NEWS RELEASE

# PSB Holdings, Inc. Reports 2nd Quarter Earnings of $2.1 Million, or $0.48 Per Share; Earnings before Merger Adjustments Totaled $4.2 Million, or $0.93 Per Share

2021-07-26

WAUSAU, Wis., July 26, 2021 (GLOBE NEWSWIRE) -- PSB Holdings, Inc. (“PSB”) (OTCQX: PSBQ), the holding company for Peoples State Bank serving Northcentral and Southeastern Wisconsin, reported second quarter earnings ending June 30, 2021 of $0.48 per share on net income of $2.1 million, compared to earnings of $0.87 per share on net income of $3.9 million, during the March 31, 2021 quarter, and $0.72 per share on net income of $3.2 million, during the second quarter a year ago. June 2021 quarterly earnings included $2.7 million of merger related expenses associated with professional fees, data conversions, contract terminations and severance payments before tax benefits of $0.7 million. Excluding merger related expenses, June 2021 quarterly earnings were $0.93 per share on net income of $4.2 million.

“Integration of the Waukesha Bankshares, Inc. acquisition has met expectations while our overall banking platform continues to provide robust core earnings. The local communities we operate in appear to be returning to pre-pandemic levels as unemployment levels decline, businesses are open and consumer spending is strong. Our deposit balances remain elevated as individuals and businesses remain flush with liquidity and lending needs are currently muted,” stated Scott Cattanach, President and CEO. “However, we remain committed to our business community and expect to see organic loan growth expand as we move through the remainder of 2021.”

Net Interest Margin Impact: PSB’s net interest margin decreased to 3.48% for the quarter ended June 30, 2021 from 3.62% the prior quarter. During the quarter, net interest margin was impacted by lower accretion of net PPP origination fee income totaling $1.0 million for the current quarter versus $1.6 million during the prior quarter. In addition, higher yielding loans acquired with the Waukesha Bankshares, Inc. (WBI) acquisition were offset by a larger balance of lower yielding investment securities. Loan yield and net interest margin excluding PPP loans would

have been 4.20% and 3.25%, respectively during the June 2021 quarter compared to 4.18% and 3.24% in the March 2021 quarter. “Net interest margin was positively influenced by the acquisition of WBI’s loans and deposits and additional SBA PPP loan forgiveness. Based on current interest rates and the competitive environment of our local markets, we expect continued downward pressure on loans yields and net interest margin in the near term,” said Mark Oldenberg, Chief Financial Officer.

Capital Management: At June 30, 2021, PSB’s tangible equity to tangible asset ratio was 8.38% compared to 9.22% at December 31, 2020. Peoples State Bank capital was well in-excess of all regulatory requirements. Tangible net book value per share decreased $0.16 during the quarter to $23.53 per share at June 30, 2021 from $23.69 per share at March 31, 2021 due to $3.1 million of intangible assets recognized with the acquisition of WBI. PSB did not repurchase any shares during the quarter ending June 30, 2021.

Loan Loss Reserves: For the quarter ended June 30, 2021, the bank did not add any provisions for loan losses compared to $1.0 million in the first quarter of 2021. Allowance for loan losses remained at $11.8 million at June 30, 2021. At June 30, 2021, allowance for loan losses totaled 1.35% of gross loans, but rises to 1.44% of proforma gross loans excluding $41.3 million of PPP loans and $12.7 million of purchased USDA guaranteed loans. Loan loss provisions in 2021 are expected to continue to be lower than provisions recorded during 2020 due to an improved economic outlook and expected favorable resolution to several large problem loans.

Loan Accommodations: Loan modifications related to COVID decreased from 27 loan accommodations with a balance of $21.9 million at March 31, 2021 to 9 loans with a balance of $1.4 million, or 0.2% of gross loans, at June 30, 2021.

As shown in the table below during the June 2021 quarter, “impaired loans” decreased $0.6 million and the “substandard risk” loans decreased $11.8 million while “watch risk” loans increased $8.7 million. The primary increase in “watch risk” loans relates to certain loans added from the acquisition of WBI. Loans acquired with WBI totaling $86.7 million were recorded at fair value at acquisition net of $725,000 of purchase discounts related to potential credit losses and higher than market loan coupon rates that will be accreted to income over the life of the purchased loans.

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Commercial, Commercial Real Estate, Construction & Development, Agricultural and Government Loans
($ 000 )

| Risk Rating | | 12/2018 | 12/2019 | 03/2020 | 06/2020 | 9/2020 | 12/2020 | 03/2021 | 06/2021 |
|---|---|---|---|---|---|---|---|---|---|
| Rating 1 | "High Quality" | $ - | $ - | $ 71 | $ 55 | $ - | $ - | $ - | $ - |
| Rating 2 | "Minimal Risk" | 85,382 | 57,904 | 59,101 | 72,601 | 56,337 | 61,223 | 62,626 | 60,155 |
| Rating 3 | "Average Risk" | 323,627 | 349,002 | 324,378 | 374,709 | 391,195 | 390,191 | 348,102 | 345,929 |
| Rating 4 | "Acceptable Risk" | 79,271 | 128,932 | 123,296 | 154,302 | 155,738 | 175,400 | 209,407 | 209,728 |
| Rating 5 | "Watch Risk" | 15,551 | 15,933 | 33,999 | 54,522 | 46,603 | 36,379 | 30,891 | 39,577 |
| Rating 6 | "Substandard Risk" | 489 | 2,568 | 2,732 | 4,545 | 2,162 | 7,617 | 18,134 | 6,377 |
| Rating 7 | "Impaired Loans" | 8,707 | 5,518 | 7,811 | 6,130 | 10,164 | 13,153 | 16,162 | 15,522 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| $ 513,027 | $ 559,857 | $ 551,388 | $ 666,864 | $ 662,199 | $ 683,963 | $ 685,322 | $ 677,288 |

Includes undisbursed Construction & Development lines of credit. PPP loan balances are assigned a risk-weighting of "3".

Balance Sheet and Asset Quality Review

Total assets increased to $1.25 billion at June 30, 2021 from $1.13 billion at December 31, 2020 due primarily to the acquisition of WBI. Total loans receivable increased by $42.3 million, or 5.2%, to $863.3 million at June 30, 2021 from $821.0 million as of December 31, 2020. Net loan growth was due primarily to the addition of WBI's $86.7 million portfolio. Offsetting this growth was the net reduction in SBA Paycheck Protection Program (PPP) loans of $60.7 million as loans were forgiven and repaid by the SBA PPP guarantee program. At June 30, 2021, $41.3 million of PPP loan principal remained and unrealized net PPP origination fees totaled $1.2 million. Year to date loan growth was also impacted by the addition of $10.2 million of residential fixed rate first mortgages traditionally sold into the secondary market and a $8.2 million increase in organic other commercial related loans.

The allowance for loan losses decreased to 1.35% of gross loans at June 30, 2021 (1.44% of gross loans net of PPP guaranteed loans and USDA guaranteed loans) compared to 1.40% of gross loans (1.59% of gross loans net of PPP loans and USDA guaranteed loans) one quarter earlier. Annualized net charge-offs to average loans were zero for the quarter ended June 30, 2021. Non-performing assets were 1.07% of total assets at June 30, 2021, compared to 1.13% at March 31, 2021, and 0.90% at December 31, 2020. At June 30, 2021, non-performing assets consisted of $5.2 million in non-accrual loans, $1.1 million in non-accrual restructured loans, $5.2 million in restructured loans not on non-accrual and $2.0 million in other real estate owned.

At June 30, 2021, cash and cash equivalents were elevated following the merger related addition of cash and sale of securities held by WBI and repayment of forgiveness received on SBA PPP loans and totaled $72.1 million at June 30, 2021 compared to $29.9 million at March 31, 2021, and $38.5 million at the start of the fiscal year. Investment securities totaled $261.7 million at June 30, 2021, compared to $227.8 million at March 31, 2021, and $228.3 million as of December 31, 2020 as cash was deployed to purchase securities with a higher yield than available with overnight cash. All investment securities are considered available for sale and carried at market value.

As a result of the merger, intangible assets including core deposit intangibles and goodwill were recorded and totaled $629,000 and $2.5 million, respectively at June 30, 2021. The initial core deposit intangible of $660,000 represented approximately 0.92% of core deposits and will be amortized on a double-declining basis over 7 years. Amortization of core deposit intangibles of $31,000 was recognized in the June 2021 quarter.

Foreclosed assets increased to $2.0 million at June 30, 2021, from $1.1 million at March 31, 2021, due to including $0.9 million of foreclosed assets held by WBI. Foreclosed assets were $1.6 million at the beginning of the fiscal year.

Total deposits increased to $1.03 billion at June 30, 2021, compared to $932.1 million at December 31, 2020, with the acquisition of WBI adding $121.1 million in deposit growth. Merger related time deposit premiums totaled $352,000, or 0.72% of time deposits, at the acquisition and were $264,000 at June 30, 2021. At June 30, 2021, interest-bearing demand and savings deposits accounted for 35.4% of total deposits, followed by noninterest-bearing demand deposits at 26.5%, money market deposits at 20.6%, and retail and local time deposits at 16.2%. Broker and national time deposits accounted for 1.3% of total deposits at June 30, 2021, versus 1.5% at December 31, 2020. As a result of the pandemic, the bank has continued to experience larger average deposits per account and increased mobile banking enrollment and active mobile deposit product usage.

FHLB advances increased to $67.0 million at June 30, 2021 from $62.0 million at March 31, 2021 and December 31, 2020, while other borrowings increased to $21.8 million compared to $18.6 million the prior period and $12.2 million at December 31, 2020. Junior subordinated debentures increased to $12.7 million at June 30, 2021 from $7.7 million at the beginning of the fiscal year due to addition of WBI's junior subordinated par notes of $6.2 million before an acquisition discount of $1.3 million to be amortized to expense until the instrument's September 2033 final maturity.

Operations Review

Net interest income totaled $10.2 million (on a net margin of 3.48%) for the second quarter of 2021, compared to $9.6 million (on net margin of 3.62%) for the first quarter of 2021 and $7.8 million (on a net margin of 3.09%) for the second quarter of 2020. Compared to the preceding quarter, earning asset yields decreased 17 basis points from 3.95% to 3.78% during the second quarter of 2021, while deposit and borrowing costs declined 4 basis points to 0.42% from 0.46% over the same period. The decrease in earning asset yields was largely due to lower net accretion of loan fees of $1.0 million related to PPP loans that have been repaid compared to net accretion of $1.6 million during the March 31, 2021 quarter. Loan yields decreased to 4.42% during the quarter from 4.57% during the first quarter of 2021. Loan yields excluding the impacts of PPP loans, were 4.20 % and 4.18% during the June 2021 and March 2021 quarters respectively. Net interest margin excluding the impacts of PPP loans, was 3.25% and 3.24% in the June 2021 and March 2021 quarters, respectively. Recognition of PPP loan fee income is expected to decline for the remainder of 2021 as balances are forgiven.

The cost of interest-bearing liabilities decreased during the quarter, largely reflecting lower rates associated with time deposits and the impact of mark-to-market premiums related to the merger on WBI's time deposits. Deposit costs decreased $62,000 despite the addition of deposits acquired in the merger to $485,000 for the second quarter of 2021, from $547,000 the previous quarter. Time deposit purchase premium amortization totaled $88,000 for the quarter ended June 30, 2021, lowering interest expense, with the remaining unamortized balance of

$264,000 expected to be fully realized by the end of 2021. Interest costs on borrowings increased $83,000, to $422,000, for the second quarter of 2021, from $339,000 the previous quarter. The increase in borrowing costs largely relate to the additional junior subordinated debentures acquired with WBI.

Total noninterest income for the second quarter of 2021 decreased to $2.3 million from $2.7 million for the first quarter of 2021, due in part to lower gains on the sale of mortgage loans and lower investment and insurance sales commissions. Gains on sale of mortgage loans decreased to $663,000 for the second quarter from $1.2 million in the first quarter of 2021, due in part to management actions to invest significant on-balance sheet liquidity into first lien residential mortgage loans rather than purchasing lower yielding investment securities. Adding these mortgages to the balance sheet rather than selling them for a gain into the secondary market reduced June 2021 noninterest income by approximately $257,000. In addition, slightly higher long-term mortgage rates and rising home prices during the quarter slowed mortgage demand by borrowers.

Deposit and service fee income in the second quarter increased to $347,000 for the three months ended June 30, 2021, compared to $332,000 for the prior three-month period. Net gains on the sale of securities were $113,000 for the second quarter of 2021, compared to $21,000 for the first quarter of 2021, and $194,000 for the quarter one year earlier. Commissions on customer investment and insurance sales decreased to $465,000, from $595,000 the prior quarter as new customer sales activity decreased. At June 30, 2021, the bank had wealth assets under management totaling $300.0 million compared to $283.6 million at March 31, 2021, and $234.4 million at June 30, 2020. For the second quarter ended June 30, 2021, other noninterest income was $554,000 compared to $462,000 the prior quarter.

Noninterest expense was $9.6 million for the second quarter of 2021, compared to $6.2 million for the first quarter of 2021. For the second quarter of 2021, noninterest expense included $2.7 million of non-recurring merger related expenses. In addition, salary and employee benefit expenses were $3.9 million for the second quarter compared to $3.5 million in the first quarter of 2021 as the bank added 15.5 full time equivalent employees associated with the merger. Similarly, occupancy and facilities costs increased due to the merger to $647,000 for the second quarter from $569,000 in the prior quarter.

Data processing and other office operations costs increased to $1.5 million for the quarter ended June 30, 2021 from $694,000 the previous quarter. During the quarter, the bank incurred contract termination costs and data conversion fees of approximately $700,000. Advertising and promotion expenses were $322,000 for the most recent quarter compared to $79,000 last quarter due to a local multi-year sponsorship commitment and merger related communication. Other noninterest expenses increased to $3.1 million for the second quarter ended June 30, 2021 from $1.2 million the previous quarter. Included in other noninterest expense was approximately $1.9 million in non-recurring professional fees and other merger related expenses. Cost savings from efficiencies gained

in the merger are expected to be fully realized by the end of 2021.

About PSB Holdings, Inc.

PSB Holdings, Inc. is the parent company of Peoples State Bank. Peoples is a community bank headquartered in Wausau, Wisconsin, serving northcentral and southeastern Wisconsin from ten full-service banking locations in Marathon, Oneida, Vilas, Milwaukee and Waukesha counties and a loan production office in Stevens Point, Wisconsin. Peoples also provides investment and insurance products, along with retirement planning services, through Peoples Wealth Management, a division of Peoples. PSB Holdings, Inc. is traded under the stock symbol PSBQ on the OTCQX Market. More information about PSB, its management, and its financial performance may be found at **www.psbholdingsinc.com**.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current expectations, estimates and projections about PSB Holdings' business based, in part, on assumptions made by management and include, without limitation, statements with respect to the potential growth of PSB Holdings, its future profits, expected stock repurchase levels, future dividend rates, future interest rates, and the adequacy of its capital position. Forward-looking statements can be affected by known and unknown risks, uncertainties, and other factors, including, but not limited to, strength of the economy, the effects of government policies, including interest rate policies, risks associated with the execution of PSB Holdings' vision and growth strategy, including with respect to current and future M&A activity, and risks associated with global economic instability relating to the COVID-19 pandemic and its effect on PSB Holdings, and Peoples, and their customers, and other risks. The forward-looking statements in this press release speak only as of the date on which they are made and PSB Holdings does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this release.

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PSB Holdings, Inc.
Quarterly Financial Summary
(dollars in thousands, except per share data)

| Earnings and dividends: | Quarter ended Jun. 30, 2021 | Mar. 31, 2021 | Dec. 31, 2020 | Sep. 30, 2020 | Jun. 30, 2020 |
|---|---|---|---|---|---|
| Interest income | $ 11,070 | $ 10,482 | $ 9,442 | $ 9,155 | $ 9,291 |
| Interest expense | $ 907 | $ 886 | $ 1,011 | $ 1,261 | $ 1,528 |
| Net interest income | $ 10,163 | $ 9,596 | $ 8,431 | $ 7,894 | $ 7,763 |
| Provision for loan losses | $ - | $ 1,000 | $ 675 | $ 1,300 | $ 1,800 |
| Other noninterest income | $ 2,299 | $ 2,749 | $ 2,991 | $ 2,929 | $ 3,138 |
| Other noninterest expense | $ 9,607 | $ 6,200 | $ 6,461 | $ 6,074 | $ 4,879 |
| Net income | $ 2,137 | $ 3,896 | $ 3,252 | $ 2,637 | $ 3,190 |

| | | | | | |
|---|---|---|---|---|---|
| Basic earnings per share (3) | $ 0.48 | $ 0.88 | $ 0.73 | $ 0.59 | $ 0.72 |
| Diluted earnings per share (3) | $ 0.48 | $ 0.87 | $ 0.73 | $ 0.59 | $ 0.72 |
| Dividends declared per share (3) | $ 0.23 | $ - | $ 0.21 | $ - | $ 0.21 |
| Tangible net book value per share (4) | $ 23.53 | $ 23.69 | $ 23.43 | $ 22.73 | $ 21.97 |
| Semi-annual dividend payout ratio | 17.04% | n/a | 15.88% | n/a | 19.48% |
| Average common shares outstanding | 4,454,922 | 4,454,334 | 4,452,287 | 4,452,287 | 4,453,225 |
| Balance sheet - average balances: | | | | | |
| Loans receivable, net of allowances for loss | $ 891,886 | $ 827,595 | $ 807,182 | $ 800,611 | $ 786,785 |
| Assets | $ 1,251,738 | $ 1,132,905 | $ 1,100,064 | $ 1,099,402 | $ 1,067,466 |
| Deposits | $ 1,023,229 | $ 925,689 | $ 896,427 | $ 882,682 | $ 855,155 |
| Stockholders' equity | $ 105,932 | $ 105,868 | $ 102,790 | $ 100,436 | $ 95,909 |
| Performance ratios: | | | | | |
| Return on average assets (1) | 0.68% | 1.39% | 1.18% | 0.95% | 1.20% |
| Return on average stockholders' equity (1) | 8.09% | 14.92% | 12.59% | 10.45% | 13.38% |
| Average stockholders' equity less accumulated other comprehensive income (loss) to average assets | 8.27% | 9.10% | 9.00% | 8.85% | 8.83% |
| Net loan charge-offs to average loans (1) | 0.00% | 0.01% | 0.16% | 0.00% | 0.25% |
| Nonperforming loans to gross loans | 1.31% | 1.39% | 1.03% | 0.98% | 0.47% |
| Nonperforming assets to total assets | 1.07% | 1.13% | 0.90% | 0.85% | 0.49% |
| Allowance for loan losses to gross loans | 1.35% | 1.40% | 1.30% | 1.31% | 1.13% |
| Nonperforming assets to tangible equity plus the allowance for loan losses (4) | 11.71% | 11.06% | 8.96% | 8.50% | 5.11% |
| Net interest rate margin (1)(2) | 3.48% | 3.62% | 3.22% | 3.03% | 3.09% |
| Net interest rate spread (1)(2) | 3.37% | 3.49% | 3.07% | 2.84% | 2.85% |
| Service fee revenue as a percent of average demand deposits (1) | 0.51% | 0.57% | 0.59% | 0.59% | 0.49% |
| Noninterest income as a percent of gross revenue | 17.20% | 20.78% | 24.06% | 24.24% | 25.25% |
| Efficiency ratio (2) | 76.20% | 49.64% | 55.87% | 55.41% | 44.23% |
| Noninterest expenses to average assets (1) | 3.08% | 2.22% | 2.34% | 2.20% | 1.84% |
| Tangible equity to tangible assets | 8.38% | 9.32% | 9.22% | 9.17% | 8.95% |
| Stock price information: | | | | | |
| High | $ 26.50 | $ 25.94 | $ 23.00 | $ 18.80 | $ 24.75 |
| Low | $ 25.00 | $ 20.45 | $ 17.20 | $ 17.36 | $ 18.55 |
| Last trade value at quarter-end | $ 26.25 | $ 25.25 | $ 20.57 | $ 18.00 | $ 18.55 |

(1) Annualized
(2) The yield on tax-exempt loans and securities is computed on a tax-equivalent basis using a federal tax rate of 21%.
(3) Due to rounding, cumulative quarterly per share performance may not equal annual per share totals.
(4) Tangible stockholders' equity excludes intangible assets.

PSB Holdings, Inc.
Consolidated Statements of Income

| (dollars in thousands, except per share data - unaudited) | Quarter Ended Jun. 30, 2021 | Mar. 31, 2021 | Dec. 31, 2020 | Sep. 30, 2020 | Jun. 30, 2020 |
|---|---|---|---|---|---|
| Interest and dividend income: | | | | | |
| Loans, including fees | $ 9,972 | $ 9,442 | $ 8,371 | $ 8,068 | $ 8,175 |
| Securities: | | | | | |
| Taxable | 553 | 507 | 542 | 564 | 622 |
| Tax-exempt | 505 | 502 | 489 | 474 | 446 |
| Other interest and dividends | 40 | 31 | 40 | 49 | 48 |
| Total interest and dividend income | 11,070 | 10,482 | 9,442 | 9,155 | 9,291 |
| Interest expense: | | | | | |
| Deposits | 485 | 547 | 657 | 833 | 1,080 |
| FHLB advances | 221 | 215 | 228 | 304 | 323 |
| Other borrowings | 8 | 7 | 6 | 5 | 6 |
| Senior subordinated notes | 28 | 28 | 29 | 28 | 28 |

| | | | | | |
|---|---|---|---|---|---|
| Junior subordinated debentures | 165 | 89 | 91 | 91 | 91 |
| Total interest expense | 907 | 886 | 1,011 | 1,261 | 1,528 |
| Net interest income | 10,163 | 9,596 | 8,431 | 7,894 | 7,763 |
| Provision for loan losses | - | 1,000 | 675 | 1,300 | 1,800 |
| Net interest income after provision for loan losses | 10,163 | 8,596 | 7,756 | 6,594 | 5,963 |
| Noninterest income: | | | | | |
| Service fees | 347 | 332 | 352 | 344 | 278 |
| Gain on sale of mortgage loans | 663 | 1,152 | 1,401 | 1,752 | 1,747 |
| Mortgage loan servicing, net | 9 | 79 | 104 | (79) | (165) |
| Investment and insurance sales commissions | 465 | 595 | 391 | 301 | 259 |
| Net gain on sale of securities | 113 | 21 | 149 | 38 | 194 |
| Increase in cash surrender value of life insurance | 148 | 108 | 106 | 108 | 104 |
| Other noninterest income | 554 | 462 | 488 | 465 | 721 |
| Total noninterest income | 2,299 | 2,749 | 2,991 | 2,929 | 3,138 |
| Noninterest expense: | | | | | |
| Salaries and employee benefits | 3,915 | 3,460 | 4,084 | 3,526 | 2,583 |
| Occupancy and facilities | 647 | 569 | 511 | 566 | 508 |
| Loss (gain) on foreclosed assets | 23 | 130 | (218) | 36 | 23 |
| Data processing and other office operations | 1,499 | 694 | 568 | 743 | 675 |
| Advertising and promotion | 322 | 79 | 172 | 77 | 94 |
| FDIC insurance premiums | 58 | 83 | 82 | 87 | 23 |
| Other noninterest expenses | 3,143 | 1,185 | 1,262 | 1,039 | 973 |
| Total noninterest expense | 9,607 | 6,200 | 6,461 | 6,074 | 4,879 |
| Income before provision for income taxes | 2,855 | 5,145 | 4,286 | 3,449 | 4,222 |
| Provision for income taxes | 718 | 1,249 | 1,034 | 812 | 1,032 |
| Net income | $ 2,137 | $ 3,896 | $ 3,252 | $ 2,637 | $ 3,190 |
| Basic earnings per share | $ 0.48 | $ 0.88 | $ 0.73 | $ 0.59 | $ 0.72 |
| Diluted earnings per share | $ 0.48 | $ 0.87 | $ 0.73 | $ 0.59 | $ 0.72 |

PSB Holdings, Inc.
Consolidated Statements of Income

| (dollars in thousands, except per share data - unaudited) | Three Months Ended June | | Six Months Ended June | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Interest and dividend income: | | | | |
| Loans, including fees | $ 9,972 | $ 8,175 | $ 19,414 | $ 16,620 |
| Securities: | | | | |
| Taxable | 553 | 622 | 1,060 | 1,355 |
| Tax-exempt | 505 | 446 | 1,007 | 877 |
| Other interest and dividends | 40 | 48 | 71 | 165 |
| Total interest and dividend income | 11,070 | 9,291 | 21,552 | 19,017 |
| Interest expense: | | | | |
| Deposits | 485 | 1,080 | 1,032 | 2,562 |
| FHLB advances | 221 | 323 | 436 | 643 |
| Other borrowings | 8 | 6 | 15 | 20 |
| Senior subordinated notes | 28 | 28 | 56 | 56 |
| Junior subordinated debentures | 165 | 91 | 254 | 182 |
| Total interest expense | 907 | 1,528 | 1,793 | 3,463 |
| Net interest income | 10,163 | 7,763 | 19,759 | 15,554 |
| Provision for loan losses | - | 1,800 | 1,000 | 3,600 |
| Net interest income after provision for loan losses | 10,163 | 5,963 | 18,759 | 11,954 |

| | | | | |
|---|---|---|---|---|
| Noninterest income: | | | | |
| Service fees | 347 | 278 | 679 | 669 |
| Gain on sale of mortgage loans | 663 | 1,747 | 1,815 | 2,734 |
| Mortgage loan servicing, net | 9 | (165) | 88 | (188) |
| Investment and insurance sales commissions | 465 | 259 | 1,060 | 608 |
| Net gain on sale of securities | 113 | 194 | 134 | 317 |
| Increase in cash surrender value of life insurance | 148 | 104 | 256 | 208 |
| Other noninterest income | 554 | 721 | 1,016 | 1,145 |
| Total noninterest income | 2,299 | 3,138 | 5,048 | 5,493 |
| Noninterest expense: | | | | |
| Salaries and employee benefits | 3,915 | 2,583 | 7,375 | 6,402 |
| Occupancy and facilities | 647 | 508 | 1,216 | 1,052 |
| Loss (gain) on foreclosed assets | 23 | 23 | 153 | 94 |
| Data processing and other office operations | 1,499 | 675 | 2,193 | 1,319 |
| Advertising and promotion | 322 | 94 | 401 | 235 |
| FDIC insurance premiums | 58 | 23 | 141 | 23 |
| Other noninterest expenses | 3,143 | 973 | 4,328 | 2,084 |
| Total noninterest expense | 9,607 | 4,879 | 15,807 | 11,209 |
| Income before provision for income taxes | 2,855 | 4,222 | 8,000 | 6,238 |
| Provision for income taxes | 718 | 1,032 | 1,967 | 1,438 |
| Net income | $ 2,137 | $ 3,190 | $ 6,033 | $ 4,800 |
| Basic earnings per share | $ 0.48 | $ 0.72 | $ 1.35 | $ 1.08 |
| Diluted earnings per share | $ 0.48 | $ 0.72 | $ 1.35 | $ 1.08 |

PSB Holdings, Inc.
Consolidated Balance Sheets
June 30, and March 31, 2021, September 30, and June 30, 2020, unaudited,
December 31, 2020 derived from audited financial statements

| (dollars in thousands, except per share data) | Jun. 30, 2021 | Mar. 31, 2021 | Dec. 31, 2020 | Sep. 30, 2020 | Jun. 30, 2020 |
|---|---|---|---|---|---|
| Assets | | | | | |
| Cash and due from banks | $ 18,589 | $ 12,921 | $ 15,723 | $ 13,652 | $ 13,016 |
| Interest-bearing deposits | 906 | 985 | 1,056 | 1,750 | 1,483 |
| Federal funds sold | 52,643 | 16,027 | 21,749 | 61,383 | 45,796 |
| Cash and cash equivalents | 72,138 | 29,933 | 38,528 | 76,785 | 60,295 |
| Securities available for sale (at fair value) | 261,685 | 227,824 | 228,296 | 193,179 | 178,635 |
| Bank certificates of deposit (at cost) | 245 | 1,231 | 1,231 | 496 | 1,738 |
| Loans held for sale | 1,756 | 622 | 954 | 903 | 3,755 |
| Loans receivable, net | 863,254 | 829,964 | 820,956 | 791,951 | 805,243 |
| Accrued interest receivable | 3,299 | 3,335 | 3,527 | 3,629 | 3,590 |
| Foreclosed assets | 1,984 | 1,105 | 1,619 | 1,485 | 1,525 |
| Premises and equipment, net | 13,241 | 11,077 | 10,920 | 11,061 | 11,067 |
| Mortgage servicing rights, net | 1,696 | 1,732 | 1,657 | 1,638 | 1,623 |
| Federal Home Loan Bank stock (at cost) | 2,646 | 2,283 | 2,283 | 2,283 | 2,283 |
| Cash surrender value of bank-owned life insurance | 24,001 | 17,902 | 17,795 | 17,089 | 16,981 |
| Core deposit intangible | 629 | - | 2 | 4 | 7 |
| Goodwill | 2,541 | 113 | 113 | 113 | 113 |
| Other assets | 5,523 | 5,102 | 4,074 | 3,667 | 6,491 |
| TOTAL ASSETS | $ 1,254,638 | $ 1,132,223 | $ 1,131,955 | $ 1,104,283 | $ 1,093,346 |
| Liabilities | | | | | |
| Non-interest-bearing deposits | $ 273,181 | $ 242,974 | $ 236,981 | $ 241,947 | $ 241,914 |
| Interest-bearing deposits | 758,445 | 682,877 | 695,156 | 658,667 | 640,307 |
| Total deposits | 1,031,626 | 925,851 | 932,137 | 900,614 | 882,221 |
| Federal Home Loan Bank advances | 67,000 | 62,000 | 62,000 | 67,000 | 87,000 |
| Other borrowings | 21,757 | 18,582 | 12,239 | 16,216 | 3,941 |
| Senior subordinated notes | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 |

| | | | | | |
|---|---|---|---|---|---|
| Junior subordinated debentures | 12,666 | 7,732 | 7,732 | 7,732 | 7,732 |
| Accrued expenses and other liabilities | 11,103 | 9,918 | 10,920 | 8,871 | 11,998 |
| Total liabilities | 1,146,652 | 1,026,583 | 1,027,528 | 1,002,933 | 995,392 |
| Stockholders' equity | | | | | |
| Preferred stock - no par value: | | | | | |
| Authorized - 30,000 shares; no shares issued or outstanding | - | - | - | - | - |
| Common stock - no par value with a stated value of $1.00 per share: | | | | | |
| Authorized - 6,000,000 shares; Issued - 5,490,798 shares | | | | | |
| Outstanding - 4,454,922, 4,454,922, 4,452,287, 4,452,287 and | | | | | |
| 4,452,287 shares, respectively | 1,830 | 1,830 | 1,830 | 1,830 | 1,830 |
| Additional paid-in capital | 7,946 | 7,890 | 7,818 | 7,765 | 7,712 |
| Retained earnings | 108,863 | 107,751 | 103,855 | 101,538 | 98,901 |
| Accumulated other comprehensive income (loss), net of tax | 2,869 | 1,691 | 4,458 | 3,751 | 3,045 |
| Treasury stock, at cost - 1,035,876, 1,035,876, 1,038,511, 1,038,511 and | | | | | |
| 1,038,511 shares, respectively | (13,522) | (13,522) | (13,534) | (13,534) | (13,534) |
| Total stockholders' equity | 107,986 | 105,640 | 104,427 | 101,350 | 97,954 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 1,254,638 | $ 1,132,223 | $ 1,131,955 | $ 1,104,283 | $ 1,093,346 |

PSB Holdings, Inc.
Consolidated Statements of Comprehensive Income

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (dollars in thousands - unaudited) | 2021 | 2020 | 2021 | 2020 |
| Net income | $ 2,137 | $ 3,190 | $ 6,033 | $ 4,800 |
| Other comprehensive income, net of tax: | | | | |
| Unrealized gain (loss) on securities available for sale | 1,224 | 2,608 | (1,580) | 2,266 |
| Reclassification adjustment for security gain included in net income | (83) | (141) | (97) | (230) |
| Unrealized gain (loss) on interest rate swap | (4) | (3) | 11 | (343) |
| Reclassification adjustment of interest rate swap settlements included in earnings | 39 | 32 | 77 | 50 |
| Other comprehensive income (loss) | 1,176 | 2,496 | (1,589) | 1,743 |
| Comprehensive income | $ 3,313 | $ 5,686 | $ 4,444 | $ 6,543 |

Loan Composition by Purpose

| Quarter-ended (dollars in thousands) | Jun 30, 2021 | Mar 31, 2021 | Dec 31, 2020 | Sep 30, 2020 | Jun 30, 2020 |
|---|---|---|---|---|---|
| Residential real estate | | | | | |
| One to four family | $ 169,456 | $ 136,242 | $ 125,530 | $ 114,226 | $ 118,049 |
| HELOC loans | 18,263 | 16,908 | 18,312 | 19,747 | 19,550 |
| Residential construction & development | 24,385 | 25,628 | 25,519 | 22,529 | 23,129 |
| Residential vacant land | 2,172 | 2,524 | 3,305 | 3,147 | 3,417 |
| Total Residential real estate | 214,276 | 181,302 | 172,666 | 159,649 | 164,145 |
| Commercial/Agricultural real estate | | | | | |
| Owner occupied | | | | | |
| Commercial real estate | 202,767 | 194,514 | 187,059 | 164,073 | 164,483 |
| SBA commercial real estate | 1,164 | 1,445 | 1,483 | 1,506 | 1,539 |
| Agriculture real estate | 4,188 | 4,787 | 4,429 | 4,677 | 4,885 |
| Construction and land development | 6,460 | 4,121 | 5,468 | 13,557 | 7,294 |
| Commercial vacant land | 6,490 | 2,998 | 2,835 | 2,819 | 2,241 |
| Total Owner occupied | 221,069 | 207,865 | 201,274 | 186,632 | 180,442 |
| Non-owner occupied | | | | | |
| Commercial real estate | 196,011 | 183,365 | 173,953 | 170,847 | 165,099 |
| One to four family residential rental | 47,097 | 31,914 | 31,363 | 30,159 | 28,451 |
| SBA commercial real estate | 703 | 718 | 749 | 771 | 793 |
| Construction and land development | 30,057 | 31,362 | 29,846 | 18,600 | 11,927 |
| Commercial vacant land | 5,203 | 7,970 | 8,402 | 8,907 | 10,135 |
| Total Non-owner occupied | 279,071 | 255,329 | 244,313 | 229,284 | 216,405 |
| Commercial/Agricultural non-real estate | | | | | |
| Municipal non-real estate | 7,014 | 7,165 | 11,422 | 5,687 | 7,826 |
| Commercial line | 45,386 | 46,833 | 41,619 | 40,067 | 55,317 |
| Other commercial non-real estate | 55,002 | 49,246 | 52,723 | 58,718 | 69,267 |
| SBA commercial non-real estate | 47,245 | 89,603 | 103,871 | 118,668 | 117,436 |
| Agricultural non-real estate | 1,656 | 1,730 | 1,986 | 2,150 | 2,148 |
| Total Commercial/Agricultural non-real estate | 156,303 | 194,577 | 211,621 | 225,290 | 251,994 |
| Consumer non-real estate | | | | | |
| Consumer installment | 4,399 | 3,191 | 3,400 | 3,358 | 3,512 |
| Consumer line | 436 | 498 | 353 | 366 | 243 |
| Other consumer | 130 | 123 | 143 | 163 | 160 |
| Total Consumer non-real estate | 4,965 | 3,812 | 3,896 | 3,887 | 3,915 |
| Gross loans | 875,684 | 842,885 | 833,770 | 804,742 | 816,901 |
| Net deferred loan costs (fees) | (738) | (1,627) | (2,140) | (2,627) | (2,617) |
| Overdrafts | 134 | 528 | 161 | 317 | 133 |
| Allowance for loan losses | (11,826) | (11,822) | (10,835) | (10,481) | (9,174) |
| Total loans receivable | $ 863,254 | $ 829,964 | $ 820,956 | $ 791,951 | $ 805,243 |

PSB Holdings, Inc.
Nonperforming Assets as of:

| (dollars in thousands) | Jun 30, 2021 | Mar 31, 2021 | Dec 31, 2020 | Sept 30, 2020 | June 30, 2020 |
|---|---|---|---|---|---|
| Nonaccrual loans (excluding restructured loans) | $ 5,208 | $ 5,346 | $ 2,071 | $ 2,129 | $ 2,964 |
| Nonaccrual restructured loans | 1,062 | 1,090 | 1,064 | 233 | 244 |

| | | | | | |
|---|---|---|---|---|---|
| Restructured loans not on nonaccrual | 5,205 | 5,242 | 5,414 | 5,508 | 650 |
| Accruing loans past due 90 days or more | - | - | - | - | - |
| Total nonperforming loans | 11,475 | 11,678 | 8,549 | 7,870 | 3,858 |
| Other real estate owned | 1,984 | 1,105 | 1,619 | 1,485 | 1,525 |
| Total nonperforming assets | $ 13,459 | $ 12,783 | $ 10,168 | $ 9,355 | $ 5,383 |
| Nonperforming loans as a % of gross loans receivable | 1.31% | 1.39% | 1.03% | 0.98% | 0.47% |
| Total nonperforming assets as a % of total assets | 1.07% | 1.13% | 0.90% | 0.85% | 0.49% |
| Allowance for loan losses as a % of nonperforming loans | 103.06% | 101.23% | 126.74% | 133.18% | 237.79% |

PSB Holdings, Inc.
Nonperforming Assets >= $500,000 net book value before specific reserves
At June 30, 2021
(dollars in thousands)

| Collateral Description | Asset Type | Gross Principal | Specific Reserves |
|---|---|---|---|
| Leased retail sales outlet | ORE | $ 1,100 | - |
| Real estate - Hotel | Restructured | 4,826 | 158 |
| Real estate - Buffet Style Restaurant | Restructured/Nonaccrual | 860 | 99 |
| Real estate - Buffet Style Restaurant | Nonaccrual | 3,330 | 1,208 |
| Total listed nonperforming assets | | 10,116 | 1,465 |
| Total bank wide nonperforming assets | | 13,459 | 1,894 |
| Listed assets as a % of total nonperforming assets | | 75% | 77% |

Largest Performing, but Impaired Loans at June 30, 2021 ($000s)

| Collateral Description | Asset Type | Gross Principal | Specific Reserves |
|---|---|---|---|
| Real estate - 4 Hotel Group | Impaired | 4,327 | 529 |
| Total listed performing, but impaired loans | | 4,327 | 529 |
| Total performing, but impaired loans | | 5,794 | 665 |
| Listed assets as a % of total performing, but impaired loans | | 75% | 80% |

PSB Holdings, Inc.
Deposit Composition

| (dollars in thousands) | June 30, 2021 | | March 31, 2021 | | June 30, 2020 | |
|---|---|---|---|---|---|---|
| | $ | % | $ | % | $ | % |
| Non-interest bearing demand | $ 273,181 | 26.50% | $ 242,974 | 26.20% | $ 241,914 | 27.40% |
| Interest-bearing demand and savings | 366,563 | 35.40% | 329,100 | 35.60% | 267,874 | 30.40% |
| Money market deposits | 212,285 | 20.60% | 215,590 | 23.30% | 202,708 | 23.00% |
| Retail and local time deposits <= $250 | 140,895 | 13.70% | 101,866 | 11.00% | 103,917 | 11.80% |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Total core deposits | | 992,924 | 96.20% | | 889,530 | 96.10% | | 816,413 | 92.60% |
| Retail and local time deposits > $250 | | 25,834 | 2.50% | | 23,904 | 2.60% | | 24,399 | 2.80% |
| Broker & national time deposits <= $250 | | 10,874 | 1.10% | | 10,423 | 1.10% | | 15,376 | 1.70% |
| Broker & national time deposits > $250 | | 1,994 | 0.20% | | 1,994 | 0.20% | | 26,033 | 2.90% |
| Totals | $ | 1,031,626 | 100.00% | $ | 925,851 | 100.00% | $ | 882,221 | 100.00% |

PSB Holdings, Inc.
Average Balances ($000) and Interest Rates
(dollars in thousands)

| | Quarter ended June 30, 2021 | | | Quarter ended March 31, 2021 | | | Quarter ended June 30, 2020 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Average Balance | Interest | Yield / Rate | Average Balance | Interest | Yield / Rate | Average Balance | Interest | Yield / Rate |
| Assets | | | | | | | | | |
| Interest-earning assets: | | | | | | | | | |
| Loans (1)(2) | $ 906,233 | $ 9,983 | 4.42% | $ 838,781 | $ 9,454 | 4.57% | $ 795,337 | $ 8,186 | 4.14% |
| Taxable securities | 153,960 | 553 | 1.44% | 142,539 | 507 | 1.44% | 99,621 | 622 | 2.51% |
| Tax-exempt securities (2) | 84,593 | 639 | 3.03% | 84,219 | 635 | 3.06% | 70,105 | 565 | 3.24% |
| FHLB stock | 2,625 | 23 | 3.51% | 2,283 | 21 | 3.73% | 2,283 | 25 | 4.40% |
| Other | 42,253 | 17 | 0.16% | 22,390 | 10 | 0.18% | 58,776 | 23 | 0.16% |
| Total (2) | 1,189,664 | 11,215 | 3.78% | 1,090,212 | 10,627 | 3.95% | 1,026,122 | 9,421 | 3.69% |
| Non-interest-earning assets: | | | | | | | | | |
| Cash and due from banks | 25,422 | | | 14,248 | | | 10,760 | | |
| Premises and equipment, net | 11,640 | | | 11,009 | | | 11,116 | | |
| Cash surrender value ins | 23,906 | | | 17,840 | | | 16,918 | | |
| Other assets | 16,004 | | | 10,782 | | | 11,102 | | |
| Allowance for loan losses | (11,816) | | | (11,186) | | | (8,552) | | |
| Total | $ 1,254,820 | | | $ 1,132,905 | | | $ 1,067,466 | | |
| Liabilities & stockholders' equity | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | |
| Savings and demand deposits | $ 352,572 | $ 65 | 0.07% | $ 333,340 | $ 65 | 0.08% | $ 261,942 | $ 127 | 0.20% |
| Money market deposits | 213,122 | 96 | 0.18% | 217,618 | 118 | 0.22% | 197,571 | 213 | 0.43% |
| Time deposits | 182,758 | 324 | 0.71% | 138,773 | 364 | 1.06% | 169,398 | 740 | 1.76% |
| FHLB borrowings | 71,846 | 221 | 1.23% | 62,000 | 215 | 1.41% | 90,623 | 323 | 1.43% |
| Other borrowings | 25,525 | 8 | 0.13% | 18,964 | 7 | 0.15% | 5,857 | 6 | 0.41% |
| Senior sub. notes | 2,500 | 28 | 4.49% | 2,500 | 28 | 4.54% | 2,500 | 28 | 4.50% |
| Junior sub. debentures | 11,827 | 165 | 5.60% | 7,732 | 89 | 4.67% | 7,732 | 91 | 4.73% |
| Total | 860,150 | 907 | 0.42% | 780,927 | 886 | 0.46% | 735,623 | 1,528 | 0.84% |
| Non-interest-bearing liabilities: | | | | | | | | | |
| Demand deposits | 274,777 | | | 235,958 | | | 226,244 | | |
| Other liabilities | 11,430 | | | 10,152 | | | 9,690 | | |
| Stockholders' equity | 108,463 | | | 105,868 | | | 95,909 | | |
| Total | $ 1,254,820 | | | $ 1,132,905 | | | $ 1,067,466 | | |
| Net interest income | | $ 10,308 | | | $ 9,741 | | | $ 7,893 | |
| Rate spread | | | 3.36% | | | 3.49% | | | 2.85% |
| Net yield on interest-earning assets | | | 3.48% | | | 3.62% | | | 3.09% |

(1) Nonaccrual loans are included in the daily average loan balances outstanding.
(2) The yield on tax-exempt loans and securities is computed on a tax-equivalent basis using a federal tax rate of 21%.

PSB Holdings, Inc.
Average Balances ($000) and Interest Rates
(dollars in thousands)

| | Six months ended June 30, 2021 | | | Six months ended June 30, 2020 | | |
|---|---|---|---|---|---|---|
| | Average Balance | Interest | Yield/ Rate | Average Balance | Interest | Yield/ Rate |
| Assets | | | | | | |
| Interest-earning assets: | | | | | | |
| Loans (1)(2) | $ 872,694 | $ 19,438 | 4.49% | $ 753,869 | $ 16,647 | 4.44% |
| Taxable securities | 148,280 | 1,060 | 1.44% | 105,300 | 1,355 | 2.59% |
| Tax-exempt securities (2) | 84,407 | 1,275 | 3.05% | 68,532 | 1,110 | 3.26% |
| FHLB stock | 2,455 | 44 | 3.61% | 2,202 | 51 | 4.66% |
| Other | 32,702 | 27 | 0.17% | 45,051 | 114 | 0.51% |
| Total (2) | 1,140,538 | 21,844 | 3.86% | 974,954 | 19,277 | 3.98% |
| Non-interest-earning assets: | | | | | | |
| Cash and due from banks | 19,866 | | | 11,190 | | |
| Premises and equipment, net | 11,338 | | | 10,948 | | |
| Cash surrender value ins | 20,890 | | | 16,864 | | |
| Other assets | 13,401 | | | 9,717 | | |
| Allowance for loan losses | (11,507) | | | (7,810) | | |
| Total | $ 1,194,526 | | | $ 1,015,863 | | |
| Liabilities & stockholders' equity | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Savings and demand deposits | $ 343,009 | $ 130 | 0.08% | $ 261,823 | $ 457 | 0.35% |
| Money market deposits | 215,254 | 214 | 0.20% | 193,329 | 586 | 0.61% |
| Time deposits | 160,887 | 688 | 0.86% | 164,346 | 1,519 | 1.86% |
| FHLB borrowings | 66,950 | 436 | 1.31% | 85,555 | 643 | 1.51% |
| Other borrowings | 22,263 | 15 | 0.14% | 6,125 | 20 | 0.66% |
| Senior sub. notes | 2,500 | 56 | 4.52% | 2,500 | 56 | 4.50% |
| Junior sub. debentures | 10,199 | 254 | 5.02% | 7,732 | 182 | 4.73% |
| Total | 821,062 | 1,793 | 0.44% | 721,410 | 3,463 | 0.97% |
| Non-interest-bearing liabilities: | | | | | | |
| Demand deposits | 255,455 | | | 189,004 | | |
| Other liabilities | 11,108 | | | 10,008 | | |
| Stockholders' equity | 106,901 | | | 95,441 | | |
| Total | $ 1,194,526 | | | $ 1,015,863 | | |
| Net interest income | | $ 20,051 | | | $ 15,814 | |
| Rate spread | | | 3.42% | | | 3.01% |
| Net yield on interest-earning assets | | | 3.55% | | | 3.26% |

(1) Nonaccrual loans are included in the daily average loan balances outstanding.
(2) The yield on tax-exempt loans and securities is computed on a tax-equivalent basis using a tax rate of 21%.


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