DACOTAH BANK

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DACOTAH BANKS, INC.
SECOND QUARTER REPORT

JUNE 30, 2021

Dacotah Banks, Inc.
FINANCIAL HIGHLIGHTS

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

	Six months ended June 30		
	2021	2020	% change
PERFORMANCE			
Net interest income	**$49,971**	54,369	(8.1)%
Provision for loan and lease losses	**(600)**	2,400	(125.0)
Non-interest income	**13,762**	10,570	30.2
Non-interest expenses	**41,391**	39,089	5.9
Net income	**17,765**	18,099	(1.8)
Per share	**1.58**	1.61	(1.9)
Cash dividends declared	**3,146**	3,033	3.7
Per share	**0.28**	0.27	3.7
Net interest margin	**3.31%**	4.18%	(20.8)
Return on average assets	**1.10**	1.30	(15.4)
Return on average equity	**9.97**	10.92	(8.7)
AT JUNE 30			
Total assets	**$3,297,388**	2,944,054	12.0%
Investment securities and deposits with banks	**446,844**	276,144	61.8
Loans, net	**2,287,462**	2,321,565	(1.5)
Deposits	**2,873,787**	2,543,324	13.0
Long term borrowings	**17,000**	22,000	(22.7)
Stockholders’ equity	**365,924**	346,193	5.7
Book value per share	**32.63**	30.81	5.9
Shares of common stock outstanding	**11,214**	11,236	(0.2)
Tier I leverage	**10.57%**	11.56%	(8.6)
Tier I capital	**14.44%**	14.04%	2.8
Total capital	**15.69%**	15.29%	2.6

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	
	2021	2020	**2021**	2020
INTEREST INCOME				
Loans	**$25,424**	32,685	**50,166**	59,290
Securities:				
Taxable	**1,567**	1,287	**2,823**	2,635
Exempt from federal income taxes	**264**	269	**512**	528
Deposits in banks	**71**	79	**141**	155
Federal funds sold	**91**	36	**183**	554
	27,417	34,356	**53,825**	63,162
INTEREST EXPENSE				
Deposits	**1,599**	3,644	**3,476**	8,322
Borrowings	**189**	231	**378**	471
	1,788	3,875	**3,854**	8,793
NET INTEREST INCOME	**25,629**	30,481	**49,971**	54,369
PROVISION FOR LOAN AND LEASE LOSSES	**-**	1,800	**(600)**	2,400
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	**25,629**	28,681	**50,571**	51,969
NON-INTEREST INCOME				
Income from fiduciary activities	**588**	590	**1,229**	1,231
Service charges on deposit accounts	**555**	494	**1,092**	1,214
Insurance commissions	**997**	958	**2,422**	2,053
Fees on sale of residential mortgages	**1,072**	1,287	**2,262**	1,703
Servicing fees on residential mortgages	**998**	41	**1,407**	348
Other income	**2,862**	1,982	**5,350**	4,021
	7,072	5,352	**13,762**	10,570
NON-INTEREST EXPENSES				
Salaries and employee benefits	**13,760**	13,481	**27,708**	26,941
Occupancy, net	**1,212**	1,191	**2,551**	2,418
Furniture and equipment	**596**	517	**1,309**	1,038
FDIC assessment	**206**	115	**413**	120
Other expenses	**4,852**	4,080	**9,410**	8,572
	20,626	19,384	**41,391**	39,089
INCOME BEFORE INCOME TAXES	**12,075**	14,649	**22,942**	23,450
Applicable income taxes:				
Current	**3,241**	4,060	**5,508**	5,768
Deferred (credit)	**(501)**	(633)	**(331)**	(417)
	2,740	3,427	**5,177**	5,351
NET INCOME	**$ 9,335**	11,222	**17,765**	18,099
PER SHARE OF COMMON STOCK				
Net income - basic	**$ 0.83**	1.00	**1.58**	1.61
Cash dividends declared	**-**	-	**0.28**	0.27

Dacotah Banks, Inc.

CONSOLIDATED STATEMENTS OF CONDITION

(Dollars in thousands)

	June 30 2021	December 31 2020	June 30 2020
ASSETS			
Cash and due from banks	**$ 89,704**	75,705	55,537
Interest-bearing deposits in banks	**294,400**	295,000	115,100
Time deposits in banks	**11,617**	11,963	12,953
Securities:			
Taxable	**395,426**	232,584	226,759
Tax exempt	**51,418**	56,829	49,385
Total securities	**446,844**	289,413	276,144
Loans held for sale	**2,054**	1,268	4,872
Loans	**2,325,770**	2,300,594	2,354,638
Allowance for loan and lease losses	**(38,308)**	(39,040)	(33,073)
Net loans	**2,287,462**	2,261,554	2,321,565
Interest receivable	**18,835**	24,489	21,947
Premises and equipment, net	**54,805**	55,111	53,690
Foreclosed assets	**170**	1,400	3,841
Investment in life insurance contracts	**56,856**	56,127	53,720
Deferred income tax asset	**10,047**	9,740	7,803
Goodwill	**10,248**	10,248	6,415
Intangible assets	**1,031**	1,170	463
Mortgage servicing rights	**2,724**	1,806	1,316
Other assets	**10,591**	8,200	8,688
Total assets	**$ 3,297,388**	3,103,194	2,944,054
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Noninterest-bearing	**$ 869,257**	786,476	699,040
Interest-bearing	**2,004,530**	1,912,565	1,844,284
Total deposits	**2,873,787**	2,699,041	2,543,324
Borrowings	**17,000**	17,000	22,000
Interest payable	**2,075**	3,696	5,598
Accrued expenses and other liabilities	**38,602**	29,754	26,939
Total liabilities	**2,931,464**	2,749,491	2,597,861
Stockholders' equity:			
Common stock, $4 par value; 30,000,000 shares authorized, 14,285,980 shares issued and outstanding	**57,144**	57,144	57,144
Capital surplus	**20,947**	19,965	18,841
Retained earnings	**304,688**	290,069	281,599
Unrealized gain on securities available for sale, net	**3,774**	5,756	6,361
Treasury stock, 3,071,746 shares at June 30, 2021, 3,059,862 shares at December 31, 2020, and 3,050,267 shares at June 30, 2020, at cost	**(20,629)**	(19,231)	(17,752)
Total stockholders' equity	**365,924**	353,703	346,193
Total liabilities and stockholders' equity	**$ 3,297,388**	3,103,194	2,944,054

DACOTAH BANKS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Six months ended June 30	
	2021	2020
Operating Activities:		
Net income	**$ 17,765**	18,099
Adjustments to reconcile net income to net cash flows from operating activities:		
Provision for loan and lease losses	**(600)**	2,400
Depreciation and amortization	**3,499**	2,556
Benefit from deferred income taxes	**(331)**	(417)
Increase in investment in life insurance contracts	**(729)**	(665)
Increase in loans held for sale	**(786)**	(3,122)
Decrease in interest receivable	**5,654**	6,811
Increase other assets, net	**(2,758)**	(2,159)
Decrease in interest payable	**(1,621)**	(428)
Increase (decrease) in other accrued expenses and liabilities, net	**8,848**	(977)
Net cash from operating activities	**28,941**	22,098
Investing Activities:		
Proceeds from maturities and calls of securities available for sale, interest-bearing deposits with banks and federal funds sold	**50,028**	42,989
Purchases of securities available for sale and interest-bearing deposits with banks	**(210,314)**	(54,337)
Net increase in loans	**(25,308)**	(245,087)
Purchases of premises and equipment	**(2,362)**	(2,717)
Sale (purchase) of foreclosed assets, net	**1,230**	(3,065)
Net cash used by investing activities	**(186,726)**	(262,217)
Financing Activities:		
Increase in noninterest-bearing deposits, net	**82,781**	134,170
Increase increase in interest-bearing deposits, net	**176,925**	130,280
Decrease in certificates of deposit, net	**(84,960)**	(40,190)
(Purchase) sale of treasury stock, net	**(416)**	271
Dividends paid to stockholders	**(3,146)**	(3,033)
Net cash from financing activities	**171,184**	221,498
Net change in cash and cash equivalents	**13,399**	(18,621)
Cash and cash equivalents, beginning of year	**370,705**	189,258
Cash and cash equivalents, end of year	**$ 384,104**	170,637

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

Balance, January 1	**$ 39,040**	32,483
Provision for loan and lease losses	**(600)**	2,400
Recoveries	**371**	139
Loans charged off	**(503)**	(1,949)
Balance, June 30	**$ 38,308**	33,073
As a % of loans	**1.65%**	1.40%

DIRECTORS

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Dakota State University
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Corporate Secretary
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Dacotah Territory

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