DACOTAH BANK®

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DACOTAH BANKS, INC.
SECOND QUARTER REPORT

JUNE 30, 2023

DACOTAH BANKS, INC. BOARD OF DIRECTORS

ROBERT J. FOUBERG
Chairman and Chief Executive Officer
Aberdeen, SD
DARYL A. EBACH
President and Chief Revenue Officer
Aberdeen, SD
ARTHUR R. RUSSO
Partner
RhodesAnderson Insurance
Aberdeen, SD
BRADFORD J. WHEELER
Vice President
Wheeler Manufacturing, Inc.
Lemmon, SD
RICHARD L. WESTRA
Retired Chairman and CEO
Aberdeen, SD
CATHERINE O. SMITH
Businesswoman
Sioux Falls, SD
ELIZABETH A. LEWIS
Attorney
Woods, Fuller, Shultz & Smith P.C.
Sioux Falls, SD
JOSEPH A. SENGER
Retired President and CEO
Aberdeen, SD
LORI LAMONT LANGE
Meeting, Event and Travel Planner
HelmsBriscoe
St. Cloud, MN
FREDERICK M. LAMONT
Private Investor
Santa Fe, NM
PAULA KAY CARLSON
Retired Chief Loan Program and Services Officer
Great Lakes Educational Loan Services Inc.
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 General Counsel
Aberdeen, SD

DACOTAH BANKS, INC.
FINANCIAL HIGHLIGHTS

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

	Six months ended June 30		
	2023	2022	% change
PERFORMANCE			
Net interest income	**$57,580**	53,777	7.1%
Reduction in provision for loan and lease losses	**-**	2,000	(100.0)
Non-interest income	**11,217**	13,699	(18.1)
Non-interest expenses	**54,183**	44,771	21.0
Net income	**12,305**	19,262	(36.1)
Per share	**1.10**	1.72	(36.0)
Cash dividends declared	**3,932**	4,806	(18.2)
Per share	**0.35**	0.43	(18.6)
Net interest margin	**3.38%**	3.25%	4.0
Return on average assets	**0.68%**	1.09%	(37.6)
Return on average equity	**6.77%**	10.44%	(35.2)
AT JUNE 30			
Total assets	**$3,718,339**	3,607,727	3.1%
Investment securities and deposits with banks	**597,583**	636,123	(6.1)
Loans, net	**2,851,846**	2,432,414	17.2
Deposits	**3,212,061**	3,209,174	0.1
Overnight borrowings	**88,100**	-	-
Long term borrowings	**4,000**	9,000	(55.6)
Stockholders' equity	**367,995**	357,953	2.8
Book value per share	**32.80**	31.80	3.1
Shares of common stock outstanding	**11,218**	11,256	(0.3)
Tier I leverage	**11.18**%	10.77%	3.8
Tier I capital	**12.84**%	14.00%	(8.3)
Total capital	**14.02**%	15.25%	(8.1)

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	
	2023	2022	**2023**	2022
INTEREST INCOME				
Loans	**$37,820**	26,299	**71,034**	50,411
Securities:				
Taxable	**2,772**	2,537	**5,611**	4,620
Exempt from federal income taxes	**229**	253	**482**	502
Deposits in banks	**70**	61	**140**	122
Federal funds sold	**355**	693	**1,156**	868
	41,246	29,843	**78,423**	56,523
INTEREST EXPENSE				
Deposits	**11,180**	1,253	**20,146**	2,490
Borrowings	**506**	129	**697**	256
	11,686	1,382	**20,843**	2,746
NET INTEREST INCOME	**29,560**	28,461	**57,580**	53,777
REDUCTION IN PROVISION FOR LOAN AND LEASE LOSSES	**-**	-	**-**	2,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	**29,560**	28,461	**57,580**	55,777
NON-INTEREST INCOME				
Income from fiduciary activities	**605**	741	**1,307**	1,446
Service charges on deposit accounts	**611**	670	**1,217**	1,300
Insurance commissions	**1,225**	1,298	**2,344**	2,478
Fees on sale of residential mortgages	**340**	569	**564**	1,090
Servicing fees on residential mortgages	**190**	999	**406**	1,492
Other income	**2,740**	2,634	**5,379**	5,893
	5,711	6,911	**11,217**	13,699
NON-INTEREST EXPENSES				
Salaries and employee benefits	**18,889**	15,117	**37,000**	30,187
Occupancy, net	**1,596**	1,430	**3,276**	2,890
Furniture and equipment	**706**	668	**1,388**	1,302
FDIC assessment	**578**	247	**816**	479
Other expenses	**6,195**	5,028	**11,703**	9,913
	27,964	22,490	**54,183**	44,771
INCOME BEFORE INCOME TAXES	**7,307**	12,882	**14,614**	24,705
Applicable income taxes:				
Current	**1,082**	3,019	**2,218**	5,103
Deferred (credit)	**91**	(138)	**91**	340
	1,173	2,881	**2,309**	5,443
NET INCOME	**$ 6,134**	10,001	**12,305**	19,262
PER SHARE OF COMMON STOCK				
Net income - basic	**$ 0.55**	0.89	**1.10**	1.72
Cash dividends declared	**-**	0.12	**0.35**	0.43

Dacotah Banks, Inc.

CONSOLIDATED STATEMENTS OF CONDITION

(Dollars in thousands)

	June 30 2023	December 31 2022	June 30 2022
ASSETS			
Cash and due from banks	**$ 55,723**	80,854	66,869
Interest-bearing deposits in banks	**-**	-	278,660
Time deposits in banks	**8,424**	10,168	10,184
Securities:			
Taxable	**549,866**	567,917	584,932
Tax exempt	**47,717**	50,948	51,191
Total securities	**597,583**	618,865	636,123
Loans held for sale	**1,554**	447	1,625
Loans	**2,889,287**	2,737,017	2,469,304
Allowance for loan and lease losses	**(37,441)**	(37,398)	(36,890)
Net loans	**2,851,846**	2,699,619	2,432,414
Interest receivable	**24,208**	26,544	19,539
Premises and equipment, net	**55,743**	55,397	53,232
Foreclosed assets	**316**	170	305
Investment in life insurance contracts	**65,055**	59,892	59,078
Deferred income tax asset	**23,123**	23,869	19,916
Goodwill	**10,248**	10,248	10,248
Intangible assets	**565**	636	711
Mortgage servicing rights	**4,513**	4,595	4,006
Other assets	**19,438**	15,632	14,817
Total assets	**$ 3,718,339**	3,606,936	3,607,727
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Noninterest-bearing	**$ 849,370**	1,010,949	975,593
Interest-bearing	**2,362,691**	2,109,186	2,233,581
Total deposits	**3,212,061**	3,120,135	3,209,174
Federal funds purchased	**88,100**	85,300	-
Borrowings	**4,000**	4,000	9,000
Interest payable	**9,852**	2,401	1,626
Accrued expenses and other liabilities	**36,331**	36,918	29,974
Total liabilities	**3,350,344**	3,248,754	3,249,774
Stockholders' equity:			
Common stock, $4 par value; 30,000,000 shares authorized, 14,285,980 shares issued and outstanding	**57,144**	57,144	57,144
Capital surplus	**25,658**	24,863	24,644
Retained earnings	**361,497**	353,124	335,503
Unrealized gain on securities available for sale, net	**(51,474)**	(53,363)	(36,748)
Treasury stock, 3,067,741 shares at June 30, 2023, 3,051,985 shares at December 31, 2022, and 3,029,628 shares at June 30, 2022, at cost	**(24,830)**	(23,586)	(22,590)
Total stockholders' equity	**367,995**	358,182	357,953
Total liabilities and stockholders' equity	**$ 3,718,339**	3,606,936	3,607,727

Dacotah Banks, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Six months ended June 30 2023	2022
Operating Activities:		
Net income	**$ 12,305**	19,262
Adjustments to reconcile net income to net cash flows from operating activities:		
Reduction in provision for loan and lease losses	**-**	(2,000)
Depreciation and amortization	**3,381**	3,646
Expense from deferred income taxes	**92**	340
Increase in investment in life insurance contracts	**(5,163)**	(1,188)
Increase in loans held for sale	**(1,107)**	(4)
Decrease in interest receivable	**2,336**	2,340
Increase other assets, net	**(5,838)**	(3,878)
Increase (decrease) in interest payable	**7,451**	(211)
Increase (decrease) in other accrued expenses and liabilities, net	**1,681**	(2,290)
Net cash from operating activities	**15,138**	16,017
Investing Activities:		
Proceeds from maturities and calls of securities available for sale, interest-bearing deposits with banks and federal funds sold	**32,095**	40,667
Purchases of securities available for sale and interest-bearing deposits with banks	**(7,073)**	(173,544)
Net increase in loans	**(152,228)**	(135,727)
Purchases of premises and equipment	**(3,262)**	(2,230)
Purchase of foreclosed assets, net	**(146)**	(229)
Net cash used by investing activities	**(130,614)**	(271,063)
Financing Activities:		
(Decrease) increase in noninterest-bearing deposits, net	**(161,579)**	24,491
(Decrease) increase in interest-bearing deposits, net	**(13,142)**	233,106
Increase (decrease) in certificates of deposit, net	**266,647**	(21,763)
Net change in federal funds purchased	**2,800**	-
(Purchase) sale of treasury stock, net	**(449)**	2,127
Dividends paid to stockholders	**(3,932)**	(4,806)
Net cash from financing activities	**90,345**	233,155
Net change in cash and cash equivalents	**(25,131)**	(21,891)
Cash and cash equivalents, beginning of year	**80,854**	367,420
Cash and cash equivalents, end of year	**$ 55,723**	345,529

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

Balance, January 1	**$ 37,397**	38,691
Reduction in provision for loan and lease losses	**-**	(2,000)
Recoveries	**179**	337
Loans charged off	**(135)**	(138)
Balance, June 30	**$ 37,441**	36,890
As a % of loans	**1.30%**	1.49%

DACOTAH BANK
STEERING COMMITTEE

DAVID W. BANGASSER
SVP and Chief Banking Officer
CHAD D. BERGAN
EVP and Chief Financial Officer
PAIGE E. BJORNSON
Northern Region President
KIMBERLY R. BOWMAN
SVP and Chief Talent Officer
KEVIN J. BURCKHARD
SVP and Chief Retail Officer
DARYL A. EBACH
Presidet and Chief Revenue Officer
KRISTEN N. FAUTH
EVP and Chief Operating Officer
ROBERT J. FOUBERG
Chairman and Chief Executive Officer
TRAVIS L. GEPPERT
SVP Insurance Services
KIP J. HANSEN
Mid-Dakota Region President
CHAD B. JAGER
Western Region President
ROBERT D. KEIL
SVP and Chief Credit Officer
ALEX C. KING
SVP Trust and Wealth Management
MeCHELLE L. LANG
SVP Mortgage Banking
DAVE W. MILLER
SVP Tech Services
DIANA L. PFISTER
SVP and General Counsel
DAVID J. SANDVIG
SVP and Chief Strategy Officer
TODD J. SENGER
SVP Corporate Banking
JERRY L. TVEIDT
Southern Region President

DACOTAH BANK
LOCATIONS AND MANAGEMENT

MID-DAKOTA REGION
KIP J. HANSEN, Regional President
KELLY L. HANSON, Market President, Sisseton
KELLY L. HANSON, Market President, Webster, Groton, Langford and Rosyln
MICHAEL J. MAHONEY, Market Presdent, Morris
KRISTIE M. MARTIN, Market President, Aberdeen
BRANDON R. SPANIER, Market President, Faulkton

NORTHERN REGION
PAIGE E. BJORNSON, Regional President
DAWN L. FITZGERALD, Market President, Rolla and Belcourt
JUDD F. GRAHAM, Market President, Fargo
CASEY L. HENDERSON, Market President, Jamestown
TYLER S. MARTHALER, Market President, Valley City
JACOB K. NESVIG, Market President, Bismarck

SOUTHERN REGION
JERRY L. TVEIDT, Regional President
STEVEN J. CARNES, Market President, Brookings
JASON D. COLLINS, Market President, Rapid City and Custer
BRANDON S. HERR, Market President, Clark, Henry and Willow Lake
MATTHEW J. SMITH, Market President, Sioux Falls
TROY J. ZEBROSKI, Market President, Watertown

WESTERN REGION
CHAD B. JAGER, Regional President
TRAVIS J. ELLISON, Market President, Dickinson
RYAN J. HERTZ, Market President, Minot and Bowbells
GARRETT M. SCHWEITZER, Market President, Lemmon and Bison
SETH J. SKOGEN, Market President, Hettinger
KEVIN T. WIENTJES, Market President, Mobridge

Dacotah Territory

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DACOTAH BANKS, INC.

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www.dacotahbank.com