DACOTAH BANK®

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DACOTAH BANKS, INC.
FIRST QUARTER REPORT

MARCH 31, 2019

DACOTAH BANKS, INC.
FINANCIAL HIGHLIGHTS

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

	Three months ended March 31		
	2019	2018	% change
PERFORMANCE			
Net interest income	**$22,870**	21,927	4.3 %
Provision for loan and lease losses	**900**	700	28.6
Non-interest income	**4,565**	4,395	3.9
Non-interest expenses	**17,984**	17,661	1.8
Net income	**6,560**	6,133	7.0
Per share	**0.59**	0.55	7.3
Cash dividends declared	**2,903**	2,459	18.1
Per share	**0.26**	0.22	18.2
Net interest margin	**3.83 %**	3.93 %	(2.5)
Return on average assets	**1.03**	1.03	-
Return on average equity	**8.89**	8.97	(0.9)
AT MARCH 31			
Total assets	**$2,596,471**	2,415,617	7.5 %
Investment securities and deposits with banks	**253,957**	250,520	1.4
Loans, net	**2,026,135**	1,937,826	4.6
Deposits	**2,229,455**	2,079,452	7.2
Borrowings	**32,000**	32,000	-
Stockholders' equity	**300,898**	276,127	9.0
Book value per share	**26.94**	24.71	9.0
Shares of common stock outstanding	**11,171**	11,173	-
Tier I leverage.	**11.40%**	11.26%	1.2
Tier I capital.	**13.25%**	12.72%	4.2
Total capital.	**14.50%**	13.97%	3.8

DACOTAH BANKS, INC.
CONSOLIDATED STATEMENTS OF INCOME

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

	Three months ended March 31	
	2019	2018
INTEREST INCOME		
Loans	**$ 26,172**	23,770
Securities:		
Taxable	**1,235**	916
Exempt from federal income taxes	**290**	303
Deposits in banks	**76**	49
Federal funds sold	**784**	204
	28,557	25,242
INTEREST EXPENSE		
Deposits	**5,416**	3,081
Borrowings	**271**	234
	5,687	3,315
NET INTEREST INCOME	**22,870**	21,927
PROVISION FOR LOAN AND LEASE LOSSES	**900**	700
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	**21,970**	21,227
NON-INTEREST INCOME		
Income from fiduciary activities	**620**	646
Service charges on deposit accounts	**727**	787
Insurance commissions	**1,135**	1,119
Fees on sale of residential mortgages	**272**	198
Servicing fees on residential mortgages	**141**	161
Other income	**1,670**	1,484
	4,565	4,395
NON-INTEREST EXPENSES		
Salaries and employee benefits	**12,132**	11,802
Occupancy, net	**1,332**	1,263
Furniture and equipment	**429**	499
FDIC assessment	**178**	186
Other expenses	**3,913**	3,911
	17,984	17,661
INCOME BEFORE INCOME TAXES	**8,551**	7,961
Applicable income taxes:		
Current	**2,386**	1,988
Deferred (credit)	**(395)**	(160)
	1,991	1,828
NET INCOME	**$ 6,560**	6,133
PER SHARE OF COMMON STOCK		
Net income - basic	**$ 0.59**	0.55
Cash dividends declared	**$ 0.26**	0.22

DACOTAH BANKS, INC.
CONSOLIDATED STATEMENTS OF CONDITION

(Dollar amount in thousands)

	March 31 2019	December 31 2018	March 31 2018
ASSETS			
Cash and due from banks	**$ 43,566**	49,278	30,578
Interest-bearing deposits in banks	**118,200**	106,500	48,400
Time deposits in banks	**12,916**	12,920	10,937
Securities:			
Taxable	**202,095**	190,973	191,609
Tax exempt	**51,862**	56,409	58,911
Total securities	**253,957**	247,382	250,520
Loans held for sale	**741**	604	559
Loans	**2,057,095**	2,048,026	1,969,094
Allowance for loan and lease losses	**(30,960)**	(30,369)	(31,268)
Net loans	**2,026,135**	2,017,657	1,937,826
Interest receivable	**26,555**	27,358	22,958
Premises and equipment, net	**44,892**	45,114	46,308
Foreclosed assets	**1,335**	1,966	697
Investment in life insurance contracts	**44,539**	44,279	43,447
Net deferred income tax	**9,013**	9,400	9,929
Goodwill	**6,415**	6,415	6,415
Intangible assets	**814**	886	1,126
Mortgage servicing rights	**1,449**	1,398	1,032
Other assets	**5,944**	6,017	4,885
Total assets	**$ 2,596,471**	2,577,174	2,415,617
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Noninterest-bearing	**$ 518,659**	552,914	514,822
Interest-bearing	**1,710,796**	1,663,920	1,564,630
Total deposits	**2,229,455**	2,216,834	2,079,452
Borrowings	**32,000**	32,000	32,000
Interest payable	**6,258**	5,620	3,495
Accrued expenses and other liabilities	**27,860**	26,970	24,543
Total liabilities	**2,295,573**	2,281,424	2,139,490
Stockholders' equity:			
Common stock, $4 par value; 30,000,000 shares authorized, 14,285,980 shares issued and outstanding	**57,144**	57,144	57,144
Capital surplus	**15,702**	15,612	15,177
Retained earnings	**245,433**	241,776	222,690
Unrealized gain (loss) on securities available for sale, net	**(291)**	(1,693)	(2,414)
Treasury stock, 3,115,237 shares at March 31, 2019, 3,117,820 shares at December 31, 2018 and 3,113,053 shares at March 31, 2018, at cost	**(17,090)**	(17,089)	(16,470)
Total stockholders' equity	**300,898**	295,750	276,127
Total liabilities and stockholders' equity	**$ 2,596,471**	2,577,174	2,415,617

DACOTAH BANKS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollar amounts in thousands)

	Three months ended March 31	
	2019	2018
Operating Activities:		
Net income	**$ 6,560**	6,133
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan and lease losses	**900**	700
Depreciation and amortization	**1,045**	1,173
Benefit from deferred income taxes	**(394)**	(160)
Increase in investment in life insurance contracts	**(260)**	(225)
Increase in loans held for sale	**(137)**	(423)
Increase in interest receivable	**803**	1,674
Decrease in other assets, net	**430**	234
Increase (decrease) in interest payable	**638**	(126)
Increase in other accrued expenses and liabilities, net	**890**	160
Net cash from operating activities	**10,475**	9,140
Investing Activities:		
Proceeds from maturities and calls of securities available for sale, interest-bearing deposits with banks and federal funds sold	**11,053**	11,032
Purchases of securities available for sale and interest-bearing deposits with banks	**(15,916)**	(17,835)
Net (increase) decrease in loans	**(9,378)**	8,987
Purchases of premises and equipment	**(683)**	(591)
Sale of foreclosed assets	**631**	103
Net cash from (used by) investing activities	**(14,293)**	1,696
Financing Activities:		
Decrease in non-interest-bearing deposits, net	**(34,255)**	(28,040)
(Decrease) increase in interest-bearing deposits, net	**(5,589)**	34,808
Increase (decrease) in certificates of deposit, net	**52,465**	(212)
Sale (purchase) of treasury stock, net	**88**	(211)
Dividends paid to stockholders	**(2,903)**	(2,459)
Net cash from financing activities	**9,806**	3,886
Net change in cash and cash equivalents	**5,988**	14,722
Cash and cash equivalents, beginning of year	**155,778**	64,256
Cash and cash equivalents, end of year	**$ 161,766**	78,978

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

Balance, January 1	**$ 30,369**	31,211
Provision for loan and lease losses	**900**	700
Recoveries	**61**	165
Loans charged off	**(370)**	(808)
Balance, March 31	**$ 30,960**	31,268
As of % of loans	**1.51%**	1.59%

DIRECTORS

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Aberdeen, SD

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RhodesAnderson Insurance
Aberdeen, SD

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Lamont Associates
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Aberdeen, SD

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Lemmon, SD

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Businesswoman
Sioux Falls, SD

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

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Independent Travel Director
St. Cloud, MN

Corporate Secretary

ROBERT J. FOUBERG
Executive Vice President and General Counsel
Aberdeen, SD

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MOBRIDGE
DARRELL D. SCHLEPP, Market President
MORRIS, CHOKIO
LARRY D. RINGGENBERG, Market President
SISSETON, NEW EFFINGTON
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WEBSTER, ROSLYN
DANIEL N. MENKING, Market President

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