PSB Holdings, Inc. (PSBQ)

Acquisition of Waukesha Bankshares, Inc. and its subsidiary, Sunset Bank & Savings

December 16, 2020



PSB Holdings, Inc.
"PSBQ"

Cautionary Note Regarding Forward-Looking Statements

Certain matters discussed in this presentation, including those relating to the growth of PSBQ, its profits, and future interest rates, are forward-looking statements and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current expectations, estimates and projections about PSBQ's business based, in part, on assumptions made by management and include, without limitation, statements with respect to the potential benefits of PSBQ's acquisition of Waukesha Bankshares, Inc. ("WBI") and the potential growth of PSBQ, its future profits, expected stock repurchase levels, future dividend rates, and future interest rates and other assumptions. Forward-looking statements involve risks and uncertainties which may cause results to differ materially from those set forth in this presentation. Among other things, these risks and uncertainties include the strength of the economy, the effects of government policies, including interest rate policies, risks associated with global economic instability relating to the COVID-19 pandemic and its effect on PSBQ and WBI, their respective subsidiary banks and their customers, and other risks. The forward-looking statements in this presentation speak only as of the date of this presentation. PSBQ assumes no obligation to update or supplement forward-looking statements that become untrue because of subsequent events.

With respect to the projected financial information contained in this presentation, because of the number and range of the variables, assumptions and estimates involved in projections of this nature, the actual results achieved during the projection period may vary from these projections, and the variations may be adverse and material. PSBQ makes no representations regarding the accuracy of the assumptions and estimates underlying these projections. These projections should not be construed as PSBQ's forecast of what the results will be, but rather should be viewed only as an estimate of what results could be if the underlying assumptions and estimates prove to be accurate.

PSB Holdings, Inc. Transaction Rationale

"PSBQ"

- Doubles PSBQ's presence in Milwaukee area market to approximately $250 million in assets after starting a de-novo loan production office in 2016
- Establishes a meaningful presence in Waukesha County, which consistently shows strong banking demographics
- Further leverages PSBQ's early 2020 retail staff investment in its newly opened West Allis (Milwaukee area) branch by adding an existing retail customer base
- Opportunity for significant cost savings drives significant incremental earnings
  - Further opportunity to increase wealth management revenue in Milwaukee MSA (not modeled)
- Extensive credit review: all commercial loans greater than $200,000: all watch list credits and all COVID industry exposure loans, a process that reached approximately 89% penetration of the commercial portfolio

PSB Holdings, Inc. "PSBQ"

Sunset Bank & Savings

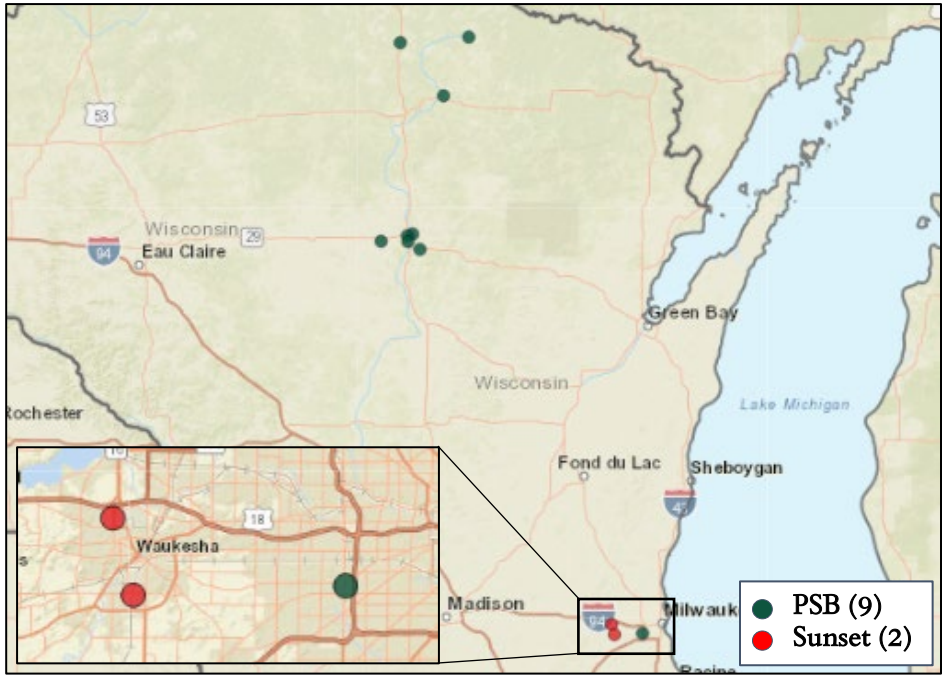
Corporate

Headquarters:	Waukesha, WI	**Chairman & CEO:**	Robert F. Eastman Jr.
Established:	8/16/1999	**CFO:**	John P. Udvare

Historical Financials

(Dollars in thousands)	2017	2018	2019	2020Q3 YTD
Balance Sheet				
Total Assets	127,333	127,073	130,563	141,101
Total Loans HFI	93,799	100,467	95,598	95,038
Total Deposits	108,499	105,838	113,341	123,513
Loans / Deposits (%)	87	95	86	83
Capital Position				
Total Equity	15,359	15,567	15,616	16,060
Tang. Common Equity	15,359	15,567	15,616	16,060
TCE Ratio (%)	12.1	12.3	12.0	11.4
Leverage Ratio (%)	10.7	11.3	10.7	10.7
Profitability				
Net Income	(350)	487	324	436
ROAA (%)	(0.27)	0.38	0.25	0.43
ROATCE (%)	(2.2)	3.2	2.1	3.7
Efficiency Ratio (%)	84	85	90	83
Net Interest Margin (%)	3.73	3.58	3.23	3.07
Asset Quality and LLR				
NPAs / Assets (%)	3.21	2.30	1.60	1.65
LLR / Gross Loans (%)	0.87	0.91	0.90	0.95

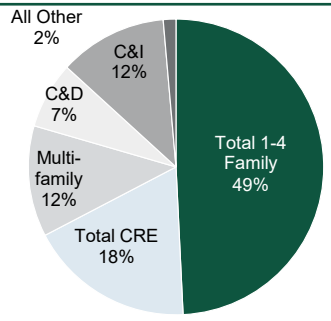
Pro Forma Branch Map



Loan Composition

(Dollars in thousands)

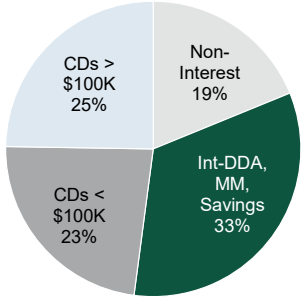
Loan Type	Balance	%
Total 1-4 Family	50,407	49%
Total CRE	18,544	18%
Multi-family	12,433	12%
C&I	12,132	12%
C&D	7,446	7%
All Other	1,418	2%
Total	**102,380**	**100%**
Yield on Loans		**4.62%**



Deposit Composition

(Dollars in thousands)

Deposit Type	Balance	%
Non-Interest	23,258	19%
Int-DDA, MM, Savings	41,076	33%
CDs < $100K	28,621	23%
CDs > $100K	30,558	25%
Total	**123,513**	**100%**
Cost of Total Deposits		**0.99%**

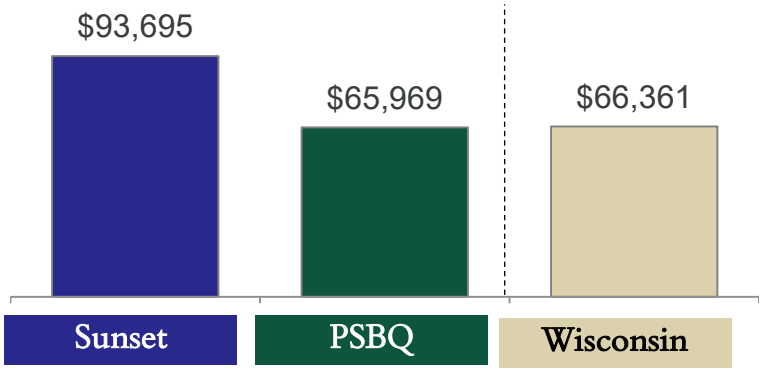


Note: Bank level financial data as of September 30, 2020; loan yields and deposit costs as of MRQ
Source: S&P Global Market Intelligence

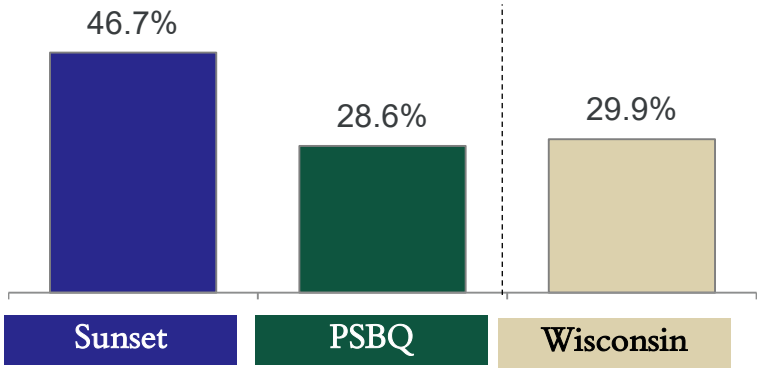
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Strong Demographics

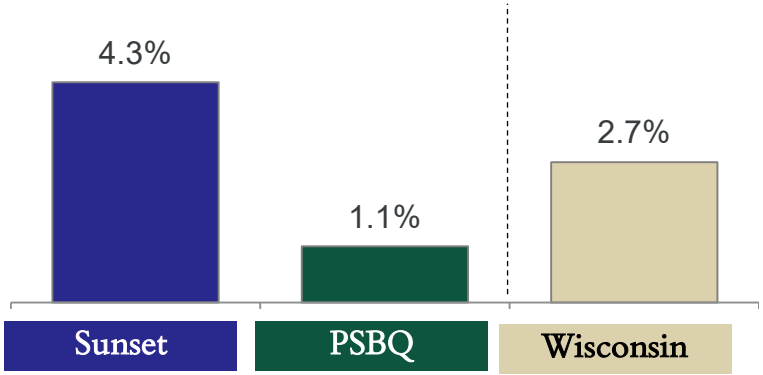
Median Household Income



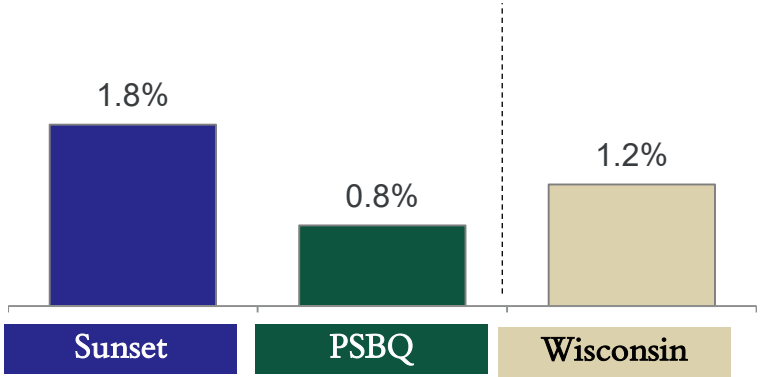
% of HH w/ Income >$100k



'10 - '21 Population Change



'21 - '26 Projected Population Change



Note: Demographic data is calculated based on weighted average of deposits in each respective market by county
Source: S&P Global Market Intelligence; demographic data is from a report issued by Claritas, LLC based primarily on US Census data

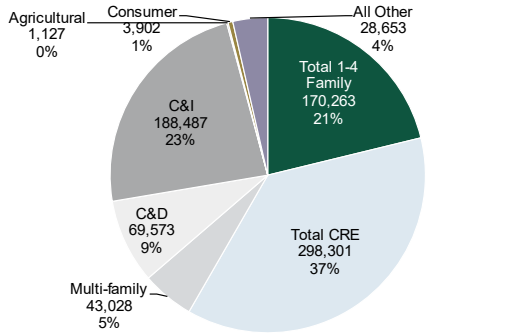
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Pro Forma Loans & Deposits

Loan Composition ($000s)

PSB Holdings, Inc.

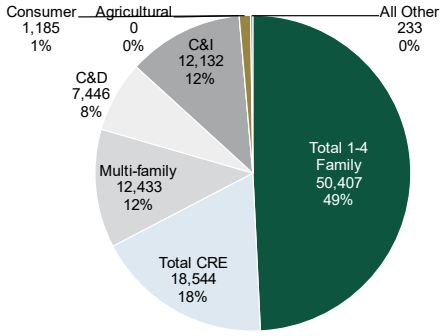
Total Loans & Leases: $803,334



Yield on Loans
4.11%

Sunset Bank & Savings

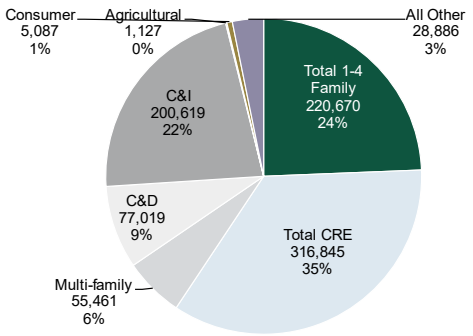
Total Loans & Leases: $102,380



Yield on Loans
4.62%

Pro Forma

Total Loans & Leases: $905,714

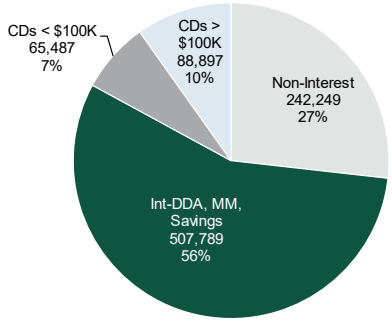


Yield on Loans
4.17%

Deposit Composition ($000s)

PSB Holdings, Inc.

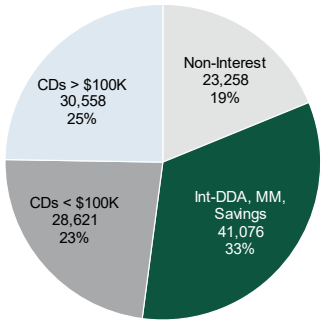
Total Deposits: $904,422



Cost of Total Deps.
0.37%

Sunset Bank & Savings

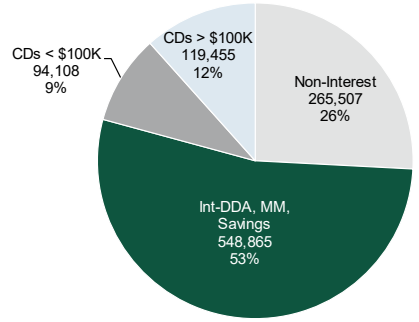
Total Deposits: $123,513



Cost of Total Deps.
0.99%

Pro Forma

Total Deposits: $1,027,935



Cost of Total Deps.
0.45%

Note: Bank level loan and deposit compositions as of September 30, 2020; loan yields and deposit costs as of MRQ
Source: S&P Global Market Intelligence

PSB Holdings, Inc. "PSBQ" Assumptions & Impact

Transaction Terms

- Cash purchase price of $9.6 million
- Minimum Waukesha Bankshares, Inc. holding company tangible equity requirement of $8.0 million at closing

PSB Holdings, Inc. "PSBQ" Assumptions & Impact

Financial Impact

- Purchase price represents 118% of tangible book value as of 9/30/2020
- Price / earnings plus fully phased in cost savings of 6.7x
- Mid-teens accretive to EPS with fully phased in cost savings
- Approximately 5.4% tangible book value dilution at closing earned back in less than 4 years
- Internal rate of return – Approximately 19%

PSB Holdings, Inc. "PSBQ" Assumptions & Impact

Key Modeling Assumptions

- 40% cost savings on a fully phased in basis
- $2.5 million gross loan mark (Approximately 2.4% of Sunset's 9/30 gross loans)
- OREO marked down $100K. Facilities marked down $106K
- CDI of 0.50% amortized over 10 years
- Mid single digit CAGR in loans and deposits

PSB Holdings, Inc. "PSBQ" Assumptions & Impact

Anticipated Timeline

- Transaction expected to close in early Q2 2021
- Data conversion expected June 2021