DACOTAH BANK

*Here for* **you.**[SM]

# DACOTAH BANKS, INC.
# SECOND QUARTER REPORT

**JUNE 30, 2020**

# Dacotah Banks, Inc.

## FINANCIAL HIGHLIGHTS

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

| | Six months ended June 30 | | |
|---|---|---|---|
| | **2020** | 2019 | % change |
| **PERFORMANCE** | | | |
| Net interest income | **$54,369** | 46,590 | 16.7% |
| Provision for loan and lease losses | **2,400** | 1,800 | 33.3 |
| Non-interest income | **10,570** | 9,396 | 12.5 |
| Non-interest expenses | **39,089** | 36,381 | 7.4 |
| Net income | **18,099** | 13,622 | 32.9 |
| Per share | **1.61** | 1.22 | 32.0 |
| Cash dividends declared | **3,033** | 2,903 | 4.5 |
| Per share | **0.27** | 0.26 | 3.8 |
| Net interest margin | **4.18%** | 3.85% | 8.6 |
| Return on average assets | **1.30** | 1.06 | 22.6 |
| Return on average equity | **10.92** | 9.08 | 20.3 |
| **AT JUNE 30** | | | |
| Total assets | **$2,944,054** | 2,581,211 | 14.1% |
| Investment securities and deposits with banks | **276,144** | 261,147 | 5.7 |
| Loans, net | **2,321,565** | 2,078,052 | 11.7 |
| Deposits | **2,543,324** | 2,205,531 | 15.3 |
| Long term borrowings | **22,000** | 32,000 | (31.3) |
| Stockholders' equity | **346,193** | 311,629 | 11.1 |
| Book value per share | **30.81** | 27.77 | 10.9 |
| Shares of common stock outstanding | **11,236** | 11,223 | 0.1 |
| Tier I leverage | **11.56%** | 11.68% | (1.0) |
| Tier I capital | **14.04%** | 13.36% | 5.1 |
| Total capital | **15.29%** | 14.61% | 4.7 |

# Dacotah Banks, Inc.

## CONSOLIDATED STATEMENTS OF INCOME

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

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| **INTEREST INCOME** | | | | |
| Loans | **$32,685** | 27,561 | **59,290** | 53,733 |
| Securities: | | | | |
| Taxable | **1,287** | 1,303 | **2,635** | 2,538 |
| Exempt from federal income taxes | **269** | 287 | **528** | 577 |
| Deposits in banks | **79** | 76 | **155** | 152 |
| Federal funds sold | **36** | 542 | **554** | 1,326 |
| | **34,356** | 29,769 | **63,162** | 58,326 |
| **INTEREST EXPENSE** | | | | |
| Deposits | **3,644** | 5,768 | **8,322** | 11,184 |
| Borrowings | **231** | 281 | **471** | 552 |
| | **3,875** | 6,049 | **8,793** | 11,736 |
| **NET INTEREST INCOME** | **30,481** | 23,720 | **54,369** | 46,590 |
| **PROVISION FOR LOAN AND LEASE LOSSES** | **1,800** | 900 | **2,400** | 1,800 |
| **NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES** | **28,681** | 22,820 | **51,969** | 44,790 |
| **NON-INTEREST INCOME** | | | | |
| Income from fiduciary activities | **590** | 563 | **1,231** | 1,183 |
| Service charges on deposit accounts | **494** | 779 | **1,214** | 1,506 |
| Insurance commissions | **958** | 963 | **2,053** | 2,098 |
| Fees on sale of residential mortgages | **1,287** | 412 | **1,703** | 684 |
| Servicing fees on residential mortgages | **41** | (21) | **348** | 120 |
| Other income | **1,982** | 2,135 | **4,021** | 3,805 |
| | **5,352** | 4,831 | **10,570** | 9,396 |
| **NON-INTEREST EXPENSES** | | | | |
| Salaries and employee benefits | **13,481** | 12,418 | **26,941** | 24,550 |
| Occupancy, net | **1,191** | 1,168 | **2,418** | 2,500 |
| Furniture and equipment | **517** | 467 | **1,038** | 896 |
| FDIC assessment | **115** | 168 | **120** | 346 |
| Other expenses | **4,080** | 4,176 | **8,572** | 8,089 |
| | **19,384** | 18,397 | **39,089** | 36,381 |
| **INCOME BEFORE INCOME TAXES** | **14,649** | 9,254 | **23,450** | 17,805 |
| Applicable income taxes: | | | | |
| Current | **4,060** | 2,342 | **5,768** | 4,728 |
| Deferred (credit) | **(633)** | (150) | **(417)** | (545) |
| | **3,427** | 2,192 | **5,351** | 4,183 |
| **NET INCOME** | **$11,222** | 7,062 | **18,099** | 13,622 |
| **PER SHARE OF COMMON STOCK** | | | | |
| Net income - basic | **$ 1.00** | 0.63 | **1.61** | 1.22 |
| Cash dividends declared | **-** | - | **0.27** | 0.26 |

# Dacotah Banks, Inc.

## CONSOLIDATED STATEMENTS OF CONDITION

(Dollars in thousands)

| | June 30 2020 | December 31 2019 | June 30 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and due from banks | **$ 55,537** | 52,758 | 43,754 |
| Interest-bearing deposits in banks | **115,100** | 136,500 | 48,000 |
| Time deposits in banks | **12,953** | 12,413 | 12,663 |
| Securities: | | | |
| Taxable | **226,759** | 209,580 | 209,952 |
| Tax exempt | **49,385** | 50,314 | 51,195 |
| Total securities | **276,144** | 259,894 | 261,147 |
| Loans held for sale | **4,872** | 1,750 | 1,320 |
| Loans | **2,354,638** | 2,111,361 | 2,109,749 |
| Allowance for loan and lease losses | **(33,073)** | (32,483) | (31,697) |
| Net loans | **2,321,565** | 2,078,878 | 2,078,052 |
| Interest receivable | **21,947** | 28,758 | 22,060 |
| Premises and equipment, net | **53,690** | 53,047 | 44,581 |
| Foreclosed assets | **3,841** | 776 | 734 |
| Investment in life insurance contracts | **53,720** | 53,055 | 45,746 |
| Deferred income tax asset | **7,803** | 9,034 | 8,523 |
| Goodwill | **6,415** | 6,415 | 6,415 |
| Intangible assets | **463** | 604 | 743 |
| Mortgage servicing rights | **1,316** | 1,262 | 1,329 |
| Other assets | **8,688** | 6,149 | 6,144 |
| Total assets | **$ 2,944,054** | 2,701,293 | 2,581,211 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | |
| Deposits: | | | |
| Noninterest-bearing | **$ 699,040** | 564,870 | 494,992 |
| Interest-bearing | **1,844,284** | 1,754,194 | 1,710,539 |
| Total deposits | **2,543,324** | 2,319,064 | 2,205,531 |
| Borrowings | **22,000** | 22,000 | 32,000 |
| Interest payable | **5,598** | 6,026 | 7,409 |
| Accrued expenses and other liabilities | **26,939** | 27,916 | 24,642 |
| Total liabilities | **2,597,861** | 2,375,006 | 2,269,582 |
| Stockholders' equity: | | | |
| Common stock, $4 par value; 30,000,000 shares authorized, 14,285,980 shares issued and outstanding | **57,144** | 57,144 | 57,144 |
| Capital surplus | **18,841** | 17,877 | 17,437 |
| Retained earnings | **281,599** | 266,534 | 252,495 |
| Unrealized gain (loss) on securities available for sale, net | **6,361** | 1,792 | 1,622 |
| Treasury stock, 3,050,267 shares at June 30, 2020, 3,049,660 shares at December 31, 2019, and 3,062,637 shares at June 30, 2019, at cost | **(17,752)** | (17,060) | (17,069) |
| Total stockholders' equity | **346,193** | 326,287 | 311,629 |
| Total liabilities and stockholders' equity | **$ 2,944,054** | 2,701,293 | 2,581,211 |

# DACOTAH BANKS, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

| | Six months ended June 30 | |
|---|---|---|
| | **2020** | 2019 |
| **Operating Activities:** | | |
| Net income | **$ 18,099** | 13,622 |
| Adjustments to reconcile net income to net cash flows from operating activities: | | |
| Provision for loan and lease losses | **2,400** | 1,800 |
| Depreciation and amortization | **2,556** | 2,131 |
| Benefit from deferred income taxes | **( 417)** | (545) |
| Increase in investment in life insurance contracts | **(665)** | (1,467) |
| Increase in loans held for sale | **(3,122)** | (716) |
| Decrease in interest receivable | **6,811** | 5,298 |
| (Increase) decrease other assets, net | **(2,159)** | 482 |
| (Decrease) increase in interest payable | **(428)** | 1,789 |
| Decrease in other accrued expenses and liabilities, net | **(977)** | (2,328) |
| Net cash from operating activities | **22,098** | 20,066 |
| **Investing Activities:** | | |
| Proceeds from maturities and calls of securities available for sale, interest-bearing deposits with banks and federal funds sold | **42,989** | 27,689 |
| Purchases of securities available for sale and interest-bearing deposits with banks | **(54,337)** | (37,140) |
| Net increase in loans | **(245,087)** | (62,195) |
| Purchases of premises and equipment | **(2,717)** | (1,314) |
| (Purchase) sale of foreclosed assets, net | **(3,065)** | 1,232 |
| Net cash used by investing activities | **(262,217)** | (71,728) |
| **Financing Activities:** | | |
| Increase (decrease) in noninterest-bearing deposits, net | **134,170** | (57,922) |
| Increase (decrease) increase in interest-bearing deposits, net | **130,280** | (11,683) |
| (Decrease) increase in certificates of deposit, net | **(40,190)** | 58,302 |
| Sale of treasury stock, net | **271** | 1,844 |
| Dividends paid to stockholders | **(3,033)** | (2,903) |
| Net cash from financing activities | **221,498** | (12,362) |
| **Net change in cash and cash equivalents** | **(18,621)** | (64,024) |
| **Cash and cash equivalents, beginning of year** | **189,258** | 155,778 |
| **Cash and cash equivalents, end of year** | **$ 170,637** | 91,754 |

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

| | | |
|---|---|---|
| Balance, January 1 | **$ 32,483** | 30,369 |
| Provision for loan and lease losses | **2,400** | 1,800 |
| Recoveries | **139** | 476 |
| Loans charged off | **(1,949)** | (948) |
| Balance, June 30 | **$ 33,073** | 31,697 |
| As a % of loans | **1.40%** | 1.50% |

# DIRECTORS

RICHARD L. WESTRA
Chairman of the Board
Aberdeen, SD

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Aberdeen, SD

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Retired President and Chief Financial Officer
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Sioux Falls, SD

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Manager, Global Accounts
HelmsBriscoe
St. Cloud, MN

FREDERICK M. LAMONT
Private Investor
Santa Fe, NM

## Corporate Secretary

DIANA L. PFISTER
Senior Vice President and Chief Compliance Officer
Aberdeen, SD

# AFFILIATED DACOTAH BANKS

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BRANDON S. HERR, Market President
**RAPID CITY, CUSTER**
RANDY L. SILVER, Market President
**SIOUX FALLS**
MATTHEW J. SMITH, Market President
**WATERTOWN**
TROY J. ZEBROSKI, Market President

# Dacotah Territory


DACOTAH BANK®

*Here for you.*℠

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