DACOTAH BANK®

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DACOTAH BANKS, INC.
THIRD QUARTER REPORT

SEPTEMBER 30, 2019

DACOTAH BANKS, INC.
FINANCIAL HIGHLIGHTS

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

	Nine months ended September 30		
	2019	2018	% change
PERFORMANCE			
Net interest income	**$70,557**	67,596	4.4%
Provision for loan and lease losses	**2,400**	1,300	84.6
Non-interest income	**16,194**	14,242	13.7
Non-interest expenses	**54,554**	51,998	4.9
Net income	**23,122**	21,975	5.2
Per share	**2.07**	1.97	5.1
Cash dividends declared	**5,935**	5,253	13.0
Per share	**0.53**	0.47	12.8
Net interest margin	**3.86%**	3.95%	(2.3)
Return on average assets	**1.19**	1.21	(1.7)
Return on average equity	**10.07**	10.41	(3.3)
AT SEPTEMBER 30			
Total assets	**$2,619,186**	2,481,003	5.6%
Investment securities and deposits with banks	**259,643**	246,797	5.2
Loans, net	**2,090,427**	2,038,203	2.6
Deposits	**2,244,376**	2,105,669	6.6
Overnight borrowings	**-**	20,100	(100.0)
Long term borrowings	**22,000**	37,000	(40.5)
Stockholders' equity	**318,762**	288,336	10.6
Book value per share	**28.49**	25.80	10.4
Shares of common stock outstanding	**11,190**	11,177	0.1
Tier I leverage	**11.96**%	11.56%	3.5
Tier I capital	**13.52**%	12.69%	6.5
Total capital	**14.77**%	13.94%	6.0

Dacotah Banks, Inc.

CONSOLIDATED STATEMENTS OF INCOME

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

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
INTEREST INCOME				
Loans	**$28,079**	26,221	**81,812**	75,057
Securities:				
Taxable	**1,313**	1,077	**3,851**	3,001
Exempt from federal income taxes	**293**	303	**870**	899
Deposits in banks	**76**	63	**228**	166
Federal funds sold	**272**	10	**1,598**	262
	30,033	27,674	**88,359**	79,385
INTEREST EXPENSE				
Deposits	**5,778**	4,265	**16,962**	10,970
Borrowings	**288**	345	**840**	819
	6,066	4,610	**17,802**	11,789
NET INTEREST INCOME	**23,967**	23,064	**70,557**	67,596
PROVISION FOR LOAN AND LEASE LOSSES	**600**	300	**2,400**	1,300
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	**23,367**	22,764	**68,157**	66,296
NON-INTEREST INCOME				
Income from fiduciary activities	**504**	555	**1,687**	1,740
Service charges on deposit accounts	**793**	825	**2,299**	2,428
Insurance commissions	**1,311**	1,255	**3,409**	3,458
Fees on sale of residential mortgages	**508**	323	**1,192**	780
Servicing fees on residential mortgages	**(3)**	178	**117**	542
Other income	**3,685**	1,890	**7,490**	5,294
	6,798	5,026	**16,194**	14,242
NON-INTEREST EXPENSES				
Salaries and employee benefits	**12,159**	11,209	**36,709**	34,583
Occupancy, net	**1,216**	1,191	**3,716**	3,634
Furniture and equipment	**486**	549	**1,382**	1,579
FDIC assessment	**1**	181	**347**	537
Other expenses	**4,311**	4,117	**12,400**	11,665
	18,173	17,247	**54,554**	51,998
INCOME BEFORE INCOME TAXES	**11,992**	10,543	**29,797**	28,540
Applicable income taxes:				
Current	**2,527**	2,454	**7,255**	6,473
Deferred (credit)	**(35)**	9	**(580)**	92
	2,492	2,463	**6,675**	6,565
NET INCOME	**$ 9,500**	8,080	**23,122**	21,975
PER SHARE OF COMMON STOCK				
Net income - basic	**$ 0.85**	0.72	**2.07**	1.97
Cash dividends declared	**0.27**	0.25	**0.53**	0.47

DACOTAH BANKS, INC.

CONSOLIDATED STATEMENTS OF CONDITION

(Dollars in thousands)

	September 30 2019	December 31 2018	September 30 2018
ASSETS			
Cash and due from banks	**$ 55,915**	49,278	39,631
Interest-bearing deposits in banks	**55,000**	106,500	-
Time deposits in banks	**12,166**	12,920	11,932
Securities:			
Taxable	**207,619**	190,973	188,415
Tax exempt	**52,024**	56,409	58,382
Total securities	**259,643**	247,382	246,797
Loans held for sale	**2,955**	604	742
Loans	**2,122,778**	2,048,026	2,068,226
Allowance for loan and lease losses	**(32,351)**	(30,369)	(30,023)
Net loans	**2,090,427**	2,017,657	2,038,203
Interest receivable	**29,616**	27,358	28,279
Premises and equipment, net	**44,849**	45,114	45,833
Foreclosed assets	**772**	1,966	1,101
Investment in life insurance contracts	**45,172**	44,279	43,899
Deferred income tax asset	**8,445**	9,400	10,078
Goodwill	**6,415**	6,415	6,415
Intangible assets	**674**	886	1,029
Mortgage servicing rights	**1,210**	1,398	1,258
Other assets	**5,927**	6,017	5,806
Total assets	**$ 2,619,186**	2,577,174	2,481,003
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Noninterest-bearing	**$ 532,826**	552,914	505,994
Interest-bearing	**1,711,550**	1,663,920	1,599,675
Total deposits	**2,244,376**	2,216,834	2,105,669
Borrowings	**22,000**	32,000	57,100
Interest payable	**8,312**	5,620	5,175
Accrued expenses and other liabilities	**25,736**	26,970	24,723
Total liabilities	**2,300,424**	2,281,424	2,192,667
Stockholders' equity:			
Common stock, $4 par value; 30,000,000 shares authorized, 14,285,980 shares issued and outstanding	**57,144**	57,144	57,144
Capital surplus	**17,647**	15,612	15,429
Retained earnings	**258,963**	241,776	235,738
Unrealized gain (loss) on securities available for sale, net	**2,070**	(1,693)	(3,391)
Treasury stock, 3,056,262 shares at September 30, 2019, 3,117,820 shares at December 31, 2018, and 3,108,583 shares at September 30, 2018, at cost	**(17,062)**	(17,089)	(16,584)
Total stockholders' equity	**318,762**	295,750	288,336
Total liabilities and stockholders' equity	**$ 2,619,186**	2,577,174	2,481,003

Dacotah Banks, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Nine months ended September 30	
	2019	2018
Operating Activities:		
Net income	**$ 23,122**	21,975
Adjustments to reconcile net income to net cash flows from operating activities:		
Provision for loan and lease losses	**2,400**	1,300
Depreciation and amortization	**3,284**	3,495
(Benefit) expense from deferred income taxes	**(580)**	92
Increase in investment in life insurance contracts	**(893)**	(677)
Increase in loans held for sale	**(2,351)**	(606)
Increase in interest receivable	**(2,258)**	(3,647)
Decrease (increase) other assets, net	**813**	(1,393)
Increase in interest payable	**2,692**	1,554
(Decrease) increase in other accrued expenses and liabilities, net	**(1,234)**	340
Net cash from operating activities	**24,995**	22,433
Investing Activities:		
Proceeds from maturities and calls of securities available for sale, interest-bearing deposits with banks and federal funds sold	**50,274**	48,616
Purchases of securities available for sale and interest-bearing deposits with banks	**(57,250)**	(53,792)
Net increase in loans	**(75,170)**	(91,990)
Purchases of premises and equipment	**(2,574)**	(2,140)
Sale (purchase) of foreclosed assets, net	**1,194**	(301)
Net cash used by investing activities	**(83,526)**	(99,607)
Financing Activities:		
Decrease in noninterest-bearing deposits, net	**(20,088)**	(36,868)
Decrease in interest-bearing deposits, net	**(2,895)**	(24,839)
Increase in certificates of deposit, net	**50,525**	94,480
Increase in overnight borrowings, net	**-**	20,100
(Repayment) advance of borrowings	**(10,000)**	5,000
Sale (purchase) of treasury stock, net	**2,061**	(71)
Dividends paid to stockholders	**(5,935)**	(5,253)
Net cash from financing activities	**13,668**	52,549
Net change in cash and cash equivalents	**(44,863)**	(24,625)
Cash and cash equivalents, beginning of year	**155,778**	64,256
Cash and cash equivalents, end of year	**$ 110,915**	39,631

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	**2,400**	1,300
Recoveries	**638**	500
Loans charged off	**(1,056)**	(2,988)
Balance, September 30	**$ 32,351**	30,023
As a % of loans	**1.52%**	1.45%

DIRECTORS

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Corporate Secretary

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Aberdeen, SD

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