DACOTAH BANK

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DACOTAH BANKS, INC.
SECOND QUARTER REPORT

JUNE 30, 2022

Dacotah Banks, Inc.

FINANCIAL HIGHLIGHTS

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

	Six months ended June 30		
	2022	2021	% change
PERFORMANCE			
Net interest income	**$53,777**	49,971	7.6%
Reduction in provision for loan and lease losses	**2,000**	600	233.3
Non-interest income	**13,699**	13,762	(0.5)
Non-interest expenses	**44,771**	41,391	8.2
Net income	**19,262**	17,765	8.4
Per share	**1.72**	1.58	8.9
Cash dividends declared	**4,806**	3,146	52.8
Per share	**0.43**	0.28	53.6
Net interest margin	**3.25%**	3.31%	(1.8)
Return on average assets	**1.09**	1.10	(0.9)
Return on average equity	**10.44**	9.97	4.7
AT JUNE 30			
Total assets	**$3,607,727**	3,297,388	9.4%
Investment securities and deposits with banks	**636,123**	446,844	42.4
Loans, net	**2,432,414**	2,287,462	6.3
Deposits	**3,209,174**	2,873,787	11.7
Long term borrowings	**9,000**	17,000	(47.1)
Stockholders' equity	**357,953**	365,924	(2.2)
Book value per share	**31.80**	32.63	(2.5)
Shares of common stock outstanding	**11,256**	11,214	0.4
Tier I leverage	**10.77%**	10.57%	1.9
Tier I capital	**14.00%**	14.44%	(3.0)
Total capital	**15.25%**	15.69%	(2.8)

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	
	2022	2021	**2022**	2021
INTEREST INCOME				
Loans	**$26,299**	25,424	**50,411**	50,166
Securities:				
Taxable	**2,537**	1,567	**4,620**	2,823
Exempt from federal income taxes	**253**	264	**502**	512
Deposits in banks	**61**	71	**122**	141
Federal funds sold	**693**	91	**868**	183
	29,843	27,417	**56,523**	53,825
INTEREST EXPENSE				
Deposits	**1,253**	1,599	**2,490**	3,476
Borrowings	**129**	189	**256**	378
	1,382	1,788	**2,746**	3,854
NET INTEREST INCOME	**28,461**	25,629	**53,777**	49,971
REDUCTION IN PROVISION FOR LOAN AND LEASE LOSSES	**-**	-	**2,000**	600
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	**28,461**	25,629	**55,777**	50,571
NON-INTEREST INCOME				
Income from fiduciary activities	**741**	588	**1,446**	1,229
Service charges on deposit accounts	**670**	555	**1,300**	1,092
Insurance commissions	**1,298**	997	**2,478**	2,422
Fees on sale of residential mortgages	**569**	1,072	**1,090**	2,262
Servicing fees on residential mortgages	**999**	998	**1,492**	1,407
Other income	**2,634**	2,862	**5,893**	5,350
	6,911	7,072	**13,699**	13,762
NON-INTEREST EXPENSES				
Salaries and employee benefits	**15,117**	13,760	**30,187**	27,708
Occupancy, net	**1,430**	1,212	**2,890**	2,551
Furniture and equipment	**668**	596	**1,302**	1,309
FDIC assessment	**247**	206	**479**	413
Other expenses	**5,028**	4,852	**9,913**	9,410
	22,490	20,626	**44,771**	41,391
INCOME BEFORE INCOME TAXES	**12,882**	12,075	**24,705**	22,942
Applicable income taxes:				
Current	**3,019**	3,241	**5,103**	5,508
Deferred (credit)	**(138)**	(501)	**340**	(331)
	2,881	2,740	**5,443**	5,177
NET INCOME	**$ 10,001**	9,335	**19,262**	17,765
PER SHARE OF COMMON STOCK				
Net income - basic	**$ 0.89**	0.83	**1.72**	1.58
Cash dividends declared	**0.12**	-	**0.43**	0.28

Dacotah Banks, Inc.

CONSOLIDATED STATEMENTS OF CONDITION

(Dollars in thousands)

	June 30 2022	December 31 2021	June 30 2021
ASSETS			
Cash and due from banks	**$ 66,869**	59,920	89,704
Interest-bearing deposits in banks	**278,660**	307,500	294,400
Time deposits in banks	**10,184**	10,128	11,617
Securities:			
Taxable	**584,932**	493,514	395,426
Tax exempt	**51,191**	55,278	51,418
Total securities	**636,123**	548,792	446,844
Loans held for sale	**1,625**	1,621	2,054
Loans	**2,469,304**	2,333,378	2,325,770
Allowance for loan and lease losses	**(36,890)**	(38,691)	(38,308)
Net loans	**2,432,414**	2,294,687	2,287,462
Interest receivable	**19,539**	21,879	18,835
Premises and equipment, net	**53,232**	53,806	54,805
Foreclosed assets	**305**	76	170
Investment in life insurance contracts	**59,078**	57,890	56,856
Deferred income tax asset	**19,916**	10,814	10,047
Goodwill	**10,248**	10,248	10,248
Intangible assets	**711**	791	1,031
Mortgage servicing rights	**4,006**	3,005	2,724
Other assets	**14,817**	11,972	10,591
Total assets	**$ 3,607,727**	3,393,129	3,297,388
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Noninterest-bearing	**$ 975,593**	951,102	869,257
Interest-bearing	**2,233,581**	2,022,238	2,004,530
Total deposits	**3,209,174**	2,973,340	2,873,787
Borrowings	**9,000**	9,000	17,000
Interest payable	**1,626**	1,837	2,075
Accrued expenses and other liabilities	**29,974**	32,263	38,602
Total liabilities	**3,249,774**	3,016,440	2,931,464
Stockholders' equity:			
Common stock, $4 par value; 30,000,000 shares authorized, 14,285,980 shares issued and outstanding	**57,144**	57,144	57,144
Capital surplus	**24,644**	21,467	20,947
Retained earnings	**335,503**	321,048	304,688
Unrealized gain on securities available for sale, net	**(36,748)**	(1,431)	3,774
Treasury stock, 3,029,628 shares at June 30, 2022, 3,083,552 shares at December 31, 2021, and 3,071,746 shares at June 30, 2021, at cost	**(22,590)**	(21,539)	(20,629)
Total stockholders' equity	**357,953**	376,689	365,924
Total liabilities and stockholders' equity	**$ 3,607,727**	3,393,129	3,297,388

Dacotah Banks, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Six months ended June 30 2022	2021
Operating Activities:		
Net income	**$ 19,262**	17,765
Adjustments to reconcile net income to net cash flows from operating activities:		
Reduction in provision for loan and lease losses	**(2,000)**	(600)
Depreciation and amortization	**3,646**	3,499
Expense (benefit) from deferred income taxes	**340**	(331)
Increase in investment in life insurance contracts	**(1,188)**	(729)
Increase in loans held for sale	**(4)**	(786)
Decrease in interest receivable	**2,340**	5,654
Increase other assets, net	**(3,878)**	(2,758)
Decrease in interest payable	**(211)**	(1,621)
(Decrease) increase in other accrued expenses and liabilities, net	**(2,290)**	8,848
Net cash from operating activities	**16,017**	28,941
Investing Activities:		
Proceeds from maturities and calls of securities available for sale, interest-bearing deposits with banks and federal funds sold	**40,667**	50,028
Purchases of securities available for sale and interest-bearing deposits with banks	**(173,544)**	(210,314)
Net increase in loans	**(135,727)**	(25,308)
Purchases of premises and equipment	**(2,230)**	(2,362)
(Purchase) sale of foreclosed assets, net	**(229)**	1,230
Net cash used by investing activities	**(271,063)**	(186,726)
Financing Activities:		
Increase in noninterest-bearing deposits, net	**24,491**	82,781
Increase in interest-bearing deposits, net	**233,106**	176,925
Decrease in certificates of deposit, net	**(21,763)**	(84,960)
Sale (purchase) of treasury stock, net	**2,127**	(416)
Dividends paid to stockholders	**(4,806)**	(3,146)
Net cash from financing activities	**233,155**	171,184
Net change in cash and cash equivalents	**(21,891)**	13,399
Cash and cash equivalents, beginning of year	**367,420**	370,705
Cash and cash equivalents, end of year	**$ 345,529**	384,104

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

	2022	2021
Balance, January 1	**$ 38,691**	39,040
Reduction in provision for loan and lease losses	**(2,000)**	(600)
Recoveries	**337**	371
Loans charged off	**(138)**	(503)
Balance, June 30	**$ 36,890**	38,308
As a % of loans	**1.49%**	1.65%

DIRECTORS

RICHARD L. WESTRA
Chairman
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Vice Chairman
Aberdeen, SD
ROBERT J. FOUBERG
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Aberdeen, SD
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Aberdeen, SD
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Lemmon, SD
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Meeting, Event and Travel Planner
HelmsBriscoe
St. Cloud, MN
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Aberdeen, SD
JOANN R. HOOPER
Certified Public Accountant
Valley City, ND
JOSHUA J. PAULI
Department Head and Professor
University of Arizona
Sioux Falls, SD

Corporate Secretary

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

AFFILIATED DACOTAH BANKS

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BRANDON R. SPANIER, Market President
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KELLY L. HANSON, Market President

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Dacotah Territory

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