; The Department of Transportation is directed to transfer the full fund balance to Bank of North Dakota's Rail Revolving Loan Fund beginning July 1, 2025. As of December 31, 2025, the fund balance was \$30,333.

NOTE 13 - 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.

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See Note 5 for disclosure relating to loans sold to other state funds and/or loans serviced for other state funds, including the North Dakota Student Loan Trust.

Dakota Education Alternative Loans are fully guaranteed by the North Dakota Guaranteed Student Loan Program, which is administered by the Bank. The outstanding principal balance of these loans was \$939,241 and \$996,856 as of December 31, 2025 and 2024, respectively.

In the ordinary course of business, the Bank holds loans and deposits of principal officers and directors and their affiliates. Outstanding principal balances of these loans held by the Bank as of December 31, 2025 and 2024 amounted to \$36,089 and \$47,864, respectively. Deposits and short-term borrowings held by the Bank were \$16,886 and \$18,542, respectively.

On December 22, 2020, the Bank signed a Servicing Agreement with the North Dakota Housing Finance Agency (NDHFA) effective April 1, 2021, to transfer the Bank's mortgage servicing to NDHFA. NDHFA paid the Bank the amount of the unamortized service release premium and services the mortgage loans and manages the premises in the event of foreclosure of any mortgage loans. As of year-end December 31, 2021, the Bank received from NDHFA \$1,077 in unamortized service release premiums and fees. NDHFA will service a total of \$283,744 in loans from BND. As of December 31, 2025 and 2024, the outstanding balance of loans serviced by NDHFA was \$153,900 and \$171,691, respectively. Mortgage servicing fees paid to NDHFA for the years ended December 31, 2025 and 2024 were \$410 and \$454, respectively.

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NOTE 14 - OFF-BALANCE-SHEET ACTIVITIES

The Bank is a party to credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, financial standby letters of credit, and guarantees related to loan programs as discussed in Note 12. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The Bank's exposure to credit loss is represented by the contractual amount of these commitments. The Bank follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

As of December 31, 2025, and 2024, the following financial instruments were outstanding whose contract amounts represent credit risk:

	<u>Contract Amount</u>	
	<u>2025</u>	<u>2024</u>
Commitments to extend credit	\$ 1,868,624	\$ 2,057,613
Financial standby letters of credit	806,930	781,244
Guarantees provided	5,722	6,443

Commitments to extend credit are agreements to lend to a customer as long as there is no 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 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.

Financial standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those letters of credit 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 Bank has segmented this category into three components: (1) letters of credit, (2) confirming letters of credit, and (3) letters of credit pledged for public deposits to North Dakota financial institutions.

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Letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party which require this type of facility. The maturities for these letters of credit range from one month to ten years, and the likelihood of funding any of these letters of credit is considered to be remote. The Bank holds collateral supporting those commitments. The Bank also has letters of credit with the North Dakota Public Finance Authority (NDPFA) with maturities ranging from 2 to 8 years. If the letters issued to the NDPFA were ever drawn upon, the NDPFA is legally obligated to reimburse the Bank from funds legally available, or from any appropriation made available from the Legislative Assembly after certification by the Industrial Commission. The likelihood of funding any of these letters of credit is also considered to be remote. Outstanding issued letters of credit as of December 31, 2025 and 2024 were \$26,189 and \$26,189, respectively.

Confirming letters of credit are issued to North Dakota financial institutions to support letters of credit they have issued but are still in need of backing from an institution with a long-term, high quality bond rating. In the event these letters were to be drawn upon, based on the terms of the agreement, the Bank would immediately withdraw funds from the institution's correspondent bank account held at the Bank to cover the amount drawn. These agreements generally have terms of 12 months or less. The likelihood of funding any of these confirming letters of credit is also considered to be remote. Outstanding issued confirming letters of credit as of December 31, 2025 and 2024 were \$12,179 and \$3,964, respectively.

Letters of credit pledged for public deposits to North Dakota financial institutions are issued to support public borrowing arrangements. These letters are fully collateralized by a pool of loans pledged to the Bank. These agreements generally have terms of 12 months or less. Financial standby letters for public deposits by North Dakota banks totaled \$536,800 and \$481,970 as of December 31, 2025 and 2024, respectively. The likelihood of funding any of these letters of credit is also considered to be remote. These letters of credit are an authorized form of collateral for public deposits per North Dakota Century Code 21-04-09.

The Bank has not recorded a contingent liability related to off-balance sheet activity as of December 31, 2025 and 2024.

NOTE 15 - INTEREST RATE SWAP CONTRACTS

Interest rate swap contracts are entered into primarily as an asset/liability management strategy of the Bank to help manage its interest rate risk position. The primary risk associated with all swaps is the exposure to movements in interest rates and the ability of the counterparties to meet the terms of the contract. The Bank is exposed to losses if the counterparty fails to make its payments under a contract in which the Bank is in a receiving status. The Bank minimizes its risk by monitoring the credit standing of the counterparties. The Bank anticipates the counterparties will be able to fully satisfy their obligations under the remaining agreements. These contracts are typically designated as cash flow hedges.

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The Bank has outstanding interest rate swap agreements with a notional amount totaling \$500,000 and \$500,000 as of December 31, 2025 and 2024, respectfully, to convert variable rate federal funds indexed deposits and variable rate SOFR-indexed deposits into fixed-rate instruments over the term of the contracts. The notional amount of the interest rate swaps does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and other terms of the individual interest rate swap agreements. These cash flow hedges were determined to be fully effective during all periods presented. The Bank expects the hedges to remain fully effective during the remaining terms of the swaps.

The following table summarizes the derivative financial instruments utilized as of December 31, 2025:

	Balance sheet location	Notional amount	Estimated fair value	
			Gain	Loss
Cash flow hedge	Other assets	\$ 50,000	\$ 3,482	\$ -
Cash flow hedge	Other assets	50,000	3,382	-
Cash flow hedge	Other assets	50,000	3,380	-
Cash flow hedge	Other assets	50,000	4,448	-
Cash flow hedge	Other assets	50,000	9,369	-
Cash flow hedge	Other assets	50,000	8,556	-
Cash flow hedge	Other assets	50,000	2,852	-
Cash flow hedge	Other assets	50,000	661	-
Cash flow hedge	Other assets	50,000	5,367	-
Cash flow hedge	Other assets	50,000	4,344	-

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The following table details the derivative financial instruments, the remaining maturities, and the interest rates being paid and received as of December 31, 2025:

	Notional value	Maturity (years)	Fair value gain/(loss)	Receive	Pay
Interest rate swap	\$ 50,000	3.4	\$ 661	3.72%	2.86%
Interest rate swap	50,000	4.3	2,852	3.72%	1.92%
Interest rate swap	50,000	5.7	5,367	3.96%	1.48%
Interest rate swap	50,000	6.3	3,482	3.96%	2.39%
Interest rate swap	50,000	6.5	4,344	3.72%	1.99%
Interest rate swap	50,000	7.3	3,382	3.72%	2.47%
Interest rate swap	50,000	7.5	3,380	3.72%	2.52%
Interest rate swap	50,000	8.3	4,448	3.72%	2.36%
Interest rate swap	50,000	8.8	9,369	3.72%	1.15%
Interest rate swap	50,000	8.8	8,556	3.72%	1.38%

Amongst all swap counterparties for the transactions noted above, the Bank holds a net \$45,312 in cash pledged under collateral arrangements related to the interest rate swaps as of December 31, 2025, to satisfy the collateral requirements.

The following table summarizes the derivative financial instrument utilized as of December 31, 2024:

	Balance sheet location	Notional amount	Estimated fair value	
			Gain	Loss
Cash flow hedge	Other assets	\$ 50,000	\$ 5,396	\$ -
Cash flow hedge	Other assets	50,000	5,211	-
Cash flow hedge	Other assets	50,000	5,177	-
Cash flow hedge	Other assets	50,000	6,213	-
Cash flow hedge	Other assets	50,000	11,414	-
Cash flow hedge	Other assets	50,000	10,527	-
Cash flow hedge	Other assets	50,000	4,866	-
Cash flow hedge	Other assets	50,000	2,188	-
Cash flow hedge	Other assets	50,000	7,604	-
Cash flow hedge	Other assets	50,000	6,369	-

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The following table details the derivative financial instruments, the remaining maturities, and the interest rates being paid and received as of December 31, 2024:

	Notional value	Maturity (years)	Fair value gain/(loss)	Receive	Pay
Interest rate swap	\$ 50,000	4.4	\$ 2,188	4.47%	2.86%
Interest rate swap	50,000	5.3	4,866	4.47%	1.92%
Interest rate swap	50,000	6.7	7,604	4.66%	1.48%
Interest rate swap	50,000	7.3	5,396	4.66%	2.39%
Interest rate swap	50,000	7.5	6,369	4.47%	1.99%
Interest rate swap	50,000	8.3	5,211	4.47%	2.47%
Interest rate swap	50,000	8.5	5,177	4.47%	2.52%
Interest rate swap	50,000	9.3	6,213	4.47%	2.36%
Interest rate swap	50,000	9.8	11,414	4.47%	1.15%
Interest rate swap	50,000	9.8	10,527	4.47%	1.38%

Amongst all swap counterparties for the transactions noted above, the Bank holds a net \$67,780 in cash pledged under collateral arrangements related to the interest rate swaps as of December 31, 2024, to satisfy the collateral requirements.

Interest expense recorded on these swap transactions totaled (\$11,072) and (\$15,783) as of December 31, 2025 and 2024 and is reported as a component of deposit interest expense.

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NOTE 16 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements are used to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Available for sale debt securities are recorded at fair value on a recurring basis.

Fair Value Hierarchy

Under ASC 820-10, assets and liabilities are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 – Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 – Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Determination of Fair Value

Under ASC 820-10, fair values are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is Bank policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy of ASC 820-10.

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value and for estimating fair value for financial instruments not recorded at fair value (ASC 825-10 disclosures).

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Debt Securities Available for Sale

Debt securities available for sale consist primarily of Federal agencies and mortgage backed securities. Debt securities available for sale are recorded at fair value on a recurring basis. Fair value is based upon quoted prices, if available. If quoted market prices are not available, fair values are measured using observable market prices from independent pricing models, or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded in an active market; examples would include U.S. Treasury securities and Agency securities. Level 2 securities as defined above would include mortgage-backed securities, collateralized mortgage obligations, and state and political subdivision securities.

Interest Rate Swap Agreements

Fair values for interest rate swap agreements are based upon the amounts required to settle the contracts.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2025 and 2024.

	2025			
	Total	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
ASSETS				
Available-for-sale debt securities				
Mortgage-backed securities				
Agency	\$ 372,487	\$ -	\$ 372,487	\$ -
Collateralized mortgage obligations				
Agency	3,249,989	-	3,249,989	-
Agency bonds	267,436	267,436	-	-
Municipal bonds	1,000	-	1,000	-
Interest rate swaps	45,841	-	45,841	-
Totals	\$ 3,936,753	\$ 267,436	\$ 3,669,317	\$ -
LIABILITIES				
Interest rate swap	\$ -	\$ -	\$ -	\$ -
Totals	\$ -	\$ -	\$ -	\$ -

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	2024			
	Total	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
ASSETS				
Available-for-sale debt securities				
Mortgage-backed securities				
Agency	\$ 159,372	\$ -	\$ 159,372	\$ -
Collateralized mortgage obligations				
Agency	2,866,491	4,834	2,861,657	-
Agency bonds	286,590	286,590	-	-
U.S. treasuries	889,048	889,048	-	-
Municipal bonds	1,000	-	1,000	-
Interest rate swaps	64,965	-	64,965	-
Totals	<u>\$ 4,267,466</u>	<u>\$ 1,180,472</u>	<u>\$ 3,086,994</u>	<u>\$ -</u>
LIABILITIES				
Interest rate swap	\$ -	\$ -	\$ -	\$ -
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Assets Measured at Fair Value on a Nonrecurring Basis

Under certain circumstances the Bank may make adjustments to fair value for assets and liabilities although they are not measured at fair value on an ongoing basis. The Bank only had Level 3 financial assets measured at fair value on a nonrecurring basis, which is summarized below:

	2025	2024	Valuation Technique	Unobservable Input	Range (Weighted Avg.)
Collateral Dependant Loans	\$ 58,695	\$ 11,237	Collateral valuation	Discount from market value	19%
Foreclosed Assets	\$ 644	\$ -	Collateral valuation	Discount from market value	0%

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NOTE 17 - ACCUMULATED OTHER COMPREHENSIVE INCOME

The Bank recognizes and includes revenues, expenses, gains and losses in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

The changes in accumulated other comprehensive income by component for the years ended December 31, 2025 and 2024 follows:

	<u>Unrealized gain and losses on available-for- sale securities</u>	<u>Gains and losses on cash flow hedges</u>	<u>Total</u>
Year ended December 31, 2025			
Beginning balance	\$ (85,498)	\$ 64,965	\$ (20,533)
Other comprehensive income (loss) before reclassifications	106,146	(19,125)	87,021
Amount reclassified from accumulated other comprehensive income	16,762	-	16,762
Net current period other comprehensive income	122,908	(19,125)	103,783
Ending balance	\$ 37,410	\$ 45,841	\$ 83,250
	<u>Unrealized gain and losses on available-for- sale securities</u>	<u>Gains and losses on cash flow hedges</u>	<u>Total</u>
Year ended December 31, 2024			
Beginning balance	\$ (135,135)	\$ 52,125	\$ (83,010)
Other comprehensive income (loss) before reclassifications	49,637	12,840	62,477
Amount reclassified from accumulated other comprehensive income	-	-	-
Net current period other comprehensive income	49,637	12,840	62,477
Ending balance	\$ (85,498)	\$ 64,965	\$ (20,533)

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NOTE 18 - SUPPLEMENTAL DISCLOSURES RELATED TO STATEMENTS OF CASH FLOWS

	<u>2025</u>	<u>2024</u>
Supplemental disclosures of cash flow information		
Cash payments for:		
Interest paid to customers	\$ 177,810	\$ 179,567
Interest paid on federal funds purchased and securities sold under repurchase agreements	17,393	20,169
Interest paid on short and long-term debt	11,594	9,048
Supplemental schedule of noncash investing and financing activities		
Net change in fair value		
on debt securities available for sale	122,908	49,637
Net change in fair value		
on interest rate swaps	(19,125)	12,840
Foreclosed assets acquired in exchange for loans	(644)	-
Loans provided for sale of foreclosed assets	-	4,223

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NOTE 19 - REVENUE RECOGNITION

The majority of the Bank's revenues are not subject to ASC 606, including revenue generated from financial instruments, such as interest and dividend income, including loans and securities, as these activities are subject to other U.S. Generally Accepted Accounting Principles ("GAAP"). Revenue generating activities that are within the scope of ASC 606 are presented within non-interest income and are recognized as revenue as the Bank satisfies its obligation to the customer. Descriptions of revenue generating activities that are within the scope of ASC 606, which are presented in the Statements of Income as components of non-interest income and presented in the line item Service Fees and Other are as follows:

- **Gains (Losses) on Sales of Foreclosed Assets** - The Bank records a gain or loss from the sale of foreclosed assets when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Bank finances the sale of foreclosed asset to the buyer, the Bank assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the foreclosed asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Bank adjusts the transaction price and related gain (loss) on sale if a significant financing component is present.
- **Service Fees and Other Charges** - The Bank provides numerous services for corresponding financial institutions and North Dakota state agencies that it earns fees and service charges from. Fees and service charges from ACH, wires, cash services, safe keeping, servicing of state funds, paying agent, trustee and escrow represent general service fees for monthly and activity-or-transaction-based fees and consist of transaction-based revenue, time-based revenue (service period), item-based revenue or some other individual attribute-based revenue. Revenue is recognized when the performance obligation is satisfied, which is generally daily for when a transaction has been completed (such as a wire transfer). Payment for such performance obligations are typically received at the time the performance obligations are satisfied.

NOTE 20 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 30, 2026, which is the date these financial statements were available to be issued.

H.B. 1623, Section 4 – The Bank shall transfer up to \$40,000 from its current earnings and undivided profits to the Medical Facility Infrastructure Loan Fund during the period beginning the effective date of this act and ending June 30, 2027. Funding transferred under this section may be used only for the rural health loan program. From the repayment of loans under this subsection, the principal portion must be used to replenish the Bank's profits which were transferred to the fund for the loans under this program, and interest portion must be deposited in the fund. As of December 31, 2025, the Bank provided no such transfers.



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