DACOTAH BANK

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DACOTAH BANKS, INC.
THIRD QUARTER REPORT

SEPTEMBER 30, 2020

Dacotah Banks, Inc.

FINANCIAL HIGHLIGHTS

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

	Nine months ended September 30		
	2020	2019	% change
PERFORMANCE			
Net interest income	**$78,981**	70,557	11.9%
Provision for loan and lease losses	**3,600**	2,400	50.0
Non-interest income	**17,319**	16,194	6.9
Non-interest expenses	**59,585**	54,554	9.2
Net income	**25,590**	23,122	10.7
Per share	**2.28**	2.07	10.1
Cash dividends declared	**6,072**	5,935	2.3
Per share	**0.54**	0.53	1.9
Net interest margin	**3.94%**	3.86%	2.1
Return on average assets	**1.19**	1.19	-
Return on average equity	**10.08**	10.07	0.1
AT SEPTEMBER 30			
Total assets	**$3,021,453**	2,619,186	15.4%
Investment securities and deposits with banks	**284,183**	259,643	9.5
Loans, net	**2,305,418**	2,090,427	10.3
Deposits	**2,621,050**	2,244,376	16.8
Long term borrowings	**17,000**	22,000	(22.7)
Stockholders' equity	**350,638**	318,762	10.0
Book value per share	**31.19**	28.49	9.5
Shares of common stock outstanding	**11,241**	11,190	0.5
Tier I leverage	**11.12**%	11.96%	(7.0)
Tier I capital	**14.03**%	13.52%	3.8
Total capital	**15.28**%	14.77%	3.5

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	
	2020	2019	**2020**	2019
INTEREST INCOME				
Loans	**$26,595**	28,079	**85,885**	81,812
Securities:				
Taxable	**1,209**	1,313	**3,844**	3,851
Exempt from federal income taxes	**301**	293	**829**	870
Deposits in banks	**78**	76	**233**	228
Federal funds sold	**36**	272	**590**	1,598
	28,219	30,033	**91,381**	88,359
INTEREST EXPENSE				
Deposits	**3,371**	5,778	**11,693**	16,962
Borrowings	**236**	288	**707**	840
	3,607	6,066	**12,400**	17,802
NET INTEREST INCOME	**24,612**	23,967	**78,981**	70,557
PROVISION FOR LOAN AND LEASE LOSSES	**1,200**	600	**3,600**	2,400
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	**23,412**	23,367	**75,381**	68,157
NON-INTEREST INCOME				
Income from fiduciary activities	**519**	504	**1,750**	1,687
Service charges on deposit accounts	**573**	793	**1,787**	2,299
Insurance commissions	**1,350**	1,311	**3,403**	3,409
Fees on sale of residential mortgages	**1,427**	508	**3,130**	1,192
Servicing fees on residential mortgages	**404**	(3)	**752**	117
Other income	**2,476**	3,685	**6,497**	7,490
	6,749	6,798	**17,319**	16,194
NON-INTEREST EXPENSES				
Salaries and employee benefits	**13,554**	12,159	**40,495**	36,709
Occupancy, net	**1,171**	1,216	**3,589**	3,716
Furniture and equipment	**551**	486	**1,589**	1,382
FDIC assessment	**181**	1	**301**	347
Other expenses	**5,039**	4,311	**13,611**	12,400
	20,496	18,173	**59,585**	54,554
INCOME BEFORE INCOME TAXES	**9,665**	11,992	**33,115**	29,797
Applicable income taxes:				
Current	**2,241**	2,527	**8,009**	7,255
Deferred (credit)	**(67)**	(35)	**(484)**	(580)
	2,174	2,492	**7,525**	6,675
NET INCOME	**$ 7,491**	9,500	**25,590**	23,122
PER SHARE OF COMMON STOCK				
Net income - basic	**$ 0.67**	0.85	**2.28**	2.07
Cash dividends declared	**0.27**	0.27	**0.54**	0.53

Dacotah Banks, Inc.

CONSOLIDATED STATEMENTS OF CONDITION

(Dollars in thousands)

	September 30 2020	December 31 2019	September 30 2019
ASSETS			
Cash and due from banks	**$ 66,801**	52,758	55,915
Interest-bearing deposits in banks	**179,600**	136,500	55,000
Time deposits in banks	**12,704**	12,413	12,166
Securities:			
Taxable	**230,029**	209,580	207,619
Tax exempt	**54,154**	50,314	52,024
Total securities	**284,183**	259,894	259,643
Loans held for sale	**5,285**	1,750	2,955
Loans	**2,339,445**	2,111,361	2,122,778
Allowance for loan and lease losses	**(34,027)**	(32,483)	(32,351)
Net loans	**2,305,418**	2,078,878	2,090,427
Interest receivable	**26,599**	28,758	29,616
Premises and equipment, net	**55,217**	53,047	44,849
Foreclosed assets	**2,280**	776	772
Investment in life insurance contracts	**54,052**	53,055	45,172
Deferred income tax asset	**7,856**	9,034	8,445
Goodwill	**10,248**	6,415	6,415
Intangible assets	**1,246**	604	674
Mortgage servicing rights	**1,523**	1,262	1,210
Other assets	**8,441**	6,149	5,927
Total assets	**$ 3,021,453**	2,701,293	2,619,186
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Noninterest-bearing	**$ 732,690**	564,870	532,826
Interest-bearing	**1,888,360**	1,754,194	1,711,550
Total deposits	**2,621,050**	2,319,064	2,244,376
Borrowings	**17,000**	22,000	22,000
Interest payable	**4,860**	6,026	8,312
Accrued expenses and other liabilities	**27,905**	27,916	25,736
Total liabilities	**2,670,815**	2,375,006	2,300,424
Stockholders' equity:			
Common stock, $4 par value; 30,000,000 shares authorized, 14,285,980 shares issued and outstanding	**57,144**	57,144	57,144
Capital surplus	**19,525**	17,877	17,647
Retained earnings	**286,052**	266,534	258,963
Unrealized gain (loss) on securities available for sale, net	**6,176**	1,792	2,070
Treasury stock, 3,044,596 shares at September 30, 2020, 3,049,660 shares at December 31, 2019, and 3,056,262 shares at September 30, 2019, at cost	**(18,259)**	(17,060)	(17,062)
Total stockholders' equity	**350,638**	326,287	318,762
Total liabilities and stockholders' equity	**$ 3,021,453**	2,701,293	2,619,186

DACOTAH BANKS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Nine months ended September 30	
	2020	2019
Operating Activities:		
Net income	**$ 25,590**	23,122
Adjustments to reconcile net income to net cash flows from operating activities:		
Provision for loan and lease losses	**3,600**	2,400
Depreciation and amortization	**242**	3,284
Benefit from deferred income taxes	**(485)**	(580)
Increase in investment in life insurance contracts	**(997)**	(893)
Increase in loans held for sale	**(3,535)**	(2,351)
Decrease (increase) in interest receivable	**2,670**	(2,258)
(Increase) decrease in other assets, net	**(2,036)**	813
(Decrease) increase in interest payable	**(1,230)**	2,692
Increase (decrease) in other accrued expenses and liabilities, net	**30**	(1,234)
Net cash from operating activities	**23,849**	24,995
Investing Activities:		
Proceeds from maturities and calls of securities available for sale, interest-bearing deposits with banks and federal funds sold	**65,386**	50,274
Purchases of securities available for sale and interest-bearing deposits with banks	**(75,113)**	(57,250)
Net increase in loans	**(206,423)**	(75,170)
Purchases of premises and equipment	**(4,388)**	(2,574)
(Purchase) sale of foreclosed assets, net	**(1,504)**	1,194
Purchase of subsidiary banks, net of cash acquired	**20,098**	-
Net cash used by investing activities	**(201,944)**	(83,526)
Financing Activities:		
Increase (decrease) in noninterest-bearing deposits, net	**124,924**	(20,088)
Increase (decrease) in interest-bearing deposits, net	**190,608**	(2,895)
(Decrease) increase in certificates of deposit, net	**(69,671)**	50,525
Repayment of borrowings	**(5,000)**	(10,000)
Sale of treasury stock, net	**449**	2,061
Dividends paid to stockholders	**(6,072)**	(5,935)
Net cash from financing activities	**235,238**	13,668
Net change in cash and cash equivalents	**57,143**	(44,863)
Cash and cash equivalents, beginning of year	**189,258**	155,778
Cash and cash equivalents, end of year	**$ 246,401**	110,915

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	**3,600**	2,400
Recoveries	**302**	638
Loans charged off	**(2,358)**	(1,056)
Balance, September 30	**$ 34,027**	32,351
As a % of loans	**1.45%**	1.52%

DIRECTORS

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Aberdeen, SD

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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

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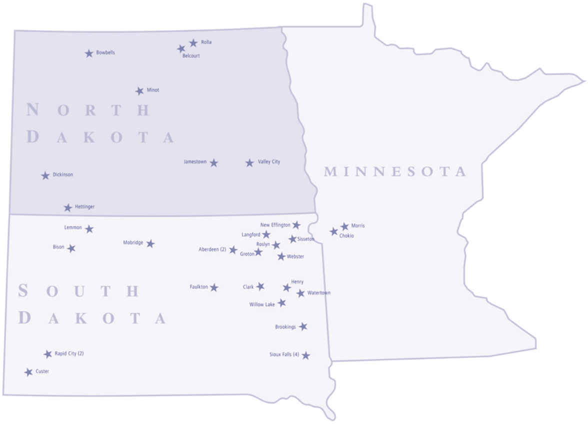
Dacotah Territory



DACOTAH BANK®

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