DACOTAH BANK

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DACOTAH BANKS, INC.
THIRD QUARTER REPORT

SEPTEMBER 30, 2021

DACOTAH BANKS, INC.
FINANCIAL HIGHLIGHTS

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

	Nine months ended September 30		
	2021	2020	% change
PERFORMANCE			
Net interest income	**$85,419**	78,981	8.2%
Provision for loan and lease losses	**(600)**	3,600	(116.7)
Non-interest income	**20,345**	17,319	17.5
Non-interest expenses	**68,030**	59,585	14.2
Net income	**29,551**	25,590	15.5
Per share	**2.63**	2.28	15.4
Cash dividends declared	**6,722**	6,072	10.7
Per share	**0.60**	0.54	11.1
Net interest margin	**3.71%**	3.94%	(5.8)
Return on average assets	**1.20**	1.19	0.8
Return on average equity	**10.86**	10.08	7.7
AT SEPTEMBER 30			
Total assets	**$3,314,298**	3,021,453	9.7%
Investment securities and deposits with banks	**528,141**	284,183	85.8
Loans, net	**2,287,449**	2,305,418	(0.8)
Deposits	**2,898,766**	2,621,050	10.6
Long term borrowings	**9,000**	17,000	(47.1)
Stockholders' equity	**371,242**	350,638	5.9
Book value per share	**33.14**	31.19	6.3
Shares of common stock outstanding	**11,201**	11,241	(0.4)
Tier I leverage	**10.82**%	11.12%	(2.7)
Tier I capital	**14.18**%	14.03%	1.1
Total capital	**15.44**%	15.28%	1.0

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	
	2021	2020	**2021**	2020
INTEREST INCOME				
Loans	**$ 34,936**	26,595	**85,102**	85,885
Securities:				
Taxable	**1,664**	1,209	**4,487**	3,844
Exempt from federal income taxes	**271**	301	**783**	829
Deposits in banks	**70**	78	**211**	233
Federal funds sold	**135**	36	**318**	590
	37,076	28,219	**90,901**	91,381
INTEREST EXPENSE				
Deposits	**1,462**	3,371	**4,938**	11,693
Borrowings	**166**	236	**544**	707
	1,628	3,607	**5,482**	12,400
NET INTEREST INCOME	**35,448**	24,612	**85,419**	78,981
PROVISION FOR LOAN AND LEASE LOSSES	**-**	1,200	**(600)**	3,600
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	**35,448**	23,412	**86,019**	75,381
NON-INTEREST INCOME				
Income from fiduciary activities	**591**	519	**1,820**	1,750
Service charges on deposit accounts	**643**	573	**1,735**	1,787
Insurance commissions	**1,360**	1,350	**3,782**	3,403
Fees on sale of residential mortgages	**944**	1,427	**3,206**	3,130
Servicing fees on residential mortgages	**269**	404	**1,676**	752
Other income	**2,776**	2,476	**8,126**	6,497
	6,583	6,749	**20,345**	17,319
NON-INTEREST EXPENSES				
Salaries and employee benefits	**17,132**	13,554	**44,840**	40,495
Occupancy, net	**1,359**	1,171	**3,910**	3,589
Furniture and equipment	**765**	551	**2,074**	1,589
FDIC assessment	**226**	181	**639**	301
Other expenses	**7,157**	5,039	**16,567**	13,611
	26,639	20,496	**68,030**	59,585
INCOME BEFORE INCOME TAXES	**15,392**	9,665	**38,334**	33,115
Applicable income taxes:				
Current	**3,773**	2,241	**9,281**	8,009
Deferred (credit)	**(167)**	(67)	**(498)**	(484)
	3,606	2,174	**8,783**	7,525
NET INCOME	**$ 11,786**	7,491	**29,551**	25,590
PER SHARE OF COMMON STOCK				
Net income - basic	**$ 1.05**	0.67	**2.63**	2.28
Cash dividends declared	**0.32**	0.27	**0.60**	0.54

Dacotah Banks, Inc.

CONSOLIDATED STATEMENTS OF CONDITION

(Dollars in thousands)

	September 30 2021	December 31 2020	September 30 2020
ASSETS			
Cash and due from banks	**$ 69,998**	75,705	66,801
Interest-bearing deposits in banks	**246,200**	295,000	179,600
Time deposits in banks	**10,872**	11,963	12,704
Securities:			
Taxable	**471,996**	232,584	230,029
Tax exempt	**56,145**	56,829	54,154
Total securities	**528,141**	289,413	284,183
Loans held for sale	**1,748**	1,268	5,285
Loans	**2,328,173**	2,300,594	2,339,445
Allowance for loan and lease losses	**(38,724)**	(39,040)	(34,027)
Net loans	**2,287,449**	2,261,554	2,305,418
Interest receivable	**23,648**	24,489	26,599
Premises and equipment, net	**53,876**	55,111	55,217
Foreclosed assets	**129**	1,400	2,280
Investment in life insurance contracts	**57,221**	56,127	54,052
Deferred income tax asset	**10,677**	9,740	7,856
Goodwill	**10,248**	10,248	10,248
Intangible assets	**947**	1,170	1,246
Mortgage servicing rights	**2,757**	1,806	1,523
Other assets	**10,387**	8,200	8,441
Total assets	**$ 3,314,298**	3,103,194	3,021,453
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Noninterest-bearing	**$ 897,072**	786,476	732,690
Interest-bearing	**2,001,694**	1,912,565	1,888,360
Total deposits	**2,898,766**	2,699,041	2,621,050
Borrowings	**9,000**	17,000	17,000
Interest payable	**2,015**	3,696	4,860
Accrued expenses and other liabilities	**33,275**	29,754	27,905
Total liabilities	**2,943,056**	2,749,491	2,670,815
Stockholders' equity:			
Common stock, $4 par value; 30,000,000 shares authorized, 14,285,980 shares issued and outstanding	**57,144**	57,144	57,144
Capital surplus	**21,259**	19,965	19,525
Retained earnings	**312,897**	290,069	286,052
Unrealized gain on securities available for sale, net	**1,348**	5,756	6,176
Treasury stock, 3,085,016 shares at September 30, 2021, 3,059,862 shares at December 31, 2020, and 3,044,596 shares at September 30, 2020, at cost	**(21,406)**	(19,231)	(18,259)
Total stockholders' equity	**371,242**	353,703	350,638
Total liabilities and stockholders' equity	**$ 3,314,298**	3,103,194	3,021,453

Dacotah Banks, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Nine months ended September 30	
	2021	2020
Operating Activities:		
Net income	**$ 29,551**	25,590
Adjustments to reconcile net income to net cash flows from operating activities:		
Provision for loan and lease losses	**(600)**	3,600
Depreciation and amortization	**5,359**	242
Benefit from deferred income taxes	**(498)**	(485)
Increase in investment in life insurance contracts	**(1,094)**	(997)
Increase in loans held for sale	**(480)**	(3,535)
Decrease in interest receivable	**841**	2,670
Increase other assets, net	**(2,405)**	(2,036)
Decrease in interest payable	**(1,681)**	(1,230)
Increase in other accrued expenses and liabilities, net	**3,521**	30
Net cash from operating activities	**32,514**	23,849
Investing Activities:		
Proceeds from maturities and calls of securities available for sale, interest-bearing deposits with banks and federal funds sold	**73,329**	65,386
Purchases of securities available for sale and interest-bearing deposits with banks	**(317,641)**	(75,113)
Net increase in loans	**(25,295)**	(206,423)
Purchases of premises and equipment	**(2,806)**	(4,388)
Sale (purchase) of foreclosed assets, net	**1,271**	(1,504)
Purchases of subsidiary banks, net of cash acquired	**-**	20,098
Net cash used by investing activities	**(271,142)**	(201,944)
Financing Activities:		
Increase in noninterest-bearing deposits, net	**110,596**	124,924
Increase increase in interest-bearing deposits, net	**190,261**	190,608
Decrease in certificates of deposit, net	**(101,132)**	(69,671)
Repayment of borrowings	**(8,000)**	(5,000)
(Purchase) sale of treasury stock, net	**(882)**	449
Dividends paid to stockholders	**(6,722)**	(6,072)
Net cash from financing activities	**184,121**	235,238
Net change in cash and cash equivalents	**(54,507)**	57,143
Cash and cash equivalents, beginning of year	**370,705**	189,258
Cash and cash equivalents, end of year	**$ 316,198**	246,401

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)**	3,600
Recoveries	**822**	302
Loans charged off	**(538)**	(2,358)
Balance, September 30	**$ 38,724**	34,027
As a % of loans	**1.66%**	1.45%

DIRECTORS

RICHARD L. WESTRA
Chairman of the Board
Aberdeen, SD
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Vice Chairman
Aberdeen, SD
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Aberdeen, SD
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Partner
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Aberdeen, SD
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Lemmon, SD
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Woods, Fuller, Shultz & Smith P.C.
Sioux Falls, SD
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HelmsBriscoe
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Private Investor
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Certified Public Accountant
Valley City, ND
JOSHUA J. PAULI
Vice President, Research
Dakota State University
Madison, SD

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

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FAULKTON
BRANDON R. SPANIER, Market President
MOBRIDGE
CHAD B. JAGER, Market President
MORRIS
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SISSETON
KELLY L. HANSON, Market President
WEBSTER, ROSLYN
KELLY L. HANSON, Market President

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Dacotah Territory

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Here for **you.**℠

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