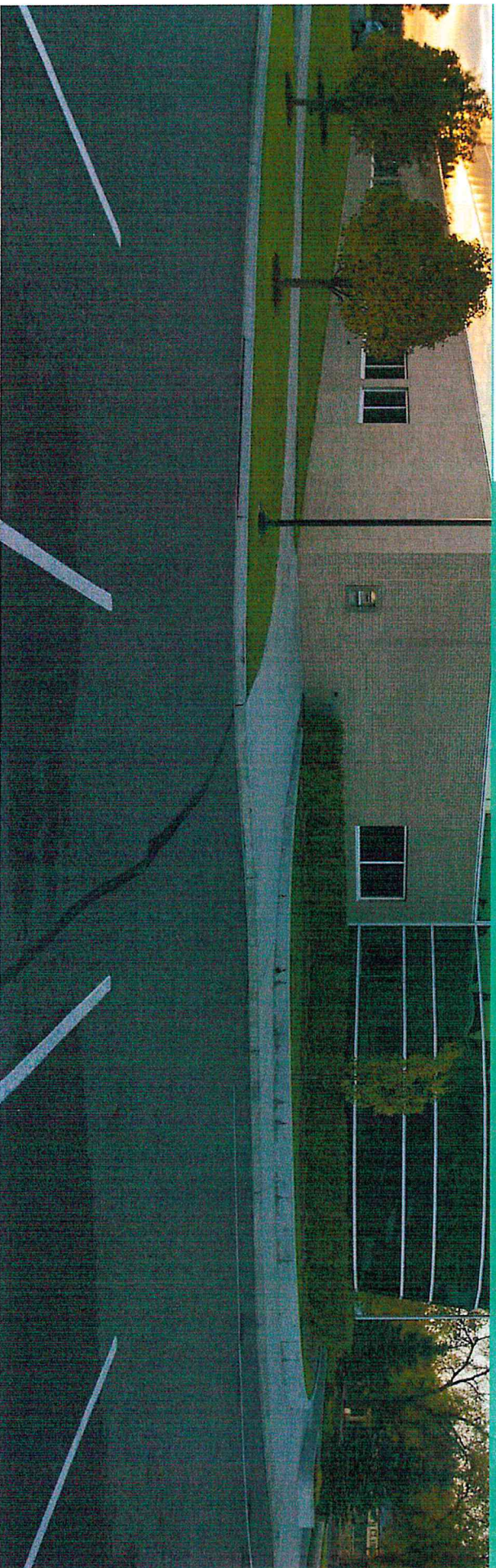




America's Only Bank - Owned by a State
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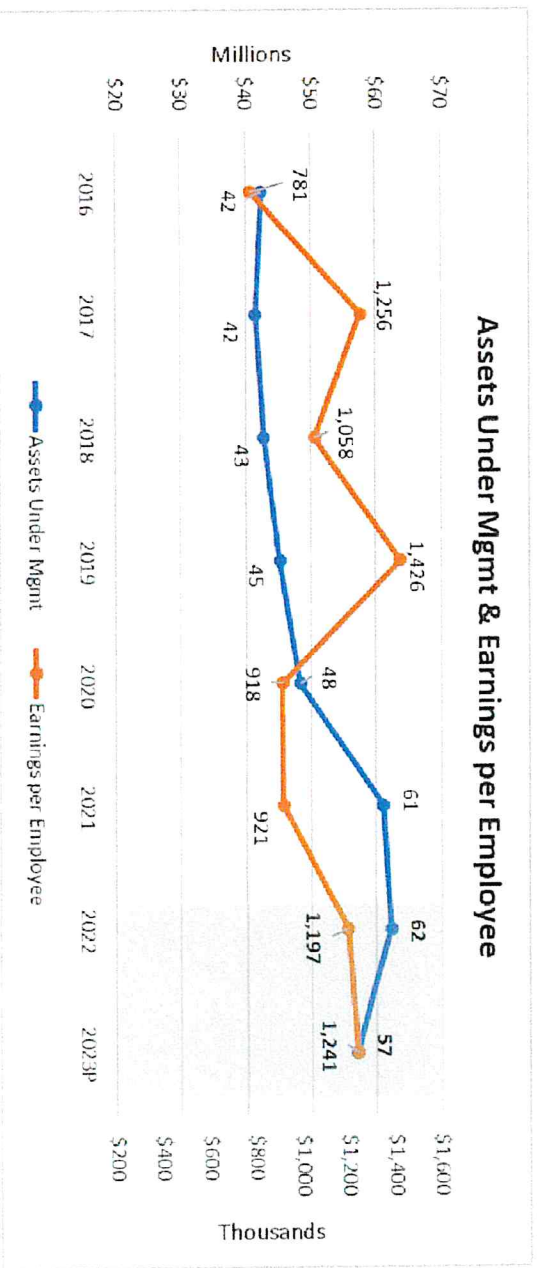
House Bill 1014

- Challenges
- Capital Drives Growth
- 23-25 Budget Request
- Governor's budget compared to BND proposal
- Capital Requests
- FTE Request Detail



Challenges

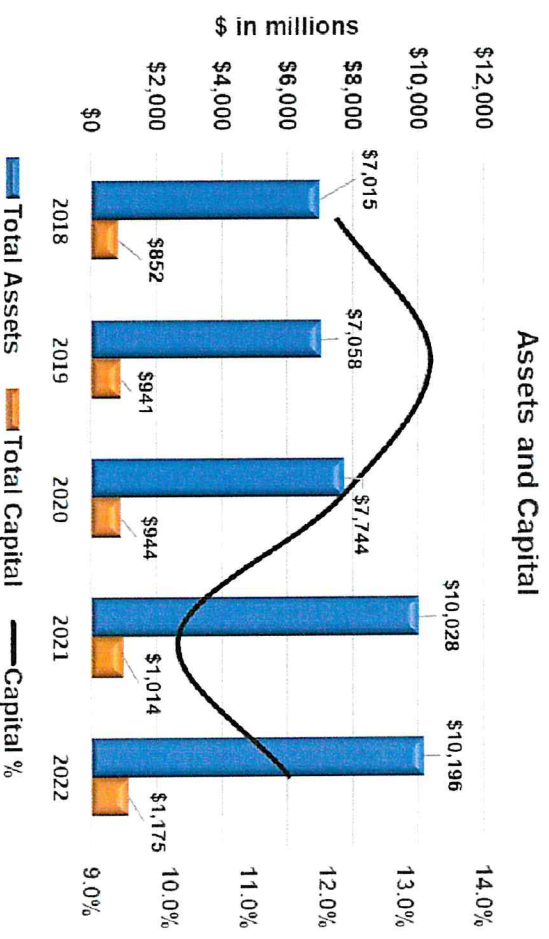
- Capital Constraints
 - Effects lending ability i.e., Lines of Credit to State Agencies and Others
- Retention and Recruitment
 - Lack of meaningful equity raises over the last three biennium's
 - 62% of BND employees are below the salary midpoint
 - BND's turnover rate has increased from 7.0% in 2020 and 9.0% in 2021 to an annualized rate of 11.4% in 2022



\$1.19 million of earnings per FTE

Capital Drives Growth

- What is Bank Capital?
 - Asset minus Liabilities = Capital
 - Profits that are retained at the Bank by the legislative body
 - Internal target of 12%
- Banks are required to have adequate Capital reserves to handle a certain amount of losses before being at risk of becoming insolvent
- Capital determines acceptable levels of lending concentration i.e., diversification
 - Lower levels of capital effect lending ability
 - Lines of credit for state programs and state agencies
 - Letters of credit to support large projects
- BND is participating in much larger transactions
 - The average commercial loan size in 2017 was \$1.3 million; today the average loan is \$2.4 million, an 84% increase



Goal of achieving \$1.5 billion in capital by the end of 2026



Requests Effecting BND Capital

- \$20.0 million additional for PACE programs for current 21-23 biennium
- \$1.5 million HB 1031 Dual Credit Scholarships (emergency measure)
- No General Fund contributions for the 23-25 biennium
- \$1.5 million to support ND Small Business Development Center
- \$5.0 million for Agriculture Product Utilization Commission
- \$60.0 million for PACE Programs (as detailed below)

Program	Budget 21-23	Proposed Budget 23-25	Proposed Increase
PACE/Flex PACE	\$26,000,000	\$39,000,000	\$13,000,000
Ag PACE	\$5,000,000	\$5,000,000	-
Biofuels PACE	\$1,000,000	\$1,000,000	-
Beginning Farmer	\$8,000,000	\$15,000,000	\$7,000,000
Total	\$40,000,000	\$60,000,000	\$20,000,000

23-25 Budget Request

BND is a special fund agency. All expenses, including employee salaries are funded by revenues generated by the Bank.

	Biennium Budget 21-23	Proposed Budget 23-25	Change
Operations	\$67,306,546	\$74,860,232	\$7,553,686
Capital Assets	\$1,510,000	\$1,510,000	-
Total	\$68,816,548	\$76,370,232	\$7,553,686
FTEs	173	190	17

- \$3,712,450 for 17 additional FTE's – BND only adds FTEs as needed (includes benefits, no 6%/4%)
 - 7 - Collateral Valuation
 - 6 - Lending
 - 2 - Credit Administration
 - 1 - Business Development for a University/Student Development Coordinator
 - 1 - Staff Accountant
- \$986,312 - health insurance increase
- \$894,924 - accounts for the continuation of the 21-23 legislative salary increases along with additional costs related to employee turnover and recruitment
- \$804,000 - major IT related enhancements
- \$750,000 - equity increases given current market challenges
- \$406,000 - vendor inflation adjustments



Governor Proposed compared to BND Request

BND is a special fund agency. All expenses, including employee salaries are funded by revenues generated by the Bank.

	Governor's Proposed Budget	Less 6%/4%	Adjusted Governor's Proposed Budget	BND Proposed Budget 23-25	Difference
Operations	\$74,395,765	(\$1,410,373)	\$72,985,392	\$74,860,232	\$1,874,840
Capital Assets	\$1,510,000	-	\$1,510,000	\$1,510,000	-
Total	\$75,905,765	(\$1,410,373)	\$74,495,392	\$76,370,232	\$1,874,840
FTEs	181		181	190	9

- \$1,874,840 - related to 9 additional FTEs in BND's request, this includes benefits but excludes the proposed 6%/4% salary increase by the Governor
- Governor's budget proposal included 8 additional FTEs

FTE Request by Position

# of FTE's	Service Area	Job Title	Estimated Timing	Paygrade	Annual Salary Midpoint	Biennium Request
6	Lending	Loan Servicing Associate Lead/Sr/Supervisor	7/1/2023	B05	\$ 67,829	\$ 135,658
		Loan Operations Supervisor/Manager	7/1/2023	B06	\$ 78,260	\$ 156,520
		Business Banking Associate II	7/1/2023	B03	\$ 50,086	\$ 100,172
		Loan Servicing Associate II	7/1/2023	B03	\$ 50,086	\$ 100,172
		Loan Servicing Associate III	7/1/2023	B04	\$ 57,399	\$ 114,798
		Business Banker I	7/1/2023	B07	\$ 92,872	\$ 185,744
1	Business Dev.	University/Student Development Coordinator	7/1/2023	B05	\$ 67,829	\$ 135,658
1	Accounting	Staff Accountant III	7/1/2023	B06	\$ 78,260	\$ 156,520
2	Underwriting	Credit Analyst III	7/1/2023	B06	\$ 78,260	\$ 156,520
		Credit Analyst II	7/1/2023	B05	\$ 67,829	\$ 135,658
7	Collateral Valuation	Commercial Valuation Supervisor	7/1/2023	B08	\$ 106,433	\$ 212,866
		Agricultural Valuation Supervisor	7/1/2023	B08	\$ 106,433	\$ 212,866
		Collateral Valuation Analyst IV	7/1/2023	B07	\$ 92,872	\$ 185,744
		Collateral Valuation Analyst IV	7/1/2023	B07	\$ 92,872	\$ 185,744
		Collateral Valuation Analyst IV	7/1/2023	B07	\$ 92,872	\$ 185,744
		Collateral Valuation Analyst III	7/1/2023	B06	\$ 78,260	\$ 156,520
		Collateral Valuation Analyst III	7/1/2023	B06	\$ 78,260	\$ 156,520
17	Total					\$ 2,673,424
						\$ 1,039,025
						\$ 3,712,450

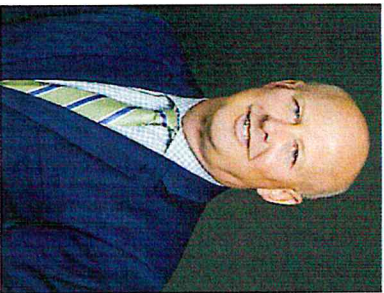
Total Salaries and Benefits \$ 3,712,450

Benefit Costs \$ 1,039,025



Bank of North Dakota

Thank You!



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