DACOTAH BANK

Here for you. SM

DACOTAH BANKS, INC.
THIRD QUARTER REPORT

SEPTEMBER 30, 2023

DACOTAH BANKS, INC. BOARD OF DIRECTORS

ROBERT J. FOUBERG (2020)
Chairman and Chief Executive Officer
Aberdeen, SD

DARYL A. EBACH (2023)
President and Chief Revenue Officer
Aberdeen, SD

ARTHUR R. RUSSO (1985)
Partner
RhodesAnderson Insurance
Aberdeen, SD

BRADFORD J. WHEELER (1997)
Vice President
Wheeler Manufacturing, Inc.
Lemmon, SD

RICHARD L. WESTRA (2005)
Retired Chairman and CEO
Aberdeen, SD

CATHERINE O. SMITH (2012)
Businesswoman
Sioux Falls, SD

ELIZABETH A. LEWIS (2014)
Attorney
Woods, Fuller, Shultz & Smith P.C.
Sioux Falls, SD

JOSEPH A. SENGER (2015)
Retired President and CEO
Aberdeen, SD

LORI LAMONT LANGE (2016)
Meeting, Event and Travel Planner
HelmsBriscoe
Rapid City, SD

FREDERICK M. LAMONT (2020)
Private Investor
Santa Fe, NM

PAULA KAY CARLSON (2021)
Retired Chief Loan Program and Services Officer
Great Lakes Educational Loan Services, Inc.
Aberdeen, SD

JOANN R. HOOPER (2021)
Certified Public Accountant
Valley City, ND

JOSHUA J. PAULI (2021)
Department Head and Professor
University of Arizona
Sioux Falls, SD

Corporate Secretary

DIANA L. PFISTER
Senior Vice President and General Counsel
Aberdeen, SD

( ) Year First Elected

DACOTAH BANKS, INC.

FINANCIAL HIGHLIGHTS

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

	Nine months ended September 30		
	2023	2022	% change
PERFORMANCE			
Net interest income	**$86,903**	84,151	3.3%
Provision for loan and lease losses	**450**	(2,000)	122.5
Non-interest income	**18,191**	20,562	(11.5)
Non-interest expenses	**82,620**	67,956	21.6
Net income	**18,508**	30,480	(39.3)
Per share	**1.65**	2.72	(39.3)
Cash dividends declared	**7,854**	8,631	(9.0)
Per share	**0.70**	0.77	(9.1)
Net interest margin	**3.33%**	3.37%	(1.2)
Return on average assets	**0.67%**	1.14%	(41.2)
Return on average equity	**6.73%**	11.06%	(39.2)
AT SEPTEMBER 30			
Total assets	**$3,941,823**	3,532,415	11.6%
Investment securities and deposits with banks	**581,308**	618,005	(5.9)
Loans, net	**2,993,262**	2,488,190	20.3
Deposits	**3,525,606**	3,151,105	11.9
Long term borrowings	**-**	4,000	(100.0)
Stockholders' equity	**362,296**	344,054	5.3
Book value per share	**32.38**	30.58	5.9
Shares of common stock outstanding	**11,189**	11,251	(0.6)
Tier I leverage	**10.74%**	11.01%	(2.5)
Tier I capital	**12.26%**	13.89%	(11.7)
Total capital	**13.39%**	15.14%	(11.6)

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	
	2023	2022	**2023**	2022
INTEREST INCOME				
Loans	**$41,530**	28,137	**112,564**	78,548
Securities:				
Taxable	**2,747**	2,761	**8,358**	7,381
Exempt from federal income taxes	**228**	258	**710**	760
Deposits in banks	**61**	65	**201**	187
Federal funds sold	**446**	1,286	**1,602**	2,154
	45,012	32,507	**123,435**	89,030
INTEREST EXPENSE				
Deposits	**15,011**	2,006	**35,157**	4,496
Borrowings	**678**	127	**1,375**	383
	15,689	2,133	**36,532**	4,879
NET INTEREST INCOME	**29,323**	30,374	**86,903**	84,151
PROVISION FOR LOAN AND LEASE LOSSES	**450**	-	**450**	(2,000)
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	**28,873**	30,374	**86,453**	86,151
NON-INTEREST INCOME				
Income from fiduciary activities	**523**	587	**1,830**	2,033
Service charges on deposit accounts	**702**	710	**1,919**	2,010
Insurance commissions	**1,545**	1,572	**3,889**	4,050
Fees on sale of residential mortgages	**580**	638	**1,144**	1,728
Servicing fees on residential mortgages	**730**	510	**1,136**	2,002
Other income	**2,894**	2,846	**8,273**	8,739
	6,974	6,863	**18,191**	20,562
NON-INTEREST EXPENSES				
Salaries and employee benefits	**19,087**	15,040	**56,087**	45,227
Occupancy, net	**1,440**	1,485	**4,716**	4,375
Furniture and equipment	**697**	698	**2,085**	2,000
FDIC assessment	**417**	246	**1,233**	725
Other expenses	**6,796**	5,716	**18,499**	15,629
	28,437	23,185	**82,620**	67,956
INCOME BEFORE INCOME TAXES	**7,410**	14,052	**22,024**	38,757
Applicable income taxes:				
Current	**640**	2,872	**2,858**	7,975
Deferred (credit)	**567**	(38)	**658**	302
	1,207	2,834	**3,516**	8,277
NET INCOME	**$ 6,203**	11,218	**18,508**	30,480
PER SHARE OF COMMON STOCK				
Net income - basic	**$ 0.55**	1.00	**1.65**	2.72
Cash dividends declared	**0.35**	0.34	**0.70**	0.77

Dacotah Banks, Inc.

CONSOLIDATED STATEMENTS OF CONDITION

(Dollars in thousands)

	September 30 2023	December 31 2022	September 30 2022
ASSETS			
Cash and due from banks	**$ 52,245**	80,854	57,428
Interest-bearing deposits in banks	**84,300**	-	163,500
Time deposits in banks	**7,678**	10,168	9,928
Securities:			
Taxable	**536,982**	567,917	565,474
Tax exempt	**44,326**	50,948	52,531
Total securities	**581,308**	618,865	618,005
Loans held for sale	**1,622**	447	1,278
Loans	**3,031,086**	2,737,017	2,524,880
Allowance for loan and lease losses	**(37,824)**	(37,398)	(36,690)
Net loans	**2,993,262**	2,699,619	2,488,190
Interest receivable	**35,375**	26,544	25,882
Premises and equipment, net	**55,535**	55,397	53,762
Foreclosed assets	**113**	170	568
Investment in life insurance contracts	**65,487**	59,892	59,534
Deferred income tax asset	**24,656**	23,869	25,422
Goodwill	**10,248**	10,248	10,248
Intangible assets	**531**	636	921
Mortgage servicing rights	**4,992**	4,595	4,270
Other assets	**24,471**	15,632	13,479
Total assets	**$ 3,941,823**	3,606,936	3,532,415
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Noninterest-bearing	**1,052,377**	1,010,949	1,033,659
Interest-bearing	**2,473,229**	2,109,186	2,117,446
Total deposits	**3,525,606**	3,120,135	3,151,105
Federal funds purchased	**-**	85,300	-
Borrowings	**-**	4,000	4,000
Interest payable	**15,636**	2,401	1,831
Accrued expenses and other liabilities	**38,285**	36,918	31,425
Total liabilities	**3,579,527**	3,248,754	3,188,361
Stockholders' equity:			
Common stock, $4 par value; 30,000,000 shares authorized, 14,285,980 shares issued and outstanding	**57,144**	57,144	57,144
Capital surplus	**25,878**	24,863	24,735
Retained earnings	**363,778**	353,124	342,896
Unrealized gain on securities available for sale, net	**(58,461)**	(53,363)	(57,832)
Treasury stock, 3,097,476 shares at September 30, 2023, 3,051,985 shares at December 31, 2022, and 3,035,219 shares at September 30, 2022, at cost	**(26,043)**	(23,586)	(22,889)
Total stockholders' equity	**362,296**	358,182	344,054
Total liabilities and stockholders' equity	**$ 3,941,823**	3,606,936	3,532,415

Dacotah Banks, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Nine months ended September 30 2023	2022
Operating Activities:		
Net income	**$ 18,508**	30,480
Adjustments to reconcile net income to net cash flows from operating activities:		
Provision for loan and lease losses	**450**	(2,000)
Depreciation and amortization	**5,008**	5,139
Expense from deferred income taxes	**658**	303
Increase in investment in life insurance contracts	**(5,595)**	(1,644)
(Increase) decrease in loans held for sale	**(1,175)**	343
Increase in interest receivable	**(8,831)**	(4,003)
Increase other assets, net	**(11,593)**	(2,668)
Increase (decrease) in interest payable	**13,235**	(6)
Increase (decrease) in other accrued expenses and liabilities, net	**3,635**	(838)
Net cash from operating activities	**14,300**	25,106
Investing Activities:		
Proceeds from maturities and calls of securities available for sale, interest-bearing deposits with banks and federal funds sold	**56,662**	59,187
Purchases of securities available for sale and interest-bearing deposits with banks	**(23,638)**	(200,612)
Net increase in loans	**(294,094)**	(191,503)
Purchases of premises and equipment	**(4,472)**	(4,230)
Sale (purchase) of foreclosed assets, net	**57**	(492)
Net cash used by investing activities	**(265,485)**	(337,650)
Financing Activities:		
Increase in noninterest-bearing deposits, net	**41,428**	82,557
Increase in interest-bearing deposits, net	**15,398**	140,165
Increase (decrease) in certificates of deposit, net	**348,645**	(44,957)
Decrease in long term borrowings, net	**(4,000)**	(5,000)
Decrease in overnight borrowings, net	**(85,300)**	-
(Purchase) sale of treasury stock, net	**(1,441)**	1,918
Dividends paid to stockholders	**(7,854)**	(8,631)
Net cash from financing activities	**306,876**	166,052
Net change in cash and cash equivalents	**55,691**	(146,492)
Cash and cash equivalents, beginning of year	**80,854**	367,420
Cash and cash equivalents, end of year	**$ 136,545**	220,928

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

	2023	2022
Balance, January 1	**$ 37,398**	38,691
Provision for loan and lease losses	**450**	(2,000)
Recoveries	**237**	363
Loans charged off	**(261)**	(364)
Balance, September 30	**$ 37,824**	36,690
As a % of loans	**1.25%**	1.45%

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 Technology 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

CORPORATE BANKING DIVISION
TODD J. SENGER, SVP

DACOTAH TERRITORY

DACOTAH BANK®

Here for **you.**℠

DACOTAH BANKS, INC.

P. O. BOX 1496

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www.dacotahbank.com