

PROGRAM NARRATIVE**Date:** 12/07/2012**471 Bank of North Dakota****Time:** 14:48:07**Program:** Bank of North Dakota Operations**Reporting level:** 00-471-100-00-00-00-00000000**Program Performance Measures**

In meeting BND's performance, there are three areas that we believe should be monitored: Financial performance, achieving BND's mission, and meeting legislative expectations.

1. Financial Performance - The Department of Financial Institutions (DFI) evaluates the safety and soundness of banks utilizing the "CAMELS" rating system. CAMELS is an acronym standing for: Capital, Asset Quality, Management, Earnings, Liquidity and funds management, and Sensitivity.
2. Meeting the Mission - To deliver quality, sound financial services that promote agriculture, commerce, and industry. We measure our success in achieving our mission by the quality and usage of our programs.
3. Meeting Legislative expectations - ND legislature has two distinct expectations of BND. They expect that BND will continue to be a major player in the economic evolution of the State of North Dakota and that BND can be a source of revenue for the State's General Fund. We believe that if we meet our mission and financial performance objectives, we will fulfill the expectations of the legislature.

Performance Measurement Tools:

Return on Average Assets: Return on assets for 2011, 2010, and 2009 were 1.48%, 1.49%, and 1.57%.

Return on Average Equity: Return on average equity for 2011, 2010, and 2009 were 19.32%, 20.85%, and 23.80%.

Leverage Ratio: The leverage ratio for 2011, 2010, and 2009 were 7.70%, 7.95%, and 7.17%. BND's benchmark is 8%.

Program Statistical Data

Lending services loan portfolio grew from \$2.7 billion at December 31, 2009 to \$3.0 billion at December 31, 2011. This represents a 11% growth rate in loans over the two year period. We provide lending services in four major areas: business, agriculture, student and home lending. All of these areas support diversification as BND's loan portfolio remains well-balanced with commercial loans accounting for 36 percent, student loans 35 percent, residential loans 19 percent and agricultural loans 10 percent.

Treasury services provides a federal funds program to approximately 112 North Dakota financial institutions. Treasury services provides safekeeping services to 98 financial related institutions with over \$6.3 billion of securities in custody. Treasury services also provides bond accounting for 43 North Dakota financial institutions. Within the Treasury services area, BND also provides trust services on 43 accounts with assets of \$283 million, and transfer agent, registrar, and other agency services to approximately 904 accounts.

Banking services provide check clearing and correspondent bank account services to North Dakota financial institutions, state agencies, and political subdivisions. ACH and wire transfer services are also provided to correspondent banks.

PROGRAM NARRATIVE

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BND is a development and wholesale bank which generates revenue to fund its cost of operations and provide a return to the general fund.

Program Goals and Objectives

BND objectives:

1. Develop partnerships that deliver quality programs and services to expand the economy of North Dakota.
2. Maintain capital strength and financial integrity of the Bank.
3. Generate a consistent financial return to the State of North Dakota.
4. Provide a culture that develops people and is a model of efficient business and government.

REQUEST DETAIL BY PROGRAM471 Bank of North Dakota
Biennium: 2013-2015

Bill#: SB2014

Date: 12/07/2012

Time: 14:48:07

Program: Bank of North Dakota Operations		Reporting Level: 00-471-100-00-00-00-00000000			
Description	Expenditures 2009-2011 Biennium	Present Budget 2011-2013	Budget Request Change	Requested Budget 2013-2015 Biennium	Optional Request 2013-2015
Capital Assets					
Equipment Over \$5000	124,640	132,000	118,000	250,000	0
IT Equip/Sftware Over \$5000	193,870	1,134,000	(639,000)	495,000	0
Total	318,510	1,266,000	(521,000)	745,000	0
Capital Assets					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	318,510	1,266,000	(521,000)	745,000	0
Total	318,510	1,266,000	(521,000)	745,000	0
Western Area Water Supply					
Transfers Out	0	35,000,000	(35,000,000)	0	0
Total	0	35,000,000	(35,000,000)	0	0
Western Area Water Supply					
General Fund	0	25,000,000	(25,000,000)	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	10,000,000	(10,000,000)	0	0
Total	0	35,000,000	(35,000,000)	0	0
PACE Fund					
Transfers Out	8,000,000	6,000,000	0	6,000,000	21,718,000
Total	8,000,000	6,000,000	0	6,000,000	21,718,000
PACE Fund					
General Fund	8,000,000	6,000,000	0	6,000,000	21,718,000
Federal Funds	0	0	0	0	0
Special Funds	0	0	0	0	0
Total	8,000,000	6,000,000	0	6,000,000	21,718,000
Agriculture PACE Prog.					
Transfers Out	1,400,000	1,000,000	0	1,000,000	1,000,000
Total	1,400,000	1,000,000	0	1,000,000	1,000,000
Agriculture PACE Prog.					
General Fund	1,400,000	1,000,000	0	1,000,000	1,000,000
Federal Funds	0	0	0	0	0

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Description	Expenditures 2009-2011 Biennium	Present Budget 2011-2013	Budget Request Change	Requested Budget 2013-2015 Biennium	Optional Request 2013-2015
Special Funds	0	0	0	0	0
Total	1,400,000	1,000,000	0	1,000,000	1,000,000
Beginning Farmer Prog.					
Transfers Out	0	1,400,000	0	1,400,000	4,600,000
Total	0	1,400,000	0	1,400,000	4,600,000
Beginning Farmer Prog.					
General Fund	0	1,400,000	0	1,400,000	4,600,000
Federal Funds	0	0	0	0	0
Special Funds	0	0	0	0	0
Total	0	1,400,000	0	1,400,000	4,600,000
Biofuels PACE					
Transfers Out	700,000	1,000,000	0	1,000,000	1,000,000
Total	700,000	1,000,000	0	1,000,000	1,000,000
Biofuels PACE					
General Fund	700,000	1,000,000	0	1,000,000	1,000,000
Federal Funds	0	0	0	0	0
Special Funds	0	0	0	0	0
Total	700,000	1,000,000	0	1,000,000	1,000,000
BND Operations					
Salaries - Permanent	15,855,064	18,178,473	958,127	19,136,600	369,352
Temporary Salaries	667,373	330,000	573,460	903,460	0
Fringe Benefits	6,003,300	7,207,926	344,821	7,552,747	134,346
Travel	315,671	442,000	0	442,000	0
Supplies - IT Software	290,789	495,000	30,000	525,000	0
Supply/Material-Professional	42,639	55,000	0	55,000	0
Office Supplies	389,222	470,000	25,000	495,000	0
Postage	1,146,416	1,220,000	80,000	1,300,000	0
IT Equip Under \$5,000	390,027	430,000	90,000	520,000	0
Other Equip Under \$5,000	158,294	100,000	0	100,000	0
Utilities	192,338	225,000	20,000	245,000	0
Insurance	37,291	50,000	0	50,000	0
Rentals/Leases-Equip & Other	42,802	55,000	0	55,000	0
Repairs	371,469	455,000	10,000	465,000	0
Salary Increase	0	0	0	0	0

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Description	Expenditures 2009-2011 Biennium	Present Budget 2011-2013	Budget Request Change	Requested Budget 2013-2015 Biennium	Optional Request 2013-2015
Benefit Increase	0	0	0	0	0
IT - Data Processing	3,305,164	2,650,000	718,000	3,368,000	0
IT - Communications	579,840	690,000	(60,000)	630,000	0
IT Contractual Srvcs and Rprs	1,959,875	3,876,000	182,000	4,058,000	0
Professional Development	747,357	750,000	113,400	863,400	0
Operating Fees and Services	993,435	3,142,756	260,244	3,403,000	0
Fees - Professional Services	1,543,852	1,565,000	418,000	1,983,000	0
Special Line Other	1,788,229	3,200,000	44,356	3,244,356	0
Total	36,820,447	45,587,155	3,807,408	49,394,563	503,698
BND Operations					
General Fund	0	0	0	0	0
Federal Funds	693,244	3,000,000	0	3,000,000	0
Special Funds	36,127,203	42,587,155	3,807,408	46,394,563	503,698
Total	36,820,447	45,587,155	3,807,408	49,394,563	503,698
Total Expenditures	47,238,957	91,253,155	(31,713,592)	59,539,563	28,821,698
Funding Sources					
General Fund					
Total	10,100,000	34,400,000	(25,000,000)	9,400,000	28,318,000
Federal Funds					
R1261 NDCAN	693,244	3,000,000	0	3,000,000	0
Total	693,244	3,000,000	0	3,000,000	0
Special Funds					
469 Oil Tax Resources Trust Fund	0	10,000,000	(10,000,000)	0	0
998 Bank of North Dakota	36,445,713	43,853,155	3,286,408	47,139,563	503,698
Total	36,445,713	53,853,155	(6,713,592)	47,139,563	503,698
Total Funding Sources	47,238,957	91,253,155	(31,713,592)	59,539,563	28,821,698
FTE Employees	176.50	176.50	0.00	176.50	3.00

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Description	Priority	FTE	General Fund	Federal Funds	Special Funds	Total Funds

Base Budget Changes**One Time Budget Changes**

A-E 5 Remove Western Area Water Supply Appropriation		0.00	(25,000,000)	0	(10,000,000)	(35,000,000)
Total One Time Budget Changes		0.00	(25,000,000)	0	(10,000,000)	(35,000,000)

Ongoing Budget Changes

A-A 1 Purchase or Replacement of IT Equipment		0.00	0	0	495,000	495,000
A-A 2 Changes in Operating Expenses		0.00	0	208,947	1,722,053	1,931,000
A-A 3 Purchase or Replacement of Capital Equip		0.00	0	0	250,000	250,000
A-F 4 Remove Current Biennium Capital Assets		0.00	0	0	(1,266,000)	(1,266,000)
Base Payroll Change		0.00	0	(208,947)	2,085,355	1,876,408
Total Ongoing Budget Changes		0.00	0	0	3,286,408	3,286,408

Total Base Budget Changes

0.00	(25,000,000)	0	(6,713,592)	(31,713,592)
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Optional Budget Changes**Ongoing Optional Changes**

A-C 8 Optional Request for PACE/Flex PACE Funds	2	0.00	22,000,000	0	0	22,000,000
A-C 7 New FTE - Loan Officer	3	1.00	0	0	217,702	217,702
A-C 9 New FTE - Compliance Officer	4	1.00	0	0	165,534	165,534
A-C 10 New FTE - Collection Officer II (CSR)	5	1.00	0	0	120,462	120,462
A-C 12 Optional Request for Beginning Farmer Fund	6	0.00	4,600,000	0	0	4,600,000
A-C 13 Optional Request for Ag Pace Funds	7	0.00	1,000,000	0	0	1,000,000
A-C 14 Optional Request for Biofuels PACE Program	8	0.00	1,000,000	0	0	1,000,000
Total Ongoing Optional Changes		3.00	28,600,000	0	503,698	29,103,698

Total Optional Budget Changes

3.00	28,600,000	0	503,698	29,103,698
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Optional Savings Changes

A-G 1 Optional Savings	1	0.00	(282,000)	0	0	(282,000)
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Description	Priority	FTE	General Fund	Federal Funds	Special Funds	Total Funds
Total Optional Savings Changes		0.00	(282,000)	0	0	(282,000)