DACOTAH BANK

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DACOTAH BANKS, INC.
THIRD QUARTER REPORT

SEPTEMBER 30, 2022

Dacotah Banks, Inc.

FINANCIAL HIGHLIGHTS

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

	Nine months ended September 30		
	2022	2021	% change
PERFORMANCE			
Net interest income	**$84,151**	85,419	(1.5)%
Reduction in provision for loan and lease losses	**2,000**	600	233.3
Non-interest income	**20,562**	20,345	1.1
Non-interest expenses	**67,956**	68,030	(0.1)
Net income	**30,480**	29,551	3.1
Per share	**2.72**	2.63	3.4
Cash dividends declared	**8,631**	6,722	28.4
Per share	**0.77**	0.60	28.3
Net interest margin	**3.37%**	3.71%	(9.2)
Return on average assets	**1.14**	1.20	(5.0)
Return on average equity	**11.06**	10.86	1.8
AT SEPTEMBER 30			
Total assets	**$3,532,415**	3,314,298	6.6%
Investment securities and deposits with banks	**618,005**	528,141	17.0
Loans, net	**2,488,190**	2,287,449	8.8
Deposits	**3,151,105**	2,898,766	8.7
Long term borrowings	**4,000**	9,000	(55.6)
Stockholders' equity	**344,054**	371,242	(7.3)
Book value per share	**30.58**	33.14	(7.7)
Shares of common stock outstanding	**11,251**	11,201	0.4
Tier I leverage	**11.01**%	10.82%	1.8
Tier I capital	**13.89**%	14.18%	(2.0)
Total capital	**15.14**%	15.44%	(1.9)

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	
	2022	2021	**2022**	2021
INTEREST INCOME				
Loans	**$ 28,137**	34,936	**78,548**	85,102
Securities:				
Taxable	**2,761**	1,664	**7,381**	4,487
Exempt from federal income taxes	**258**	271	**760**	783
Deposits in banks	**65**	70	**187**	211
Federal funds sold	**1,286**	135	**2,154**	318
	32,507	37,076	**89,030**	90,901
INTEREST EXPENSE				
Deposits	**2,006**	1,462	**4,496**	4,938
Borrowings	**127**	166	**383**	544
	2,133	1,628	**4,879**	5,482
NET INTEREST INCOME	**30,374**	35,448	**84,151**	85,419
REDUCTION IN PROVISION FOR LOAN AND LEASE LOSSES	**-**	-	**2,000**	600
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	**30,374**	35,448	**86,151**	86,019
NON-INTEREST INCOME				
Income from fiduciary activities	**587**	591	**2,033**	1,820
Service charges on deposit accounts	**710**	643	**2,010**	1,735
Insurance commissions	**1,572**	1,360	**4,050**	3,782
Fees on sale of residential mortgages	**638**	944	**1,728**	3,206
Servicing fees on residential mortgages	**510**	269	**2,002**	1,676
Other income	**2,846**	2,776	**8,739**	8,126
	6,863	6,583	**20,562**	20,345
NON-INTEREST EXPENSES				
Salaries and employee benefits	**15,040**	17,132	**45,227**	44,840
Occupancy, net	**1,485**	1,359	**4,375**	3,910
Furniture and equipment	**698**	765	**2,000**	2,074
FDIC assessment	**246**	226	**725**	639
Other expenses	**5,716**	7,157	**15,629**	16,567
	23,185	26,639	**67,956**	68,030
INCOME BEFORE INCOME TAXES	**14,052**	15,392	**38,757**	38,334
Applicable income taxes:				
Current	**2,872**	3,773	**7,975**	9,281
Deferred (credit)	**(38)**	(167)	**302**	(498)
	2,834	3,606	**8,277**	8,783
NET INCOME	**$ 11,218**	11,786	**30,480**	29,551
PER SHARE OF COMMON STOCK				
Net income - basic	**$ 1.00**	1.05	**2.72**	2.63
Cash dividends declared	**0.34**	0.32	**0.77**	0.60

Dacotah Banks, Inc.
CONSOLIDATED STATEMENTS OF CONDITION

(Dollars in thousands)

	September 30 2022	December 31 2021	September 30 2021
ASSETS			
Cash and due from banks	**$ 57,428**	59,920	69,998
Interest-bearing deposits in banks	**163,500**	307,500	246,200
Time deposits in banks	**9,928**	10,128	10,872
Securities:			
Taxable	**565,474**	493,514	471,996
Tax exempt	**52,531**	55,278	56,145
Total securities	**618,005**	548,792	528,141
Loans held for sale	**1,278**	1,621	1,748
Loans	**2,524,880**	2,333,378	2,328,173
Allowance for loan and lease losses	**(36,690)**	(38,691)	(38,724)
Net loans	**2,488,190**	2,294,687	2,287,449
Interest receivable	**25,882**	21,879	23,648
Premises and equipment, net	**53,762**	53,806	53,876
Foreclosed assets	**568**	76	129
Investment in life insurance contracts	**59,534**	57,890	57,221
Deferred income tax asset	**25,422**	10,814	10,677
Goodwill	**10,248**	10,248	10,248
Intangible assets	**921**	791	947
Mortgage servicing rights	**4,270**	3,005	2,757
Other assets	**13,479**	11,972	10,387
Total assets	**$ 3,532,415**	3,393,129	3,314,298
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Noninterest-bearing	**$ 1,033,659**	951,102	897,072
Interest-bearing	**2,117,446**	2,022,238	2,001,694
Total deposits	**3,151,105**	2,973,340	2,898,766
Borrowings	**4,000**	9,000	9,000
Interest payable	**1,831**	1,837	2,015
Accrued expenses and other liabilities	**31,425**	32,263	33,275
Total liabilities	**3,188,361**	3,016,440	2,943,056
Stockholders' equity:			
Common stock, $4 par value; 30,000,000 shares authorized, 14,285,980 shares issued and outstanding	**57,144**	57,144	57,144
Capital surplus	**24,735**	21,467	21,259
Retained earnings	**342,896**	321,048	312,897
Unrealized gain on securities available for sale, net	**(57,832)**	(1,431)	1,348
Treasury stock, 3,035,219 shares at September 30, 2022, 3,083,552 shares at December 31, 2021, and 3,085,016 shares at September 30, 2021, at cost	**(22,889)**	(21,539)	(21,406)
Total stockholders' equity	**344,054**	376,689	371,242
Total liabilities and stockholders' equity	**$ 3,532,415**	3,393,129	3,314,298

Dacotah Banks, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Nine months ended September 30	
	2022	2021
Operating Activities:		
Net income	**$ 30,480**	29,551
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	**5,139**	5,359
Expense (benefit) from deferred income taxes	**303**	(498)
Increase in investment in life insurance contracts	**(1,644)**	(1,094)
Decrease (increase) in loans held for sale	**343**	(480)
(Increase) decrease in interest receivable	**(4,003)**	841
Increase other assets, net	**(2,668)**	(2,405)
Decrease in interest payable	**(6)**	(1,681)
(Decrease) increase in other accrued expenses and liabilities, net	**(838)**	3,521
Net cash from operating activities	**25,106**	32,514
Investing Activities:		
Proceeds from maturities and calls of securities available for sale, interest-bearing deposits with banks and federal funds sold	**59,187**	73,329
Purchases of securities available for sale and interest-bearing deposits with banks	**(200,612)**	(317,641)
Net increase in loans	**(191,503)**	(25,295)
Purchases of premises and equipment	**(4,230)**	(2,806)
(Purchase) sale of foreclosed assets, net	**(492)**	1,271
Net cash used by investing activities	**(337,650)**	(271,142)
Financing Activities:		
Increase in noninterest-bearing deposits, net	**82,557**	110,596
Increase in interest-bearing deposits, net	**140,165**	190,261
Decrease in certificates of deposit, net	**(44,957)**	(101,132)
Repayment of borrowings	**(5,000)**	(8,000)
Sale (purchase) of treasury stock, net	**1,918**	(882)
Dividends paid to stockholders	**(8,631)**	(6,722)
Net cash from financing activities	**166,052**	184,121
Net change in cash and cash equivalents	**(146,492)**	(54,507)
Cash and cash equivalents, beginning of year	**367,420**	370,705
Cash and cash equivalents, end of year	**$ 220,928**	316,198

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

Balance, January 1	**$ 38,691**	39,040
Reduction in provision for loan and lease losses	**(2,000)**	(600)
Recoveries	**363**	822
Loans charged off	**(364)**	(538)
Balance, September 30	**$ 36,690**	38,724
As a % of loans	**1.45%**	1.66%

DIRECTORS

RICHARD L. WESTRA
Chairman
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Vice Chairman
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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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South Dakota Education Access Foundation
Aberdeen, SD
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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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SIOUX FALLS
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Dacotah Territory

DACOTAH BANK®

Here for **you.**℠

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