DACOTAH BANK

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DACOTAH BANKS, INC.
FIRST QUARTER REPORT

MARCH 31, 2017

Dacotah Banks, Inc.
FINANCIAL HIGHLIGHTS

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

	Three months ended March 31		
	2017	2016	% change
PERFORMANCE			
Net interest income	**$21,024**	20,421	3.0 %
Provision for loan and lease losses	**1,200**	600	100.0
Non-interest income	**4,191**	3,972	5.5
Non-interest expenses	**16,510**	16,029	3.0
Net income	**4,841**	4,970	(2.6)
Per share	**0.44**	0.45	(2.2)
Cash dividends declared	**2,338**	2,104	11.1
Per share	**0.21**	0.19	10.5
Net interest margin	**4.01 %**	3.99 %	0.5
Return on average assets	**0.86**	0.91	(5.5)
Return on average equity	**7.45**	8.27	(9.9)
AT MARCH 31			
Total assets	**$2,310,485**	2,237,268	3.3 %
Investment securities and deposits with banks	**270,499**	315,019	(14.1)
Loans, net	**1,838,999**	1,720,848	6.9
Deposits	**1,983,276**	1,923,893	3.1
Borrowings	**38,000**	44,000	(13.6)
Stockholders' equity	**263,081**	244,954	7.4
Book value per share	**23.63**	22.12	6.8
Shares of common stock outstanding	**11,131**	11,073	0.5
Tier I leverage	**11.19%**	10.75%	4.1
Tier I capital	**12.64%**	12.40%	1.9
Total capital	**13.89%**	13.65%	1.8

DACOTAH BANKS, INC.
CONSOLIDATED STATEMENTS OF INCOME

(Dollar and share amounts in thousands, except per share data)	Three months ended March 31	
	2017	2016
INTEREST INCOME		
Loans	**$ 21,904**	20,989
Securities:		
Taxable	**879**	912
Exempt from federal income taxes	**287**	285
Deposits in banks	**36**	43
Federal funds sold	**49**	59
	23,155	22,288
INTEREST EXPENSE		
Deposits	**1,881**	1,643
Borrowings	**250**	224
	2,131	1,867
NET INTEREST INCOME	**21,024**	20,421
PROVISION FOR LOAN AND LEASE LOSSES	**1,200**	600
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	**19,824**	19,821
NON-INTEREST INCOME		
Income from fiduciary activities	**590**	530
Service charges on deposit accounts	**790**	839
Insurance commissions	**1,114**	1,062
Fees on sale of residential mortgages	**208**	226
Servicing fees on residential mortgages	**126**	-
Other income	**1,363**	1,315
	4,191	3,972
NON-INTEREST EXPENSES		
Salaries and employee benefits	**11,089**	10,764
Occupancy, net	**1,178**	1,179
Furniture and equipment	**515**	513
FDIC assessment	**179**	317
Other expenses	**3,549**	3,256
	16,510	16,029
INCOME BEFORE INCOME TAXES	**7,505**	7,764
Applicable income taxes:		
Current	**3,165**	2,962
Deferred (credit)	**(501)**	(168)
	2,664	2,794
NET INCOME	**$ 4,841**	4,970
PER SHARE OF COMMON STOCK		
Net income - basic	**$ 0.44**	0.45
Cash dividends declared	**$ 0.21**	0.19

Dacotah Banks, Inc.
CONSOLIDATED STATEMENTS OF CONDITION

(Dollar amount in thousands)

	March 31 2017	December 31 2016	March 31 2016
ASSETS			
Cash and due from banks	**$ 33,282**	49,877	32,754
Interest-bearing deposits in banks	**23,100**	10,000	20,200
Time deposits in banks	**9,195**	9,438	22,424
Securities:			
Taxable	**211,983**	217,253	255,485
Tax exempt	**58,516**	61,565	59,534
Total securities	**270,499**	278,818	315,019
Loans held for sale	**740**	506	-
Loans	**1,866,163**	1,837,677	1,747,445
Allowance for loan and lease losses	**(27,164)**	(26,165)	(26,597)
Net loans	**1,838,999**	1,811,512	1,720,848
Interest receivable	**20,139**	22,503	18,911
Premises and equipment, net	**45,423**	45,185	46,106
Foreclosed assets	**887**	1,290	1,338
Investment in life insurance contracts	**42,433**	41,828	37,059
Deferred income tax asset	**13,248**	13,648	12,566
Goodwill	**6,415**	6,415	6,415
Intangible assets	**1,434**	1,499	1,892
Mortgage servicing rights	**855**	785	-
Other assets	**3,836**	3,869	1,736
Total assets	**$ 2,310,485**	2,297,173	2,237,268
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Noninterest-bearing	**$ 510,128**	528,109	511,575
Interest-bearing	**1,473,148**	1,446,306	1,412,318
Total deposits	**1,983,276**	1,974,415	1,923,893
Borrowings	**38,000**	38,000	44,000
Interest payable	**2,521**	3,003	2,046
Accrued expenses and other liabilities	**23,607**	21,730	22,375
Total liabilities	**2,047,404**	2,037,148	1,992,314
Stockholders' equity:			
Common stock, $4 par value; 30,000,000 shares authorized, 14,285,980 shares issued and outstanding in 2017 5,000,000 shares authorized, 1,428,598 shares issued and outstanding in 2016	**57,144**	57,144	5,714
Capital surplus	**13,851**	13,851	12,540
Retained earnings	**208,804**	206,301	242,068
Unrealized gain (loss) on securities available for sale, net	**(497)**	(1,190)	871
Treasury stock, 3,154,725 shares at March 31, 2017, 3,149,075 shares at December 31, 2016 and 321,274 shares at March 31, 2016, at cost	**(16,221)**	(16,081)	(16,239)
Total stockholders' equity	**263,081**	260,025	244,954
Total liabilities and stockholders' equity	**$ 2,310,485**	2,297,173	2,237,268

Dacotah Banks, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollar amounts in thousands)

	Three months ended March 31 2017	Three months ended March 31 2016
Operating Activities:		
Net income	**$ 4,841**	4,970
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan and lease losses	**1,200**	600
Depreciation and amortization	**1,121**	1,209
Benefit from deferred income taxes	**(501)**	(168)
Increase in investment in life insurance contracts	**(605)**	(136)
(Increase) decrease in loans held for sale	**(234)**	1,093
Decrease in interest receivable	**2,364**	2,041
Decrease in other assets, net	**492**	22
Decrease in interest payable	**(482)**	(406)
Increase in other accrued expenses and liabilities, net	**1,877**	2,435
Net cash from operating activities	**10,073**	11,660
Investing Activities:		
Proceeds from maturities and calls of securities available for sale, interest-bearing deposits with banks and federal funds sold	**15,533**	25,146
Purchases of securities available for sale and interest-bearing deposits with banks	**(6,087)**	(59,832)
Net increase in loans	**(28,687)**	(526)
Purchases of premises and equipment	**(1,113)**	(835)
Sale (purchase) of foreclosed assets	**403**	(290)
Net cash used by investing activities	**(19,951)**	(36,337)
Financing Activities:		
Decrease in non-interest-bearing deposits, net	**(17,981)**	(30,317)
Increase in interest-bearing deposits, net	**26,154**	19,849
Increase in certificates of deposit, net	**688**	7,471
Purchase of treasury stock, net	**(140)**	(15)
Dividends paid to stockholders	**(2,338)**	(2,104)
Net cash from financing activities	**6,383**	(5,116)
Net change in cash and cash equivalents	**(3,495)**	(29,793)
Cash and cash equivalents, beginning of year	**59,877**	82,747
Cash and cash equivalents, end of year	**$ 56,382**	52,954

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

	2017	2016
Balance, January 1	**$ 26,165**	26,667
Provision for loan and lease losses	**1,200**	600
Recoveries	**83**	80
Loans charged off	**(284)**	(750)
Balance, March 31	**$ 27,164**	26,597
As of % of loans	**1.46%**	1.52%

DIRECTORS

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Sioux Falls, SD

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District Sales Manager
Avon
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Corporate Secretary

ROBERT J. FOUBERG
Executive Vice President
Aberdeen, SD

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