DACOTAH BANK

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DACOTAH BANKS, INC.
FIRST QUARTER REPORT

MARCH 31, 2016

DACOTAH BANKS, INC.
FINANCIAL HIGHLIGHTS

(Dollar and share amounts in thousands, except per share data)

	Three months ended March 31		
	2016	2015	% change
PERFORMANCE			
Net interest income	**$20,421**	19,640	4.0 %
Provision for loan and lease losses	**600**	900	(33.3)
Non-interest income	**3,972**	4,270	(7.0)
Non-interest expenses	**16,029**	15,200	5.5
Net income	**4,970**	4,995	(0.5)
Per share	**4.49**	4.51	(0.4)
Cash dividends declared	**2,104**	1,938	8.6
Per share	**1.90**	1.75	8.6
Net interest margin	**3.99%**	3.97%	0.5
Return on average assets	**0.91**	0.94	(3.2)
Return on average equity	**8.27**	8.96	(7.7)
AT MARCH 31			
Total assets	**$2,237,268**	2,165,931	3.3 %
Investment securities and deposits with banks	**315,019**	305,614	3.1
Loans, net	**1,720,848**	1,626,434	5.8
Deposits	**1,923,893**	1,874,345	2.6
Borrowings	**44,000**	37,000	18.9
Stockholders' equity	**244,954**	227,862	7.5
Book value per share	**221.28**	205.65	7.6
Shares of common stock outstanding	**1,107**	1,108	(0.1)
Tier I leverage.	**10.75%**	10.19%	5.5
Tier I capital.	**12.40%**	12.15%	2.1
Total capital.	**13.65%**	13.40%	1.9

DACOTAH BANKS, INC.
CONSOLIDATED STATEMENTS OF INCOME

(Dollar and share amounts in thousands, except per share data)	Three months ended March 31	
	2016	2015
INTEREST INCOME		
Loans	**$ 20,989**	20,154
Securities:		
Taxable	**912**	897
Exempt from federal income taxes	**285**	248
Deposits in banks	**43**	25
Federal funds sold	**59**	41
	22,288	21,365
INTEREST EXPENSE		
Deposits	**1,643**	1,512
Borrowings	**224**	213
	1,867	1,725
NET INTEREST INCOME	**20,421**	19,640
PROVISION FOR LOAN AND LEASE LOSSES	**600**	900
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	**19,821**	18,740
NON-INTEREST INCOME		
Income from fiduciary activities	**530**	471
Service charges on deposit accounts	**839**	829
Insurance commissions	**1,062**	1,013
Fees on sale of residential mortgages	**226**	201
Other income	**1,315**	1,756
	3,972	4,270
NON-INTEREST EXPENSES		
Salaries and employee benefits	**10,764**	9,891
Occupancy, net	**1,179**	1,247
Furniture and equipment	**513**	500
FDIC assessment	**317**	314
Other expenses	**3,256**	3,248
	16,029	15,200
INCOME BEFORE INCOME TAXES	**7,764**	7,810
Applicable income taxes:		
Current	**2,962**	3,438
Deferred (credit)	**(168)**	(623)
	2,794	2,815
NET INCOME	**$ 4,970**	4,995
PER SHARE OF COMMON STOCK		
Net income - basic	**$ 4.49**	4.51
Cash dividends declared	$ **1.90**	1.75

Dacotah Banks, Inc.
CONSOLIDATED STATEMENTS OF CONDITION

(Dollar amount in thousands)

	March 31 2016	December 31 2015	March 31 2015
ASSETS			
Cash and due from banks	**32,754**	57,047	38,659
Interest-bearing deposits in banks	**20,200**	25,700	60,450
Time deposits in banks	**22,424**	11,184	8,133
Securities:			
Taxable	**255,485**	228,797	255,586
Tax exempt	**59,534**	61,326	50,028
Total securities	**315,019**	290,123	305,614
Loans held for sale	**–**	1,093	563
Loans	**1,747,445**	1,747,589	1,650,915
Allowance for loan and lease losses	**(26,597)**	(26,667)	(25,044)
Net loans	**1,720,848**	1,720,922	1,625,871
Interest receivable	**18,911**	20,952	16,670
Premises and equipment, net	**46,106**	46,152	46,772
Foreclosed assets	**1,338**	1,048	582
Investment in life insurance contracts	**37,059**	36,923	36,830
Deferred income tax asset	**12,566**	13,158	11,218
Goodwill	**6,415**	6,415	6,415
Intangible assets	**1,892**	1,985	2,378
Other assets	**1,736**	1,588	5,776
Total assets	**$ 2,237,268**	2,234,290	2,165,931
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Noninterest-bearing	**$ 511,575**	541,891	471,582
Interest-bearing	**1,412,318**	1,384,999	1,402,763
Total deposits	**1,923,893**	1,926,890	1,874,345
Borrowings	**44,000**	44,000	37,000
Interest payable	**2,046**	2,452	1,860
Accrued expenses and other liabilities	**22,375**	19,940	24,864
Total liabilities	**1,992,314**	1,993,282	1,938,069
Stockholders' equity:			
Common stock, $4 par value; 5,000,000 shares authorized; 1,428,598 shares issued	**5,714**	5,714	5,714
Capital surplus	**12,540**	12,540	12,016
Retained earnings	**242,068**	239,202	225,002
Unrealized gain (loss) on securities available for sale, net	**871**	(224)	757
Treasury stock, 321,274 shares at March 31, 2016, 321,206 shares at December 31, 2015 and 320,896 shares at March 31, 2015, at cost	**(16,239)**	(16,224)	(15,627)
Total stockholders' equity	**244,954**	241,008	227,862
Total liabilities and stockholders' equity	**$ 2,237,268**	2,234,290	2,165,931

Dacotah Banks, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollar amounts in thousands)

	Three months ended March 31	
	2016	2015
Operating Activities:		
Net income	**$ 4,970**	4,995
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan and lease losses	**600**	900
Depreciation and amortization	**1,209**	1,475
Benefit from deferred income taxes	**(168)**	(623)
Increase in investment in life insurance contracts	**(136)**	(1,469)
Decrease (increase) in loans held for sale	**1,093**	(563)
Decrease in interest receivable	**2,041**	2,085
Decrease in other assets, net	**22**	942
Decrease in interest payable	**(406)**	(602)
Increase in other accrued expenses and liabilities, net	**2,435**	2,441
Net cash from operating activities	**11,660**	9,581
Investing Activities:		
Proceeds from maturities and calls of securities available for sale, interest-bearing deposits with banks and federal funds sold	**25,146**	27,619
Purchases of securities available for sale and interest-bearing deposits with banks	**(59,832)**	(38,543)
Net (increase) decrease in loans	**(526)**	30,973
Purchases of premises and equipment	**(835)**	(1,157)
(Purchase) sale of foreclosed assets, net	**(290)**	1,076
Net cash used by investing activities	**(36,337)**	19,968
Financing Activities:		
Decrease in non-interest-bearing deposits, net	**(30,317)**	(49,292)
Increase in interest-bearing deposits, net	**19,849**	36,445
Increase (decrease) in certificates of deposit, net	**7,471**	(3,147)
Purchase of treasury stock, net	**(15)**	(314)
Dividends paid to stockholders	**(2,104)**	(1,938)
Net cash from financing activities	**(5,116)**	(18,246)
Net change in cash and cash equivalents	**(29,793)**	11,303
Cash and cash equivalents, beginning of year	**82,747**	87,806
Cash and cash equivalents, end of year	**$ 52,954**	99,109

CONSOLIDATED STATEMENTS OF CHANGES IN THE ALLOWANCE FOR LOAN AND LEASE LOSSES

Balance, January 1	**$ 26,667**	24,059
Provision for loan and lease losses	**600**	900
Recoveries	**80**	440
Loans charged off	**(750)**	(355)
Balance, March 31	**$ 26,597**	25,044
As of % of loans	**1.52%**	1.52%

DIRECTORS

RICHARD L. WESTRA
Chairman of the Board
Aberdeen, SD

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Aberdeen, SD

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Aberdeen, SD

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Lemmon, SD

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Private Investor
Aberdeen, SD

CATHERINE O. DUTENHOFFER
Co-owner Evolution Powersports
Watertown, SD

ELIZABETH A. LEWIS
Attorney
Woods, Fuller, Shultz & Smith P.C.
Sioux Falls, SD

Corporate Secretary

ROBERT J. FOUBERG
Executive Vice President
Aberdeen, SD

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ABERDEEN
BRADLEY D. MOORE, Regional President
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MORRIS, CHOKIO
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SISSETON, NEW EFFINGTON
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WEBSTER, ROSLYN
DANIEL N. MENKING, Market President

NORTHERN REGION

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Dacotah Territory

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