FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

Bank of North Dakota

BANK OF NORTH DAKOTA
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EideBailly
CPAs & BUSINESS ADVISORS

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, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023, 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.

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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
February 4, 2025

BANK OF NORTH DAKOTA
BALANCE SHEETS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands)

	2024	2023
ASSETS		
Cash and due from banks	**$ 390,195**	$ 402,587
Federal funds sold	**16,540**	37,470
Cash and cash equivalents	**406,735**	440,057
Debt securities		
Available-for-sale debt securities, at fair value (amortized cost 2024 - $4,287,999, 2023 - $4,004,801, net of allowance for credit losses 2024 - $0, 2023 - $0)	**4,202,501**	3,869,666
Loans held for investment	**6,142,955**	5,758,740
Less allowance for credit losses	**(106,535)**	(99,865)
	6,036,420	5,658,875
Interest receivable	**85,431**	72,954
Bank premises, equipment, and software, net	**8,661**	9,149
Other restricted stock, at cost	**27,687**	7,243
Other assets	**69,043**	86,684
Total assets	**$10,836,478**	$ 10,144,628
LIABILITIES AND EQUITY		
Deposits		
Non-interest bearing	**$ 615,171**	$ 664,010
Interest bearing	**8,074,996**	8,045,138
	8,690,167	8,709,148
Federal funds purchased	**370,327**	323,010
Short and long-term debt	**480,000**	25,000
Other liabilities	**25,074**	28,183
Total liabilities	**9,565,568**	9,085,341
Equity		
Capital	**2,000**	2,000
Capital surplus	**72,000**	72,000
Undivided profits	**1,217,443**	1,068,297
Accumulated other comprehensive loss	**(20,533)**	(83,010)
Total equity	**1,270,910**	1,059,287
Total liabilities and equity	**$10,836,478**	$ 10,144,628

BANK OF NORTH DAKOTA
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands)

	2024	2023
INTEREST INCOME		
Loans, including fees	**$ 307,887**	$ 262,165
Securities	**140,949**	100,335
Federal funds sold	**1,207**	2,713
Total interest income	**450,043**	365,213
INTEREST EXPENSE		
Deposits	**181,061**	100,255
Federal funds purchased and repurchase agreements	**20,034**	13,678
Short and long-term debt	**8,899**	23,268
Total interest expense	**209,994**	137,201
NET INTEREST INCOME	**240,049**	228,012
PROVISION FOR CREDIT LOSSES	**10,702**	7,507
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	**229,347**	220,505
NONINTEREST INCOME		
Service fees and other	**8,713**	6,697
Total noninterest income	**8,713**	6,697
NONINTEREST EXPENSE		
Salaries and benefits	**21,749**	19,564
Data processing	**7,765**	7,466
Occupancy and equipment	**858**	828
Other operating expenses	**7,253**	6,605
Total noninterest expenses	**37,625**	34,463
NET INCOME	**$ 200,435**	$ 192,739

BANK OF NORTH DAKOTA
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands)

	2024	2023
Net income	**$ 200,435**	$ 192,739
Other comprehensive income		
Unrealized gain on available-for-sale debt securities	**49,637**	105,398
Cash flow hedging activities -interest rate swap contracts	**12,840**	(10,943)
Other comprehensive income	**62,477**	94,455
Comprehensive income	**$ 262,912**	$ 287,194

BANK OF NORTH DAKOTA
STATEMENTS OF EQUITY
YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands)

	Capital	Capital Surplus	Undivided Profits	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE, DECEMBER 31, 2022	$ 2,000	$ 72,000	$ 1,100,653	$ (177,465)	$ 997,188
Cumulative change in accounting principal			3,143		3,143
Net income			192,739		192,739
Unrealized gain on available-for-sale debt securities				105,398	105,398
Unrealized loss on interest rate swaps				(10,943)	(10,943)
Appropriations In		5,500			5,500
Appropriations (Out)		(5,500)			(5,500)
Transfers to other state funds			(228,238)		(228,238)
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)
BALANCE, DECEMBER 31, 2024	$ 2,000	$ 72,000	$ 1,217,443	$ (20,533)	$ 1,270,910

BANK OF NORTH DAKOTA
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands)

	2024	2023
OPERATING ACTIVITIES		
Net income	**$ 200,435**	$ 192,739
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	**650**	547
Provision for credit losses	**10,702**	7,507
Amortization of debt securities	**63,828**	13,785
Loss on sale of foreclosed assets	**-**	1
Net change in interest receivable	**(12,477)**	(12,562)
Net change in other assets	**26,258**	(22,091)
Net change in other liabilities	**(830)**	9,501
NET CASH FROM OPERATING ACTIVITIES	**288,566**	189,427
INVESTING ACTIVITIES		
Debt securities available for sale transactions		
Purchases of available-for-sale debt securities	**(1,315,469)**	(298,914)
Proceeds from sales, maturities, and repayments of available for sale securities	**968,443**	828,213
Purchase of Federal Home Loan Bank stock	**(186,087)**	(445,000)
Proceeds from sales, maturities, and repayments of Federal Home Loan Bank stock	**165,643**	474,757
Loan principal originations net	**(386,303)**	(394,616)
Purchases of premises, equipment, and software	**(162)**	(385)
Proceeds from sale of foreclosed assets	**-**	124
NET CASH (USED FOR) FROM INVESTING ACTIVITIES	**(753,935)**	164,179
FINANCING ACTIVITIES		
Net change in non-interest bearing deposits	**(48,839)**	31,512
Net change in interest bearing deposits	**29,858**	365,689
Net change in federal funds purchased	**47,317**	117,165
Proceeds from issuance of short and long-term debt	**7,166,016**	13,300,001
Repayment of short and long-term debt	**(6,711,016)**	(13,950,001)
Payment of transfers to other state funds	**(51,289)**	(228,238)
NET CASH FROM (USED FOR) FINANCING ACTIVITIES	**432,047**	(363,872)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(33,322)**	(10,266)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**440,057**	450,323
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 406,735**	$ 440,057

(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, 2024 and 2023:

	2024	2023
Commercial loans, of which 1% and 2% are federally guaranteed	**66%**	63%
Student loans, of which 100% and 100% are guaranteed	**16%**	19%
Residential loans, of which 67% and 70% are federally guaranteed	**5%**	5%
Agricultural loans, of which 4% and 4% are federally guaranteed	**13%**	13%
	100%	100%

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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 that 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 $14,154 and $12,440 at December 31, 2024 and 2023, respectively, is included in interest receivable on the consolidated balance sheets and is excluded from the estimate of credit losses.

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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 $69,511 and $58,776 at December 31, 2024 and 2023, respectively, is included in interest receivable on the balance sheets and is excluded from the estimate of credit losses.

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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.

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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 don't 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 72 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 $0 and $4,223 as of December 31, 2024 and 2023, 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 $31,943 and $42,977 as of December 31, 2024 and 2023, respectively. Of these amounts, $28,982 and $39,562 were deposited at the Federal Reserve Bank.

H.B. 1003, Section 10 of the sixty-eighth legislative session states the Office of Management and Budget shall transfer $5,500 from the strategic investment and improvements fund to the economic diversification research fund, the sum of which is appropriated to the Bank of North Dakota for the purpose of providing grants to institutions under the control of the state board of higher education, for the biennium beginning July 1, 2023, and ending June 30, 2025, as requested by the commissioner of higher education. As of December 31, 2023, SIIF has transferred $5,500.

Continued on next page

(In Thousands)

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, 2024 and 2023:

	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**
	$ 4,287,999	**$ 8,834**	**$ 94,332**	**$ -**	**$ 4,202,501**

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
DECEMBER 31, 2023					
Debt securities available for sale					
US Treasury	$ 1,543,949	$ -	$ 56,691	$ -	$ 1,487,258
U.S. government agencies	346,250	2,213	13,373	-	335,090
States and municipalities	1,000	-	-	-	1,000
Mortgage-backed	2,113,602	10,043	77,327	-	2,046,318
	$ 4,004,801	$ 12,256	$ 147,391	$ -	$ 3,869,666

There were $1,496,309 and $1,501,836 of debt securities pledged as of December 31, 2024 and 2023 for other required pledging purposes**.** FHLB stock totaling $27,687 and $7,243 as of December 31, 2024 and 2023, respectively, was pledged on the FHLB advances (Note 8).

Continued on next page

(In Thousands)

The amortized cost and fair value of debt securities by contractual maturity at December 31, 2024, follows:

	Available for Sale	
	Amortized Cost	Fair Value
Due in one year or less	$ 880,044	$ 860,953
Due in one to five years	2,712,639	2,652,724
Due from five to ten years	569,772	564,791
Due after ten years	125,544	124,033
	$ 4,287,999	$ 4,202,501

There were no sales of available-for-sale securities during the years ended December 31, 2024 and 2023.

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, 2024 are as follows:

	Less Than Twelve Months		Over Twelve Months		Total	
DECEMBER 31, 2024	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
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**
	$ 16,255	**$ 950,184**	**$ 78,077**	**$ 2,502,767**	**$ 94,332**	**$ 3,452,951**

Continued on next page

(In Thousands)

Securities at December 31, 2023 were as follows:

	Less Than Twelve Months		Over Twelve Months		Total	
DECEMBER 31, 2023	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Debt securities available for sale						
US Treasury	$ 3	$ 621	$ 56,688	$ 1,486,638	$ 56,691	$ 1,487,259
U.S. government agencies	4	6,272	13,369	249,063	13,373	255,335
States and municipalities	-	-	-	-	-	-
Mortgage-backed	816	70,786	76,511	1,660,061	77,327	1,730,847
	$ 823	$ 77,679	$ 146,568	$ 3,395,762	$ 147,391	$ 3,473,441

As of December 31, 2024 and 2023 no ACL was established for available-for-sale securities. Unrealized losses as of December 31, 2024 and 2023 are a result of expected fluctuations in the bond market primarily driven by changes in market interest rate.

As December 31, 2024 and 2023 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.

Continued on next page

(In Thousands)

NOTE 4 - LOANS

The composition of the loan portfolio as of December 31, 2024 and 2023 is as follows:

	2024	2023
Commercial	**$ 4,049,998**	$ 3,644,897
Student	**1,011,506**	1,063,453
Residential	**286,938**	316,153
Agricultural	**794,513**	734,237
	6,142,955	5,758,740
Allowance for credit losses	**(106,535)**	(99,865)
	$ 6,036,420	$ 5,658,875

Unamortized deferred student loan costs totaled $14,650 and $16,836 as of December 31, 2024 and 2023, respectively. Net unamortized loan premiums and discounts, including purchased servicing rights, on residential loans totaled ($5) and ($28) as of December 31, 2024 and 2023, 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, 2024. There were $891 overdrafts of deposit accounts as of December 31, 2023.

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.

Continued on next page

(In Thousands)

The following tables present the activity in the ACL by portfolio segment for the years ended December 31, 2024 and 2023:

	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	**$ 92,544**	**$ 12,857**	**$ 1,134**	**$ -**	**$ 106,535**

	2023				
	Commercial	Agricultural	Residential	Student	TOTAL
Beginning Balance:	$ 94,886	$ 12,400	$ 1,466	$ -	$ 108,752
Transfer to ACL on off-balance sheet reserve	(13,774)	(422)	-	-	(14,196)
Impact of adopting ASC 326	(2,613)	(697)	167	-	(3,143)
Charge-offs	(3,402)	-	(15)	-	(3,417)
Recoveries	3,013	-	-	-	3,013
Provision	9,452	(403)	(193)	-	8,856
Ending Balance	$ 87,562	$ 10,878	$ 1,425	$ -	$ 99,865

In addition to the ACL on loans, the Bank has established an ACL on off-balance sheet exposures of $10,568 and $12,847 at December 31, 2024 and 2023, respectively. The following table presents the activity in the ACL on off-balance sheet exposures for the years ended December 31, 2024 and 2023.

	2024	2023
Beginning Balance	**$ 12,847**	$ -
Impact of adopting ASC 326	**-**	14,196
Reversals to ACL recorded as provision for credit losses	**(2,279)**	(1,349)
Ending Balance	**$ 10,568**	$ 12,847

Continued on next page

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.

Continued on next page

(In Thousands)

The following tables represents credit exposures by internally assigned risk ratings for the years ended December 31, 2024 and 2023. 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.

	2024				
Risk Rating	**Commercial Participations**	**Bank Stock**	**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

Continued on next page

(In Thousands)

	2023				
Risk Rating	Commercial Participations	Bank Stock	All Other Business Loans (Including PACE)	Farm & Ranch	Farm Real Estate
No assigned risk rating	$ -	$ -	$ -	$ -	$ -
1	4,022	-	147,526	-	-
2	4,353	243	14,170	12,031	4,564
3	701,839	357,502	257,664	67,989	97,951
4	1,325,866	41,370	455,905	72,273	260,633
5	63,490	-	30,869	7,397	22,207
6	80,755	-	10,342	1,665	4,234
7	5,321	-	32	101	-
8	-	-		-	-
Loan types excluded from allowance	-	-	143,628	-	-
Total	$ 2,185,646	$ 399,115	$ 1,060,136	$ 161,456	$ 389,589

Risk Rating	All Other Farm Loans	Residential Real Estate	Student Loans	Total
No assigned risk rating	$ -	$ 315,925	$ -	$ 315,925
1	-	-	-	151,548
2	4,706	-	-	40,067
3	41,239	-	-	1,524,184
4	90,263	-	-	2,246,310
5	11,922	-	-	135,885
6	3,292	-	-	100,288
7	56	-	-	5,510
8	-	-	-	-
Loan types excluded from allowance	31,714	228	1,063,453	1,239,023
Total	$ 183,192	$ 316,153	$ 1,063,453	$ 5,758,740

Continued on next page

(In Thousands)

The following tables include an aging analysis of the recorded investment of past due financing receivables as of December 31, 2024 and 2023. 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.

	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

	2023					
Loan Class	31-60 days past due	61 - 90 days past due	Greater than 90 days	Total Past Due	Current	Total Loans
Commercial Participations	$ 3,151	$ 3,732	$ 22,864	$ 29,747	$ 2,155,899	$ 2,185,646
Bank Stock	-	-	-	-	399,115	399,115
All other Business Loans (Including PACE)	1,135	781	2,249	4,165	1,055,971	1,060,136
Farm & Ranch	22,434	-	-	22,434	139,022	161,456
Farm Real Estate	3,463	-	476	3,939	385,650	389,589
All other Farm loans	440	183	888	1,511	181,681	183,192
Residential Real Estate	7,743	3,592	2,644	13,979	302,174	316,153
Student Loans	11,095	5,306	15,325	31,726	1,031,727	1,063,453
Totals	$ 49,461	$ 13,594	$ 44,446	$ 107,501	$ 5,651,239	$ 5,758,740

Continued on next page

(In Thousands)

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, 2024 and 2023.

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

	December 31, 2023		
	Nonaccrual	Nonaccrual With No Allowance for Credit Loss	Loans Past Due Over 89 Days Sill Accruing
Commercial Participations	$ 28,031	$ 6,020	$ -
All Other Business Loans (Including PACE)	2,255	390	2
Farm & Ranch	432	432	-
Farm RE	-	-	476
All Other Farm Loans	86	-	802
Residential Real Estate	-	-	2,644
Student Loans	-	-	15,325
Total	$ 30,804	$ 6,842	$ 19,249

The Bank recognized $174 and $109 of interest income on nonaccrual loans during the years ended December 31, 2024 and 2023, respectively. The Bank charged-off $89 and $353 of accrued interest during the years ended December 31, 2024 and 2023, respectively.

Accruing loans 90 days or more past due include guaranteed student loans of $15,276 and $15,325 as of December 31, 2024 and 2023, 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.

Continued on next page

Residential loans of $2,835 and $2,644 as of December 31, 2024 and 2023, 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.

Continued on next page

(In Thousands)

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, 2024 and 2023.

	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	**$ 11,606**	**$ 518**	**$ 1,686**	**$ 13,810**	**$ 2,573**

	December 31, 2023				
	Real Estate	Equipment	Other	Total	ACL
Commercial Participations	$ 9,986	$ 14,372	$ 5,375	$ 29,733	$ 4,988
Bank Stock	-	-	-	-	-
All Other Business Loans (Including PACE)	2,271	152	76	2,499	620
Farm & Ranch	-	433	101	534	23
Farm Real Estate	1,316	-	-	1,316	-
All Other Farm Loans	1,770	468	-	2,238	30
Residential Real Estate	702	-	-	702	-
Student Loans	-	-	-	-	-
Total	$ 16,045	$ 15,425	$ 5,552	$ 37,022	$ 5,661

Continued on next page

(In Thousands)

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, 2024 and 2023.

	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%

	December 31, 2023						
	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	$ -	$ 8,071	$ 4,278	$ -	$ -	$ -	1%
Bank Stock	-	-	-	-	-	-	0%
All Other Business Loans (Including PACE)	-	77	-	-	-	-	0%
Farm & Ranch	-	-	359	-	-	-	0%
Farm Real Estate	-	1,316	-	-	-	-	0%
All Other Farm Loans	-	-	-	-	-	-	0%
Residential Real Estate	-	-	-	-	-	-	0%
Student Loans	-	-	-	-	-	-	0%
Total	$ -	$ 9,464	$ 4,637	$ -	$ -	$ -	0%

The Bank has no material commitments to lend additional funds to customers whose loans were classified as restructured at December 31, 2024 and 2023 to borrowers included in the tables above.

Continued on next page

(In Thousands)

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, 2024 and 2023.

	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 Real Estate	**-**	**0.00%**	**-**
All Other Farm Loans	**-**	**0.00%**	**-**
Residential Real Estate	**-**	**0.00%**	**-**
Student Loans	**-**	**0.00%**	**-**
	$ -	**0.00%**	**4**

	December 31, 2023		
	Principal Forgiveness	Weighted Average Interest Rate Reduction	Weighted Average Term Extension (Yrs)
Commercial Participations	$ -	0.00%	5
Bank Stock	-	0.00%	-
All Other Business Loans (Including PACE)	-	0.00%	-
Farm & Ranch	-	0.00%	1
Farm RE	-	0.00%	-
All Other Farm Loans	-	0.00%	-
Residential Real Estate	-	0.00%	-
Student Loans	-	0.00%	-
	$ -	0.00%	6

Continued on next page

(In Thousands)

The Bank closely monitors the performance of loans modified to borrowers experiencing financial difficulty to understand the effectiveness of its loan modifications. All loans modified during the year ended December 31, 2024 are current. None of the loans modified for the period were in payment default during the year ended December 31, 2024. None of the loans modified in 2023 were in payment default during the year ended December 31, 2023.

The following tables present loans purchased and sold during the years ended December 31, 2024 and 2023. The Bank considers all newly originated participations as purchased loans, as reflected below.

	December 31, 2024	
	Purchases	**Sales**
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	**-**	**-**
Total	**$ 1,021,137**	**$ -**

	December 31, 2023	
	Purchases	Sales
Commercial Participations	$ 652,294	$ -
Bank Stock	-	-
All Other Business Loans (Including PACE)	195,351	-
Farm & Ranch	76,091	-
Farm Real Estate	-	-
All Other Farm Loans	33,505	-
Residential Real Estate	-	-
Student Loans	-	-
Total	$ 957,241	$ -

Continued on next page

(In Thousands)

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, 2024 and 2023 were as follows:

	2024	2023
Student loans		
North Dakota Student Loan Trust	$ **405**	$ 472
Residential loans		
Fannie Mae	**15,291**	17,455
Other state fund loans		
School Construction Assistance Revolving Loan Fund	**326,240**	313,989
Infrastructure Revolving Loan Fund	**180,263**	167,101
Medical Facility Infrastructure Loan Fund	**42,719**	41,528
Rebuilders Loan Program	**26,663**	32,246
State Water Commission	**506**	539
Water Infrastructure Revolving Loan Fund	**64,362**	43,708
Board of University and School Lands	**2,211**	2,373
Information Technology Department	**443**	695
Department of Human Services	**1,860**	2,082
Addiction Counseling Internship Loan Program	**84**	69
Workforce Safety	**31**	40
Clean Sustainable Energy	**44,827**	43,018
Legacy Investment for Technology Fund	**31,901**	25,608
Bulk Propane Storage	**975**	571
Legacy Infrastructure Loan Fund	**92,066**	49,169
Rural Workforce Initiative to Support Housing	**1,670**	-
	$ **832,517**	$ 740,663

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.

Continued on next page

(In Thousands)

NOTE 6 - BANK PREMISES, EQUIPMENT, AND SOFTWARE

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

	2024	2023
Land	**$ 2,449**	$ 2,449
Building	**10,388**	10,342
Equipment	**869**	789
Furniture	**815**	817
Software	**6,491**	6,491
	21,012	20,888
Less accumulated depreciation	**12,351**	11,739
	$ 8,661	$ 9,149

Depreciation expense totaled $650 and $547 for the years ended December 31, 2024 and 2023, respectively.

NOTE 7 - DEPOSITS

As of December 31, 2024, the scheduled maturities of certificates of deposits are as follows:

One year or less	$ 4,543,032
One to three years	274,467
Over three years	566,098
	$ 5,383,597

Continued on next page

(In Thousands)

NOTE 8 - FEDERAL HOME LOAN BANK (FHLB) ADVANCES

Short and long-term debt consists of:

	2024	2023
Federal Home Loan Bank advances - short-term	**$ 480,000**	$ 25,000
	$ 480,000	$ 25,000

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

	Principal	Interest	Total
2025	$ 480,000	$ 123	$ 480,123

The FHLB short-term advances outstanding as of December 31, 2024, matured in January 2025 and had a fixed interest rate of 4.62%. The FHLB short-term advances outstanding as of December 31, 2023, matured in January 2024 and had a fixed interest rate of 5.64%. All FHLB advances must be secured by minimum qualifying collateral maintenance levels. Residential, agriculture, and commercial loans with carrying values of $1,021,616 and $864,435 as of December 31, 2024 and 2023, respectively, are currently being used as security to meet these minimum levels.

NOTE 9 - OTHER ASSETS

	2024	2023
Fees receivable	**$ 1,265**	$ 1,080
Securities receivable	**1,679**	28,421
Interest rate swap receivable	**64,965**	52,125
Foreclosed assets	**-**	4,223
Prepaid expenses, deferred expenses and other receivables	**1,134**	835
	$ 69,043	$ 86,684

Continued on next page

(In Thousands)

NOTE 10 - OTHER LIABILITIES

Other Liabilities consist of:

	2024	2023
Interest payable	$ 9,443	$ 8,234
Salary and benefits payable	3,413	3,154
ACL on unfunded loan commitments	10,568	12,847
Accounts payable, accrued expenses and other liabilities	1,650	3,948
	$ 25,074	$ 28,183

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, 2024 and 2023 were approximately $1,940 and $1,623, respectively, and are charged directly to operations. There were no surcharges paid by the Bank to the Plan in 2024 and 2023.

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, 2024, and 2023, 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, 2024. 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, 2023 and ending June 30, 2025. Following is a summary of legislative action and/or North Dakota Statute in effect:

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 December 31, 2024, the Bank had transferred $0.

H.B. 1014, Section 12 – The Bank shall transfer up to $39,000 from its current earnings and undivided profits to the Partnership in Assisting Community Expansion Fund during the biennium beginning July 1, 2023 and ending June 30, 2025. As of December 31, 2024, the Bank had transferred $29,000.

H.B. 1014, Section 12 – The Bank shall transfer up to $5,000 from its current earnings and undivided profits to the Agriculture Partnership in Assisting Community Expansion Fund during the biennium beginning July 1, 2023 and ending June 30, 2025. As of December 31, 2024, the Bank had transferred $4,000.

H.B. 1014, Section 12 – The Bank shall transfer up to $1,000 from its current earnings and undivided profits to the Biofuels Partnership in Assisting Community Expansion Fund during the biennium beginning July 1, 2023 and ending June 30, 2025. As of December 31, 2024, the Bank had transferred $1,000.

H.B. 1014, Section 12 – The Bank shall transfer up to $15,000 from its current earnings and undivided profits to the Beginning Farmer Revolving Loan Fund during the biennium beginning July 1, 2023 and ending June 30, 2025. As of December 31, 2024, the Bank had transferred $3,000.

H.B. 1014, Section 12 – The Bank shall transfer up to $1,500 from its current earnings and undivided profits to the University of North Dakota Small Business Development Center during the biennium beginning July 1, 2023 and ending June 30, 2025. As of December 31, 2024, the Bank had transferred $1,500.

H.B. 1003, Section 7 – 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, 2023 and ending June 30, 2025. As of December 31, 2024, the Bank had transferred $800.

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H.B. 1003, Section 8 – 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, 2023 and ending June 30, 2025. As of December 31, 2024, the Bank had transferred $400.

H.B. 1003, Section 9 – 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, 2023 and ending June 30, 2025. As of December 31, 2024, the Bank had transferred $1,000.

H.B. 1012, Section 4 – The Department of Transportation may borrow from the Bank, up to $50,000, which is appropriated to the Department for matching federal funds that may become available, for the biennium beginning July 1, 2023 and ending June 30, 2025. As of December 31, 2024, there was no outstanding balance.

H.B. 1012, Section 5 – The Department of Transportation may borrow from the Bank, up to $28,500, which is appropriated to the Department for the contingent loan authorization line item in section 1 of this Act for matching funds made available from the state of Minnesota for northern Red River Valley transportation projects, for the biennium beginning July 1, 2023 and ending June 30, 2025. As of December 31, 2024, there was no outstanding balance.

H.B. 1242, Section 2 – The Bank of North Dakota shall transfer the sum of $20,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the Statewide Interoperable Radio Network fund during the biennium beginning July 1, 2023, and ending June 30, 2025. As of December 31, 2024, the Bank had transferred $20,000.

H.B. 1003, Section 10 – The Office of Management and Budget shall transfer $5,500 from the strategic investment and improvements fund to the economic diversification research fund, the sum of which is appropriated to the Bank of North Dakota for the purpose of providing grants to institutions under the control of the State Board of Higher Education, for the biennium beginning July 1, 2023, and ending June 30, 2025, as requested by the commissioner of higher education. As of December 31, 2024, SIIF had transferred $5,500.

H.B. 1003, Section 13 – The legislative assembly authorizes the Mayville State University Old Main renovation project to be funded in two phases as provided under this section. The capital assets line item in subdivision 9 of section 1 of this Act includes the sum of $17,330, or so much of the sum as may be necessary, for phase 1 of the project. During the biennium beginning July 1, 2023, and ending June 30, 2025, and continuing into the biennium beginning July 1, 2025, and ending June 30, 2027, the State Board of Higher Education may borrow the sum of $34,925, or so much of the sum as may be necessary, from the Bank of North Dakota for completion of phase 2 of the Mayville State University Old Main renovation project. The State Board of Higher Education shall seek funding from the sixty-ninth legislative assembly to repay the loan authorized under this section. As of December 31, 2024, no funds have been utilized.

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H.B. 1199, Section 2 – The Bank of North Dakota shall extend a line of credit not to exceed $68,276 to the Department of Career and Technical Education at the prevailing interest rate charged to North Dakota governmental entities, the sum of which is appropriated to the Department of Career and Technical Education for the purpose of providing grants to entities approved by the State Board for Career and Technical Education to build career academies through the statewide area and career center initiative grant program for the period beginning with the effective date of this Act, and ending June 30, 2025. The department may award funding provided in this section to foundations that are working with school districts on career academy projects approved by the state board for career and technical education. The department shall repay the line of credit and accrued interest from funding appropriated from the general fund in section 1 of this Act and from funding appropriated from the federal coronavirus capital projects fund in section 1 of chapter 548 of the 2021 Session Laws. If moneys available on June 30, 2025, are not sufficient to repay the line of credit, the department of career and technical education shall request from the sixty-ninth legislative assembly a deficiency appropriation to repay the line of credit. As of December 31, 2024, there was no outstanding balance.

S.B. 2009, Section 10 – 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, 2023 and ending June 30, 2025. As of December 31, 2024, the Bank had transferred $3,000.

S.B. 2020, Section 11 – The Bank of North Dakota shall extend a line of credit not to exceed $100,000 at the prevailing interest rate charged to North Dakota government entities. The Department of Water Resources shall repay the line of credit from funds available in the Resources Trust Fund, Water Development Trust Fund, or other funds, as appropriated by the legislative assembly. The Department of Water Resources may access the line of credit, as necessary, to provide up to $50,000 for the Northwest Area Water Supply project and up to $50,000 for the Southwest Pipeline project during the biennium beginning July 1, 2023, and ending June 30, 2025. As of December 31, 2024, the there were no funds extended on the line.

H.B. 1014, Section 23 – The Bank shall extend a line of credit not to exceed $390,000 to the industrial commission to support loans or loan guarantees issued from the Clean Sustainable Energy Fund. 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, 2024, the Bank had extended $16,470.

H.B. 1014, Section 8 – The sum of $1,818, or so much of the sum as may be necessary, included in the appropriation in subdivision 1 of section 1 of this Act, may be transferred from the entities within the control of the industrial commission or entities directed to make payments to the industrial commission fund for administrative services rendered by the commission. Transfers must be made during the biennium beginning July 1, 2023, and ending June 30, 2025, upon order of the commission. Transfers from the student loan trust fund must be made to the extent permitted by sections 54-17-24 and 54-17-25. As of December 31, 2024, the Bank had transferred $275.

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Continuing Commitments and Contingent Liabilities

H.B. 1025, Section 3 – It is the intent of the sixty-seventh legislative assembly that the Attorney General seek reimbursement from the federal government for the costs of responding to unlawful activity associated with the construction of the Dakota Access Pipeline. It is further the intent of the sixty-seventh legislative assembly that these reimbursements be used to repay the Bank of North Dakota loans authorized by the Emergency Commission and the Legislative Assembly which were obtained to provide the funding necessary to respond to the unlawful activity associated with the construction of the Dakota Access Pipeline. It is the further intent of the sixty-seventh legislative assembly that the provisions of section 54-16-13 apply to the loans, except that Emergency Commission approval does not apply. The unpaid principal balance as of December 31, 2024 and 2023 was $13,362 and $13,362, respectively.

S.B. 2124, Section 1 – 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.

S.B. 2014, Section 17 – This bill is an amendment to Section 6-09-49 regarding the Infrastructure Revolving Loan Fund and provide definition for "essential infrastructure projects". No new funding was provided, and no other changes to the program were made. The Infrastructure Revolving Loan Fund is a special fund in the State Treasury from which the Bank of North Dakota shall provide loans to political subdivisions for essential infrastructure projects. The Bank shall administer the Infrastructure Revolving Loan Fund. The maximum term of a loan made under this section is thirty years. A loan made from the Fund under this section must have an interest rate that does not exceed two percent per year. For purposes of this section, "essential infrastructure projects" means capital construction projects to construct new infrastructure or replace existing infrastructure, which provide the fixed installations necessary for the function of a political subdivision. As of December 31, 2024 and 2023, outstanding loans totaled $180,263 and $167,101, respectively.

S.B. 2018, Section 5 – The 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. 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. It is the intent of the sixty-eighth legislative assembly that the State Historical Society request funding from the sixty-ninth legislative assembly from the legacy earnings fund to repay the line of credit. As of December 31, 2024, the unpaid principal balance totaled $2,256.

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S.B. 2019, Section 3 – 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. As of December 31, 2024, no funds have been utilized.

S.B. 2272, Section 4 – 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 $10,000. 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. The Bank of North Dakota shall arrange for the conduct of an annual audit of the School Construction Assistance Revolving Loan Fund, the cost of which must be paid from the Fund and which must be conducted by an independent accounting firm. As of December 31, 2024 and 2023, outstanding loans in the School Construction Assistance Revolving Loan Fund totaled $326,240 and $313,989, respectively.

S.B. 2008, Section 4 – The Bank of North Dakota shall transfer from the Beginning Farmer Revolving Loan Fund to the Public Service Commission the sum of $900, or so much of the sum as may be necessary, included in the estimated income line item in section 1 of this Act to pay for costs associated with a rail rate complaint case. Transfers must be made during the biennium beginning July 1, 2023, and ending June 30, 2025, upon order of the Commission. If any amounts are spent pursuant to this section, the Public Service Commission shall reimburse the Beginning Farmer Revolving Loan Fund using amounts available from damages or proceeds received, net of legal fees, from a successful outcome of a rail complaint case. As of December 31, 2024, the Bank had transferred $0.

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State Water Commission

Under chapter 61-02.1-04 of North Dakota Century Code, principal and interest on bonds issued are payable from transfers to be made and appropriated by the Legislative Assembly from the Water Development Trust Fund as provided in section 61-02.1-05, then from transfers to be made and appropriated by the Legislative Assembly from revenues in the Resources Trust Fund other than revenues from state taxes, then from appropriations of other available revenues in the then current biennium, and then from any other revenues the State Water Commission makes available during the then current biennium for that purpose, including any federal moneys received by the state for the construction of flood control or reduction projects to pay bonds issued for that project. If sufficient funds from these sources are not available, then from transfers to be made and appropriated by the Legislative Assembly from the first available current biennial earnings of the Bank of North Dakota not to exceed $6,500 per biennium prorated with any other bonds payable from transfers to be made and appropriated by the Legislative Assembly from the available current biennial earnings of the Bank of North Dakota, to be credited by the Trustee to the Fund established for paying principal and interest on the bonds under a trust indenture. If the Bank has to provide a transfer to the State Water Commission to make principal and interest payments on these bonds, the State Water Commission would then have to request from the next Legislative Assembly funding to repay the transfer made by the bank. As of December 31, 2024, the Bank has provided no such transfers.

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, 2024, and 2023, 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, 2024 and 2023.

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, 2024, the outstanding loan balance was $0.

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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, 2024, 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 $150,000. 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, 2024, the balance in the reserve fund was $32,241.

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, 2024, and 2023, the Bank has guarantees outstanding totaling $6,422 and $6,944, respectively, and had guarantee commitments outstanding of $21 and $309, 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, 2024 and 2023.

Rebuilders Permanent Loan Fund

H.B. 1187, Section 3 of the sixty-seventh legislative session combined the Small Employer Loan Fund with the Rebuilders Permanent Loan Fund. In response to the COVID-19 pandemic, the Bank of North Dakota created the Small Employer Loan Fund (SELF) to assist small businesses. The SELF program allowed businesses with a physical presence in North Dakota, and 10 full-time equivalents or less to borrow up to $50 at one percent interest over 120 months. The Bank received applications for assistance up to November 30, 2020. The Bank committed up to $50,000 of capital or so much as the sum as needed. As of December 31, 2024, the Bank transferred $30,000.

Continued on next page

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, 2024, the Bank transferred $1,670.

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.

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 $996,856 and $1,046,618 as of December 31, 2024 and 2023, 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, 2024 and 2023 amounted to $47,864 and $39,836, respectively. Deposits and short-term borrowings held by the Bank were $18,542 and $30,355, 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, 2024 and 2023, the outstanding balance of loans serviced by NDHFA was $171,691 and $189,846, respectively. Mortgage servicing fees paid to NDHFA for the years ended December 31, 2024 and 2023 were $454 and $497, respectively.

Continued on next page

(In Thousands)

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, 2024, and 2023, the following financial instruments were outstanding whose contract amounts represent credit risk:

	Contract Amount	
	2024	2023
Commitments to extend credit	**$ 2,057,613**	$ 2,073,963
Financial standby letters of credit	**781,244**	871,330
Guarantees provided	**6,443**	7,253

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.

Continued on next page

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 11 months to 22 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, 2024 and 2023 were $26,189 and $27,278, 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, 2024 and 2023 were $3,964 and $5,584, 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 $481,970 and $572,975 as of December 31, 2024 and 2023, 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, 2024 and 2023.

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.

Continued on next page

(In Thousands)

The Bank has outstanding interest rate swap agreements with a notional amount totaling $500,000 and $500,000 as of December 31, 2024 and 2023, respectfully, to convert variable rate federal funds 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, 2024:

			Estimated fair value	
	Balance sheet location	Notional amount	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**	**-**

Continued on next page

(In Thousands)

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.

The following table summarizes the derivative financial instrument utilized as of December 31, 2023:

			Estimated fair value	
	Balance sheet location	Notional amount	Gain	Loss
Cash flow hedge	Other assets	$ 50,000	$ 4,126	$ -
Cash flow hedge	Other assets	50,000	3,562	-
Cash flow hedge	Other assets	50,000	3,453	-
Cash flow hedge	Other assets	50,000	4,390	-
Cash flow hedge	Other assets	50,000	10,053	-
Cash flow hedge	Other assets	50,000	9,046	-
Cash flow hedge	Other assets	50,000	4,175	-
Cash flow hedge	Other assets	50,000	1,347	-
Cash flow hedge	Other assets	50,000	6,878	-
Cash flow hedge	Other assets	50,000	5,096	-

Continued on next page

(In Thousands)

The following table details the derivative financial instruments, the remaining maturities, and the interest rates being paid and received as of December 31, 2023:

	Notional value	Maturity (years)	Fair value gain/(loss)	Receive	Pay
Interest rate swap	$ 50,000	5.4	$ 1,347	5.33%	2.86%
Interest rate swap	50,000	6.3	4,175	5.33%	1.92%
Interest rate swap	50,000	7.7	6,878	5.46%	1.48%
Interest rate swap	50,000	8.3	4,126	5.46%	2.39%
Interest rate swap	50,000	8.5	5,096	5.33%	1.99%
Interest rate swap	50,000	9.3	3,562	5.33%	2.47%
Interest rate swap	50,000	9.5	3,453	5.33%	2.52%
Interest rate swap	50,000	10.3	4,390	5.33%	2.36%
Interest rate swap	50,000	10.8	10,053	5.33%	1.15%
Interest rate swap	50,000	10.8	9,046	5.33%	1.38%

Amongst all swap counterparties for the transactions noted above, the Bank holds a net $51,500 in cash pledged under collateral arrangements related to the interest rate swaps as of December 31, 2023, to satisfy the collateral requirements.

Interest expense recorded on these swap transactions totaled ($15,783) and ($16,309) as of December 31, 2024 and 2023 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).

Continued on next page

(In Thousands)

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, 2024 and 2023.

	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	$ 4,267,466	$1,180,472	$ 3,086,994	$ -
LIABILITIES				
Interest rate swap	$ -	$ -	$ -	$ -
Totals	$ -	$ -	$ -	$ -

Continued on next page

(In Thousands)

	2023			
	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	$ 57,074	$ -	$ 57,074	$ -
Collateralized mortgage obligations				
Agency	1,989,244	-	1,989,244	-
Agency bonds	335,090	335,090	-	-
U.S. treasuries	1,487,258	1,487,258	-	-
Municipal bonds	1,000	-	1,000	-
Interest rate swaps	52,126	-	52,126	-
Totals	$ 3,921,792	$ 1,822,348	$ 2,099,444	$ -
LIABILITIES				
Interest rate swap	$ -	$ -	$ -	$ -
Totals	$ -	$ -	$ -	$ -

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:

	2024	2023	Valuation Technique	Unobservable Input	Range (Weighted Avg.)
Collateral Dependant Loans	$ 11,237	$ 31,361	Collateral valuation	Discount from market value	84%
Foreclosed Assets	$ -	$ 4,223	Collateral valuation	Discount from market value	92%

Continued on next page

(In Thousands)

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, 2024 and 2023 follows:

	Unrealized gain and losses on available-for-sale securities	**Gains and losses on cash flow hedges**	**Total**
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)**

	Unrealized gain and losses on available-for-sale securities	Gains and losses on cash flow hedges	Total
Year ended December 31, 2023			
Beginning balance	$ (240,533)	$ 63,068	$ (177,465)
Other comprehensive income (loss) before reclassifications	105,398	(10,943)	94,455
Amount reclassified from accumulated other comprehensive income	-	-	-
Net current period other comprehensive income	105,398	(10,943)	94,455
Ending balance	$ (135,135)	$ 52,125	$ (83,010)

Continued on next page

(In Thousands)

NOTE 18 - SUPPLEMENTAL DISCLOSURES RELATED TO STATEMENTS OF CASH FLOWS

	2024	2023
Supplemental disclosures of cash flow information		
Cash payments for:		
Interest paid to customers	**$ 179,567**	$ 94,256
Interest paid on federal funds purchased and securities sold under repurchase agreements	**20,169**	13,571
Interest paid on short and long-term debt	**9,048**	23,739
Supplemental schedule of noncash investing and financing activities		
Net change in fair value on debt securities available for sale	**49,637**	105,398
Net change in fair value on interest rate swaps	**12,840**	(10,943)
Transfer of ACL loans to unfunded commitments	**-**	14,196
Transition adjustment to undivided profits for ASC 326	**-**	3,143
Foreclosed assets acquired in exchange for loans	**-**	99
Loans provided for sale of foreclosed assets	**4,223**	-

Continued on next page

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

In normal course of business the Bank repositioned approximately $500 million of its securities portfolio in January 2025. The Bank sold $495 million of low yielding, short duration securities at a loss of $7.49 million in January. The Bank reinvested $484 million back into its security portfolio at higher yields as of January 17, 2025. The Bank does not expect this to have a material impact on its 2025 financial statement.

Subsequent events have been evaluated through February 4, 2025, which is the date these financial statements were available to be issued.

EideBailly

CPAs & BUSINESS ADVISORS

February 4, 2025

Governor of North Dakota and
the Legislative Assembly
Office of the State Auditor
State of North Dakota
Advisory Board of the Bank of North Dakota
Bismarck, North Dakota

We have audited the financial statements, prepared following the Financial Accounting Standards Board (FASB) accounting standards, of the Bank of North Dakota (the Bank) as of and for the year ended December 31, 2024, and have issued our report thereon dated February 4, 2025. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our letter dated October 23, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of the system of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the system of internal control of the Bank solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

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Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Bank is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting Estimates and Related Disclosures

Accounting estimates and related disclosures are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements is the allowance for credit losses.

Management's estimate of the allowance for credit losses is based on management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. We evaluated the key factors and assumptions used to develop the allowance for credit losses in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Bank's financial statements relate to Note 4 – Loans.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no uncorrected or corrected misstatements identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report.

The Bank is a governmental entity as defined by the Governmental Accounting Standards Board (GASB). As a result, the standards promulgated by GASB are the appropriate accounting standards for the Bank. However, the Banks's financial statements are presented in accordance with accounting standards promulgated by FASB even though the Bank meets the "governmental" criteria. The effects on the financial statements of the variance between the accounting policies, although not reasonably determinable, are presumed to be material.

As a result, the Bank's financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America for governmental entities, the financial position of the Bank as of December 31, 2024 and 2023, or changes in financial position or cash flows thereof for the years then ended.

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated February 4, 2025.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Matters Resulting in Consultation outside the Engagement Team

The following significant and relevant matters resulted in consultations outside of our engagement team:

Eide Bailly LLP's quality control procedures require consultation outside of the engagement team with a member of the Firm's National Assurance Office when modifications of the Independent Auditor's Report occur. A modification of the Independent Auditor's Report resulted from the presentation of the Bank's financials following the FASB accounting standards. As a result, the engagement team consulted with the Firm's National Assurance Office regarding the form and content of the Independent Auditor's Report.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Bank, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Bank's auditors.

This report is intended solely for the information and use of the Governor of North Dakota, Legislative Assembly, Industrial Commission, Office of the State Auditor, Advisory Board of the Bank of North Dakota, and management of the Bank and is not intended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Bismarck, North Dakota