NEWS RELEASE

PSB Reports 3rd Quarter Earnings of $2.6 Million, or $0.59 Per Share; Mortgage Refinancing Gains Offset Elevated Provisions; Capital and Deposit Growth Continues

2020-10-26

WAUSAU, Wis., Oct. 26, 2020 (GLOBE NEWSWIRE) -- PSB Holdings, Inc. (“PSB”) (OTCQX: PSBQ), the holding company for Peoples State Bank serving North Central and Southeastern Wisconsin, reported third quarter earnings ending September 30, 2020 of $0.59 per share on net income of $2.64 million, compared to earnings of $0.72 per share on net income of $3.19 million during the June 30, 2020 quarter, and $0.70 per share on earnings of $3.13 million during the third quarter a year ago. Third quarter earnings benefitted from record mortgage refinance income offset in part by elevated loan loss provisions and a lower net interest margin.

“Our core operations remained strong throughout the third quarter as the low interest rate environment has fueled mortgage originations and credit quality remained stable. A large portion of borrowers that were given temporary payment accommodations have returned to their regular payment schedule. Meanwhile, we proactively increased our reserves in anticipation the slowing economy may negatively impact some of our borrower’s ability to repay their obligations. We are carefully watching their operations and addressing their needs as the economic situation clarifies,” stated Scott Cattanach, President and CEO. “Our capital levels continue to build and are expected to remain at historical highs and above well capitalized under regulatory classifications as we continue to generate strong earnings to support any growth and credit related issues,” continued Cattanach.

Loan Accommodations: Loan modifications declined from 114 loan accommodations with a balance of $143 million at June 30, 2020 to 44 loans with a balance of $20.1 million, or 2.5% of gross loans at September 30, 2020. The recent deferrals are the result of extended accommodations subsequent to those borrowers’ initial 90-day deferral based on individual circumstances and credit review. One hotel loan is in the process of being restructured and has been identified as an “impaired loan”. Meanwhile, credit quality improved during the quarter as fewer loans were

included in the “watch list” and “substandard risk” categories. As shown in the table below, our “impaired loans” increased reflecting the hotel loan while the “watch list” decreased $7.9 million and the “substandard risk” loans declined $2.4 million. Five of the loans where we extended a second round of deferrals totaling $7.2 million are weighted as average or acceptable risk, 4 loans totaling $3.9 million are weighted as watch, and 2 loans totaling $5.0 million are considered impaired. The bank had also granted a 90-day payment deferral on 34 residential mortgage loans totaling $4.0 million that do not have an individual risk rating but are not considered watch or impaired.

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

Risk Rating		12/2016	12/2017	12/2018	12/2019	03/2020	06/2020	09/2020
Rating 1	“High Quality”	$ -	$ -	$ -	$ -	$ 71	$ 55	$ -
Rating 2	“Minimal Risk”	67,468	76,710	85,382	57,904	59,101	72,601	56,337
Rating 3	“Average Risk”	253,673	292,496	323,627	349,002	324,378	374,709	391,195
Rating 4	“Acceptable Risk”	91,367	65,024	79,271	128,932	123,296	154,302	155,738
Rating 5	“Watch Risk”	10,774	18,049	15,551	15,933	33,999	54,522	46,603
Rating 6	“Substandard Risk”	2,678	500	489	2,568	2,732	4,545	2,162
Rating 7	“Impaired Loans”	7,758	9,952	8,707	5,518	7,811	6,130	10,164
		$ 433,718	$ 462,731	$ 513,027	$ 559,857	$ 551,388	$ 666,864	$ 662,199

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

Industry Exposure: PSB has identified the following ten industries with significant portfolio concentrations. Though these industries may change, management believes these industries are where PSB may have exposure or where credit weightings are elevated. Percentages and weightings are of the total commercial related portfolio credit extensions including PPP loans of $116.9 million. The hotel, restaurant and fitness industries remain the largest areas affected by the pandemic but represent only 7.5% of total loans. Fitness industries are part of the recreation concentration and totaled $1.4 million as of September 30, 2020.

The following table indicates PSB’s Top Industry Risk Exposure as determined by weighted average risk rating as of September 30, 2020 (with risk weightings of 1-4 deemed “Acceptable and Average” and risk weightings of 5-7 as “Watch and Impaired”):

Total Industry Risk Exposure

Industry	No. Of Loans	Total Loans	% of Ln Portfolio	Weighted Avg Risk Weighting
Hotels	49	34,405,785	4.28%	4.51
Restaurant	137	24,634,474	3.06%	3.85
Agricultural	92	10,889,860	1.35%	3.84
Other	8	7,270,646	0.90%	3.74
Recreation	62	9,115,459	1.13%	3.64
Non-Owner Occupied (Residential)	318	124,253,861	15.46%	3.61
Lessors of Residential Buildings and Dwellings Multi-Family	30	93,361,270	11.61%	
Lessors of Residential Buildings and Dwellings	288	30,892,591	3.84%	
Retail Stores	100	22,541,465	2.80%	3.46
Automotive and Marine Dealerships (Includes Maint.)	99	23,574,008	2.93%	3.35

Non-Owner Occupied (Commercial)	138	74,455,375	9.26%	3.33
Lessors of Nonresidential Buildings (except Miniwarehouses)	98	61,115,395	7.60%	
Lessors of Miniwarehouses and Self-Storage Units	23	8,776,547	1.09%	
Lessors of Other Real Estate Property	17	4,563,432	0.57%	
Land (Res. And Com.)	32	8,297,911	1.03%	3.25

Loan portfolio includes unused loan commitments. Balances do not include any consumer loans.

Weighted average loan to collateral values at September 30, 2020 were 60% and 63% in the hotel and restaurant industries, respectively.

Loan Loss Reserve: For the quarter ended September 30, 2020, PSB added provisions for loan losses totaling $1.3 million. Since the beginning of the COVID-19 pandemic in the first quarter of 2020, loan loss provisions have remained elevated with reserves related to the expected economic slowdown due to COVID-19 totaling $3.6 million. Allowance for loan losses were $10.48 million at September 30, 2020 which includes $2.9 million of allowances for loans with risk weightings at 5 to 7 (“Watch and Impaired”) and $7.6 million for loans with risk weightings at 1 to 4 (“Acceptable and Average”). At September 30, 2020, allowance for loan losses totaled 1.31% of gross loans and 1.53% of gross loans less PPP loans guaranteed through the SBA.

Net Interest Margin Impact: PSB’s net interest margin declined to 3.03% for the quarter ended September 30, 2020 from 3.09% the prior quarter due to the resulting effect of loans and investments repricing at lower rates, and the full quarter addition of PPP loans with 1% coupon yields. “Our net interest margin stabilized in the most recent quarter as we were able to reduce our cost of funds to offset reduced interest income,” said Mark C. Oldenberg, Chief Financial Officer.

Capital Management: At September 30, 2020, the holding company’s tangible equity to asset ratio was 9.17% and the bank’s capital was well in-excess of all regulatory requirements. Management expects capital ratios to continue to increase due to ongoing earnings and stabilization of the balance sheet. We did not repurchase any shares during the quarter ending September 30, 2020, which also contributed to growing capital ratios.

September 2020 Quarterly Financial Highlights (at or for the periods ended September 30, 2020, compared to June 30, 2020 and / or September 30, 2019, as applicable):

- Return on shareholders’ equity was 10.45% for the quarter compared to 13.38% one quarter earlier and 13.94% for the third quarter one year earlier. Return on average assets was 0.95% for the third quarter of 2020, compared to 1.20% the previous quarter and 1.34% for the third quarter one year earlier.

- Gains on the sale of mortgage loans totaled $1.75 million for the quarter ended September 30, 2020 which was slightly higher than the previous quarter and $463,000 higher than the same quarter ended one year earlier. Through the beginning of the fourth quarter of fiscal 2020, mortgage banking activity remains robust.

- Tangible net book value was $22.73 per share at September 30, 2020, compared to $21.97 per share as of June 30, 2020, and $20.24 per share at September 30, 2019. Over the past year, tangible book value per share has grown 12.30%.

Balance Sheet and Asset Quality Review

Total assets were $1.10 billion as of September 30, 2020, compared to $1.09 billion as of June 30, 2020. Total loans receivable decreased by $13.3 million, or 1.7% due primarily to the slower economy that resulted in paydowns on commercial lines of credit of $15.2 million. The origination of PPP loans during the prior quarter significantly grew loans during the second quarter with the expectation some of these loans will be forgiven by the end of the year and a large portion early next year through the SBA guarantee program. At September 30, 2020, the bank had unrealized PPP origination fees totaling $3.9 million. Though the loan balance declined for the quarter ended September 30, 2020, the bank did expand lending for construction and land development with certain long-time borrowers building multi-family properties to meet increased demand. Commercial/agricultural non-owner occupied real estate loans represented 28.5% of gross loans at September 30, 2020, followed by commercial/agricultural non-real estate at 28.0%, owner occupied commercial/agricultural real estate loans at 23.2%, residential real estate loans at 19.8%, and consumer loans at 0.5%. Total agricultural related loans represent 0.8% of the total loan portfolio.

The allowance for loan losses increased to 1.31% of gross loans at September 30, 2020 and 1.53% of gross loans less the PPP guaranteed loans. The annualized net charge-offs to average loans was 0.00% for the quarter ended September 30, 2020, compared to 0.25% the previous quarter and 0.01% one year earlier. Non-performing assets increased to 0.85% of total assets at September 30, 2020, compared to 0.49% at June 30, 2020, and 0.57% at September 30, 2019. The increase in non-performing assets at September 30, 2020 primarily relates to one hotel loan totaling $4.9 million that is in the process of being restructured. At September 30, 2020, non-performing assets consisted of $2.1 million in non-accrual loans, $233,000 in non-accrual restructured loans, $5.5 million in restructured loans not on non-accrual and $1.5 million in other real estate owned.

Accrued interest receivable increased slightly during the quarter to $3.63 million from $3.59 million in the second quarter of 2020, due to the loan payment deferrals and interest-only payments related to COVID-19 accommodations. We expect the accrued interest receivable levels to decline in the fourth quarter as borrowers return to regular payments.

At September 30, 2020, cash and cash equivalents totaled $76.8 million compared to $60.3 million at June 30, 2020 and $49.4 million one year earlier. Current cash levels are elevated due to the depositing of PPP funds and growth in other local deposits along with repayment received on commercial lines of credit. Additionally, deposit inflows

continue despite low interest rates and have remained invested in liquid funds until alternative uses can be identified. Investment securities totaled $193.2 million at September 30, 2020 compared to $178.6 million at June 30, 2020 and $168.4 million one year earlier. All investment securities over the past year were considered available for sale and carried at market value.

Foreclosed assets decreased to $1.49 million at September 30, 2020 from $1.53 million at June 30, 2020 and $572,000 one year earlier. The recent increase primarily reflects a previously disclosed commercial foreclosure property which is currently listed for sale and carried at an appraised value obtained in May 2020.

Total deposits increased to $900.6 million at September 30, 2020 compared to $882.2 million at June 30, 2020, led by a $23.4 million increase in interest-bearing demand deposits followed by an increase of $10.3 million in money market deposits. Meanwhile, higher-costing wholesale deposits declined $15.0 million during the same time period. At September 30, 2020, interest-bearing demand and savings deposits accounted for 32.3% of total deposits, followed by noninterest-bearing demand deposits at 26.9%, money market deposits at 23.7%, and retail and local time deposits at 14.2%. Broker and national time deposits accounted for 2.9% of total deposits at September 30, 2020 versus 4.6% the prior quarter and 4.9% one year earlier. As a result of the ongoing pandemic, we have seen customers increase mobile banking enrollment and active mobile deposit product usage.

FHLB advances decreased $20.0 million during the third quarter ended September 30, 2020 to $67.0 million compared to $87.0 million at June 30, 2020 and other borrowings increased to $16.2 million from $3.9 million over the same time period. Management elected to prepay $20 million in high-cost FHLB advances and incurred an $88,000 prepayment penalty which has been recognized in other non-interest expense. Other borrowings increased related to short-term repurchase agreements with local customers.

For the quarter ended September 30, 2020, stockholders' equity increased $3.4 million to $101.4 million, compared to $98.0 million at June 30, 2020. Stockholders' equity was impacted by earnings and other comprehensive income adjustments, including the change in unrealized gains and losses on securities available for sale. Tangible net book value per share increased to $22.73 per share, at September 30, 2020, compared to $21.97 per share at June 30, 2020. PSB's tangible equity to total assets was 9.17% at September 30, 2020 compared to 8.95% at June 30, 2020.

Operations Review

Net interest income totaled $7.9 million (on a net margin of 3.03%) for the third quarter of 2020, compared to $7.8 million (on net margin of 3.09%) for the second quarter of 2020 and $7.9 million (on a net margin of 3.60%) for the third quarter of 2019. For the nine months ended September 30, 2020, net interest income was $23.4 million compared to $23.3 million for the same nine-month period one year earlier. Compared to the preceding quarter, loans and investment yields decreased 19 basis points from 3.69% to 3.50% during the third quarter of 2020 while

deposit and borrowing costs declined 18 basis points to 0.66% from 0.84% over the same period. The decline in loan and investment yields was partially due to a larger average balance of cash and cash equivalents held during the quarter and PPP loans held for a full quarter with a coupon yield of 1.00%. Loan yields decreased to 3.97% during the quarter from 4.14% during the second quarter of 2020, as many loans repriced lower. “Loan yield adjusted for low yielding PPP loans was flat in the third quarter. We expect the net-interest margin will remain flat over for the next quarter but may decline further if we remain in the current interest rate environment. Investment opportunities will remain challenging in the current interest rate environment until such time as lending opportunities rebound,” stated Oldenberg.

The cost of interest-bearing liabilities decreased during the quarter, reflecting lower rates associated with money market accounts and time deposits. Deposit costs decreased to $833,000 for the third quarter of 2020 from $1.08 million the previous quarter. Interest costs on borrowings declined $20,000 to $428,000 for the third quarter of 2020 from $448,000 the previous quarter. With the recent prepayment of some FHLB advances, borrowing cost should reflect continued decreases in future quarters.

The provision for loan losses totaled $1.3 million during the third quarter of 2020 compared to $1.8 million for the prior linked quarter. The provision primarily relates to reserves taken in anticipation of a slowing economy due to the COVID-19 pandemic. For the nine months ended September 30, 2020, provision for loan losses totaled $4.9 million compared to $700,000 for the same period one year earlier.

Total noninterest income for the third quarter of 2020 decreased to $2.9 million from $3.1 million for the second quarter of 2020 due in part to lower gains on the sale of securities. Gains on sale of mortgage loans increased slightly to $1.8 million for the third quarter from $1.7 million in the second quarter of 2020 and remained strong as lower long-term U.S. Treasury rates have spurred mortgage refinance activity by borrowers. We expect active mortgage originations during the fourth quarter though the wave of refinancing requests appears to have peaked. The gains on sale of mortgage loans were partially offset by a loss on mortgage loan servicing of $79,000 for the third quarter of 2020 compared to a loss of $165,000 the previous quarter. For the nine months ended September 30, 2020, total noninterest income was $8.4 million compared to $5.8 million for the nine-months ended September 30, 2019. The nine-month increase in 2020 was largely due to gains on the sale of mortgage loans.

Deposit and service fee income in the third quarter were up to $344,000 compared to $278,000 during the preceding quarter of 2020. The service fee income was down in the prior quarter as the bank provided waivers on certain service fees through June 30, 2020 and recorded less overdraft income as depositors had higher average balances from stimulus money received. Net gains on sale of securities was $38,000 for the third quarter of 2020 compared to $194,000 for the second quarter of 2020 and zero for the quarter one year earlier. Commissions on customer investment and insurance sales increased to $301,000 from $259,000 the prior quarter as sales activity

picked up and advisory fees tied to market values increased. At September 30, 2020, the bank had wealth assets under management totaling $244.5 million compared to $234.4 million at June 30, 2020 and $240.6 million at September 30, 2019. The fluctuations over the past year in assets under management was has been primarily related to overall stock market volatility. For the third quarter ended September 30, 2020, other noninterest income was $465,000 compared to $721,000 the prior quarter. Other non-interest income for the second quarter was higher than usual due to $332,000 of fee income earned on loans originated with fixed to floating interest rate swap like features.

Noninterest expense was $6.1 million for the third quarter of 2020, compared to $4.9 million for the second quarter of 2020. For the second quarter of 2020, noninterest expense was lower due to lower salaries and employee benefits costs related to the deferral of $861,000 in loan origination costs associated with the PPP loans. These deferred expenses will be recognized over the life of the loan or, in the case of PPP loans, when forgiven by the SBA. Salary and employee benefit expenses were $3.5 million for the third quarter compared to $2.6 million in the second quarter of 2020, from the $861,000 in deferred costs and a separate $375,000 reduction related to lower benefits expenses. The third quarter 2020 results reflect a full quarter of renewed FDIC insurance premiums of $87,000 compared to $23,000 during the prior quarter as the FDIC insurance fund had reached its targeted level. Data processing and other offices expenses increased to $743,000 for the quarter ended September 30, 2020 from $675,000 for the prior quarter. For the nine-months ended September 30, 2020, total noninterest expense was $17.3 million, which was the same level one year earlier.

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 north central and southeastern Wisconsin from nine full-service banking locations in Marathon, Oneida, Vilas and Milwaukee 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

Certain matters discussed in this news release, including without limitation those relating to potential loan and deposit growth, future profits, changes in noninterest income and expenses, pro-forma impacts to income from non-recurring or unusual income and expense items, 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 statements involve risks and uncertainties which may cause results to differ materially from those set forth in this

release. Among other things, these risks and uncertainties include the strength of the economy, the effects of government policies, including, in particular, interest rate policies, and other risks and assumptions. Risk and uncertainties also include the effect of the COVID-19 pandemic, including the bank's credit quality and business operations, as well as its impact on general economic and financial market conditions. PSB Holdings, Inc. assumes no obligation to update or supplement forward-looking statements that become untrue because of events subsequent to this press release.

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

Earnings and dividends:	Quarter ended Sep. 30, 2020	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019
Interest income	$9,155	$9,291	$9,726	$9,988	$10,098
Interest expense	$1,261	$1,528	$1,935	$2,019	$2,154
Net interest income	$7,894	$7,763	$7,791	$7,969	$7,944
Provision for loan losses	$1,300	$1,800	$1,800	$150	$150
Other noninterest income	$2,929	$3,138	$2,355	$1,839	$1,802
Other noninterest expense	$6,074	$4,879	$6,330	$5,947	$5,437
Net income	$2,637	$3,190	$1,610	$2,813	$3,131
Basic earnings per share (3)	$0.59	$0.72	$0.36	$0.63	$0.70
Diluted earnings per share (3)	$0.59	$0.72	$0.36	$0.63	$0.70
Dividends declared per share (3)	$-	$0.21	$-	$0.20	$-
Tangible net book value per share (4)	$22.73	$21.97	$20.89	$20.72	$20.24
Semi-annual dividend payout ratio	n/a	14.50 %	n/a	15.04 %	n/a
Average common shares outstanding	4,452,287	4,453,225	4,464,956	4,471,173	4,473,583
Balance sheet - average balances:					
Loans receivable, net of allowances for loss	$800,611	$786,785	$705,333	$700,469	$689,057
Assets	$1,099,402	$1,067,466	$963,191	$951,409	$928,282
Deposits	$882,682	$855,155	$761,268	$745,455	$721,788
Stockholders' equity	$100,436	$95,909	$94,735	$93,189	$89,139
Performance ratios:					
Return on average assets (1)	0.95 %	1.20 %	0.67 %	1.17 %	1.34 %
Return on average stockholders' equity (1)	10.45 %	13.38 %	6.84 %	11.98 %	13.94 %
Average stockholders' equity less accumulated other comprehensive income (loss) to average assets	8.85 %	8.83 %	9.75 %	9.68 %	9.52 %
Net loan charge-offs to average loans (1)	0.00 %	0.25 %	0.49 %	0.01 %	0.01 %
Nonperforming loans to gross loans	0.98 %	0.47 %	0.67 %	0.68 %	0.70 %
Nonperforming assets to total assets	0.85 %	0.49 %	0.54 %	0.55 %	0.57 %
Allowance for loan losses to gross loans	1.31 %	1.13 %	1.10 %	0.97 %	0.97 %
Nonperforming assets to tangible equity plus the allowance for loan losses (4)	8.50 %	5.11 %	5.24 %	5.45 %	5.69 %

Net interest rate margin (1)(2)	3.03 %	3.09 %	3.45 %	3.53 %	3.60 %
Net interest rate spread (1)(2)	2.84 %	2.85 %	3.20 %	3.24 %	3.31 %
Service fee revenue as a percent of average demand deposits (1)	0.59 %	0.49 %	1.04 %	1.00 %	0.90 %
Noninterest income as a percent of gross revenue	24.24 %	25.25 %	19.49 %	15.55 %	15.14 %
Efficiency ratio (2)	55.41 %	44.23 %	61.59 %	59.90 %	55.14 %
Noninterest expenses to average assets (1)	2.20 %	1.84 %	2.64 %	2.48 %	2.32 %
Tangible equity to actual assets	9.17 %	8.95 %	9.59 %	9.50 %	9.53 %
Stock price information:					
High	$18.80	$24.75	$28.25	$28.25	$27.50
Low	$17.36	$18.55	$19.50	$26.00	$23.55
Last trade value at quarter-end	$18.00	$18.55	$24.75	$27.50	$26.49

(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 Sep. 30, 2020	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019
Interest and dividend income:					
Loans, including fees	$8,068	$8,175	$8,445	$8,691	$8,823
Securities:					
Taxable	564	622	733	768	769
Tax-exempt	474	446	431	387	378
Other interest and dividends	49	48	117	142	128
Total interest and dividend income	9,155	9,291	9,726	9,988	10,098
Interest expense:					
Deposits	833	1,080	1,482	1,544	1,654
FHLB advances	304	323	320	328	323
Other borrowings	5	6	14	26	58
Senior subordinated notes	28	28	28	29	28
Junior subordinated debentures	91	91	91	92	91
Total interest expense	1,261	1,528	1,935	2,019	2,154
Net interest income	7,894	7,763	7,791	7,969	7,944
Provision for loan losses	1,300	1,800	1,800	150	150
Net interest income after provision for loan losses	6,594	5,963	5,991	7,819	7,794
Noninterest income:					
Service fees	344	278	391	411	348
Gain on sale of mortgage loans	1,752	1,747	987	452	463
Mortgage loan servicing, net	(79)	(165)	(23)	57	89
Investment and insurance sales commissions	301	259	349	301	276
Net gain on sale of securities	38	194	123	71	-
Increase in cash surrender value of life insurance	108	104	104	104	105
Other noninterest income	465	721	424	443	521
Total noninterest income	2,929	3,138	2,355	1,839	1,802
Noninterest expense:					
Salaries and employee benefits	3,526	2,583	3,819	3,523	3,372
Occupancy and facilities	566	508	544	506	510
Loss on foreclosed assets	36	23	71	69	4
Data processing and other office operations	743	675	644	739	654
Advertising and promotion	77	94	141	182	107
FDIC insurance premiums	87	23	-	-	-
Other noninterest expenses	1,039	973	1,111	928	790

Total noninterest expense	6,074	4,879	6,330	5,947	5,437
Income before provision for income taxes	3,449	4,222	2,016	3,711	4,159
Provision for income taxes	812	1,032	406	898	1,028
Net income	$2,637	$3,190	$1,610	$2,813	$3,131
Basic earnings per share	$0.59	$0.72	$0.36	$0.63	$0.70
Diluted earnings per share	$0.59	$0.72	$0.36	$0.63	$0.70

PSB Holdings, Inc.
Consolidated Balance Sheets
September 30, 2020, June 30, 2020, and March 31, 2020, and September 30, 2019, unaudited, December 31, 2019 derived from audited financial statements

(dollars in thousands, except per share data)	Sep. 30, 2020	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019
Assets					
Cash and due from banks	$13,652	$13,016	$9,665	$23,005	$17,954
Interest-bearing deposits	1,750	1,483	1,349	839	1,059
Federal funds sold	61,383	45,796	37,071	25,184	30,415
Cash and cash equivalents	76,785	60,295	48,085	49,028	49,428
Securities available for sale (at fair value)	193,179	178,635	171,054	174,448	127,587
Securities held to maturity (fair values of $0, $0, $0, $0 and $41,311 respectively)	-	-	-	-	40,791
Bank certificates of deposit (at cost)	496	1,738	3,234	4,983	1,984
Loans held for sale	903	3,755	1,394	545	335
Loans receivable, net	791,951	805,243	706,584	707,651	691,289
Accrued interest receivable	3,629	3,590	2,847	2,776	2,803
Foreclosed assets	1,485	1,525	425	460	572
Premises and equipment, net	11,061	11,067	11,098	10,457	10,212
Mortgage servicing rights, net	1,638	1,623	1,668	1,747	1,720
Federal Home Loan Bank stock (at cost)	2,283	2,283	2,283	2,073	2,173
Cash surrender value of bank-owned life insurance	17,089	16,981	16,877	16,773	16,668
Other assets	3,784	6,611	4,330	3,952	4,101
TOTAL ASSETS	$1,104,283	$1,093,346	$969,879	$974,893	$949,663
Liabilities					
Non-interest-bearing deposits	$241,947	$241,914	$158,505	$177,002	$159,897
Interest-bearing deposits	658,667	640,307	606,781	604,788	576,288
Total deposits	900,614	882,221	765,286	781,790	736,185
Federal Home Loan Bank advances	67,000	87,000	88,682	73,496	85,496
Other borrowings	16,216	3,941	3,504	6,131	17,411
Senior subordinated notes	2,500	2,500	2,500	2,500	2,500
Junior subordinated debentures	7,732	7,732	7,732	7,732	7,732
Accrued expenses and other liabilities	8,871	11,998	9,024	10,553	9,715
Total liabilities	1,002,933	995,392	876,728	882,202	859,039
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 - 4,452,287, 4,452,287, 4,453,472, 4,467,217 and 4,471,216 shares, respectively	1,830	1,830	1,830	1,830	1,830
Additional paid-in capital	7,765	7,712	7,632	7,597	7,543
Retained earnings	101,538	98,901	96,646	95,037	93,117
Accumulated other comprehensive income (loss), net of tax	3,751	3,045	550	1,302	1,103
Treasury stock, at cost - 1,038,511, 1,038,511, 1,037,326, 1,023,581 and 1,019,582 shares, respectively	(13,534)	(13,534)	(13,507)	(13,075)	(12,969)
Total stockholders' equity	101,350	97,954	93,151	92,691	90,624

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,104,283	$1,093,346	$969,879	$974,893	$949,663

PSB Holdings, Inc.
Consolidated Statements of Income

(dollars in thousands, except per share data - unaudited)	Three Months Ended September 2020	2019	Nine Months Ended September 2020	2019
Interest and dividend income:				
Loans, including fees	$8,068	$8,823	$24,688	$25,786
Securities:				
Taxable	564	769	1,919	2,212
Tax-exempt	474	378	1,351	1,163
Other interest and dividends	49	128	214	380
Total interest and dividend income	9,155	10,098	28,172	29,541
Interest expense:				
Deposits	833	1,654	3,395	4,841
FHLB advances	304	323	947	862
Other borrowings	5	58	25	166
Senior subordinated notes	28	28	84	84
Junior subordinated debentures	91	91	273	274
Total interest expense	1,261	2,154	4,724	6,227
Net interest income	7,894	7,944	23,448	23,314
Provision for loan losses	1,300	150	4,900	700
Net interest income after provision for loan losses	6,594	7,794	18,548	22,614
Noninterest income:				
Service fees	344	348	1,013	1,132
Gain on sale of mortgage loans	-	-	-	-
Mortgage banking income	1,673	552	4,219	1,368
Investment and insurance sales commissions	301	276	909	919
Net gain on sale of securities	38	-	355	139
Increase in cash surrender value of life insurance	108	105	316	304
Other noninterest income	465	521	1,610	1,960
Total noninterest income	2,929	1,802	8,422	5,822
Noninterest expense:				
Salaries and employee benefits	3,526	3,372	9,928	10,122
Occupancy and facilities	566	510	1,618	1,702
Loss on foreclosed assets	36	4	130	11
Data processing and other office operations	743	654	2,062	1,877
Advertising and promotion	77	107	312	327
FDIC insurance premiums	87	-	110	122
Other noninterest expenses	1,039	790	3,123	3,188
Total noninterest expense	6,074	5,437	17,283	17,349
Income before provision for income taxes	3,449	4,159	9,687	11,087
Provision for income taxes	812	1,028	2,250	2,653
Net income	$2,637	$3,131	$7,437	$8,434
Basic earnings per share	$0.59	$0.70	$1.67	$1.88
Diluted earnings per share	$0.59	$0.70	$1.67	$1.88

PSB Holdings, Inc.
Consolidated Statements of Comprehensive Income

(dollars in thousands - unaudited)	Three Months Ended September 30, 2020	2019	Nine Months Ended September 30, 2020	2019
Net income	$2,637	$3,131	$7,437	$8,434
Other comprehensive income, net of tax:				
Unrealized gain on securities available for sale	670	599	2,936	3,109
Reclassification adjustment for security gain included in net income	(28)	-	(258)	(101)
Amortization of unrealized gain included in net income on securities available for sale transferred to securities held to maturity	-	(2)	-	(8)
Unrealized gain (loss) on interest rate swap	26	(46)	(316)	(264)
Reclassification adjustment of interest rate swap settlements included in earnings	38	9	87	18
Other comprehensive income	706	560	2,449	2,754
Comprehensive income	$3,343	$3,691	$9,886	$11,188

PSB Holding, Inc.
Loan Composition by Purpose

Quarter-ended (dollars in thousands)	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2020	Sep 30, 2019
Total Loans					
Residential real estate					
One to four family	$114,226	$118,049	$122,276	$121,548	$119,620
HELOC loans	19,747	19,550	20,795	21,668	22,855
Residential construction & development	22,529	23,129	22,963	23,633	21,273
Residential vacant land	3,147	3,417	3,745	3,908	4,299
Total Residential real estate	159,649	164,145	169,779	170,757	168,047
Commercial/Agricultural real estate					
Owner occupied					
Commercial real estate	164,073	164,483	164,851	156,275	158,423
SBA commercial real estate	1,506	1,539	1,571	1,647	1,367
Agriculture real estate	4,677	4,885	5,041	5,901	5,139
Construction and land development	13,557	7,294	8,297	13,228	12,742
Commercial vacant land	2,819	2,241	1,560	929	-
Total Owner occupied	186,632	180,442	181,320	177,980	177,671
Non-owner occupied					
Commercial real estate	201,006	193,550	188,525	192,160	179,136
SBA commercial real estate	771	793	824	844	863
Agricultural real estate	-	-	-	-	-
Construction and land development	18,600	11,927	16,406	17,061	13,301
Commercial vacant land	8,907	10,135	13,965	14,280	14,532
Total Non-owner occupied	229,284	216,405	219,720	224,345	207,832
Commercial/Agricultural non-real estate					
Municipal non-real estate	5,687	7,826	5,933	11,601	6,384
Commercial line	40,067	55,317	59,266	54,538	62,991
Other commercial non-real estate	58,718	69,267	70,467	65,690	64,418
SBA commercial non-real estate	118,668	117,436	1,453	1,733	1,819
Agricultural non-real estate	2,150	2,148	2,075	2,402	3,606
Total Commercial/Agricultural non-real estate	225,290	251,994	139,194	135,964	139,218
Consumer non-real estate					
Consumer installment	3,358	3,512	3,344	3,454	3,319
Consumer line	366	243	328	1,354	1,343
Other consumer	163	160	183	189	197
Total Consumer non-real estate	3,887	3,915	3,855	4,997	4,859

Gross loans	804,742	816,901	713,868	714,043	697,627
Net deferred loan costs (fees)	(2,627)	(2,617)	388	326	295
Overdrafts	317	133	199	221	168
Allowance for loan losses	(10,481)	(9,174)	(7,871)	(6,939)	(6,801)
Total loans receivable	$791,951	$805,243	$706,584	$707,651	$691,289

PSB Holdings, Inc.
Nonperforming Assets as of:

(dollars in thousands)	Sept 30, 2020	June 30, 2020	Mar 31, 2020	Dec 31, 2019	Sept 30, 2019
Nonaccrual loans (excluding restructured loans)	$-	$2,964	$3,868	$3,697	$3,609
Nonaccrual restructured loans	-	244	232	499	510
Restructured loans not on nonaccrual	-	650	672	676	747
Accruing loans past due 90 days or more	-	-	-	-	-
Total nonperforming loans	-	3,858	4,772	4,872	4,866
Other real estate owned	1,485	1,525	425	460	572
Total nonperforming assets	$1,485	$5,383	$5,197	$5,332	$5,438
Nonperforming loans as a % of gross loans receivable	0.00 %	0.47 %	0.67 %	0.68 %	0.70 %
Total nonperforming assets as a % of total assets	0.13 %	0.49 %	0.54 %	0.55 %	0.57 %
Allowance for loan losses as a % of nonperforming loans	133.18 %	237.79 %	164.94 %	142.43 %	139.77 %

PSB Holdings, Inc.
List loans and properties >= $500,000 net book value before specific reserves
At September 30, 2020
(dollars in thousands)

Collateral Description	Asset Type	Gross Principal	Specific Reserves
Leased retail sales outlet	ORE	$1,100	$0
Real estate	Restructured	4,861	258
Total listed nonperforming assets		$5,961	$258
Total bank wide nonperforming assets		$9,355	$348
Listed assets as a % of total nonperforming assets		64 %	3 %

Largest Performing, but Impaired Loans at September 30, 2020 ($000s)

Collateral Description	Asset Type	Gross Principal	Specific Reserves
Real estate, farm equipment	Impaired	$1,951	$0
Total listed performing, but impaired loans		$1,951	$0
Total performing, but impaired loans		$3,441	$141
Listed assets as a % of total performing, but impaired loans		57 %	0 %

PSB Holdings, Inc.
Deposit Composition

(dollars in thousands)	September 30, 2020 $	%	June 30, 2020 $	%	September 30, 2019 $	%
Non-interest bearing demand	$241,947	26.90 %	$241,914	27.40 %	$159,897	21.70 %
Interest-bearing demand and savings	291,275	32.30 %	267,874	30.40 %	242,713	33.00 %
Money market deposits	213,057	23.70 %	202,708	23.00 %	170,403	23.10 %
Retail and local time deposits <= $250	103,288	11.50 %	103,917	11.80 %	103,074	14.00 %
Total core deposits	849,567	94.40 %	816,413	92.60 %	676,087	91.80 %
Retail and local time deposits > $250	24,669	2.70 %	24,399	2.80 %	24,549	3.30 %
Broker & national time deposits <= $250	14,384	1.60 %	15,376	1.70 %	4,960	0.70 %
Broker & national time deposits > $250	11,994	1.30 %	26,033	2.90 %	30,589	4.20 %
Totals	$900,614	100.00 %	$882,221	100.00 %	$736,185	100.0 %

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

	Quarter ended September 30, 2020 Average Balance	Interest	Yield / Rate	Quarter ended June 30, 2020 Average Balance	Interest	Yield / Rate	Quarter ended September 30, 2019 Average Balance	Interest	Yield / Rate
Assets									
Interest-earning assets:									
Loans (1)(2)	$810,232	$8,080	3.97 %	$795,337	$8,186	4.14 %	$695,776	$8,838	5.04 %
Taxable securities	108,241	564	2.07 %	99,621	622	2.51 %	107,801	769	2.83 %
Tax-exempt securities (2)	76,168	600	3.13 %	70,105	565	3.24 %	59,537	478	3.19 %
FHLB stock	2,283	28	4.88 %	2,283	25	4.40 %	1,970	20	4.03 %
Other	58,081	21	0.14 %	58,776	23	0.16 %	22,493	108	1.90 %
Total (2)	1,055,005	9,293	3.50 %	1,026,122	9,421	3.69 %	887,577	10,213	4.57 %
Non-interest-earning assets:									
Cash and due from banks	13,945			10,760			12,113		
Premises and equipment, net	11,135			11,116			10,136		
Cash surrender value ins	17,021			16,918			16,606		
Other assets	11,917			11,102			8,569		
Allowance for loan losses	(9,621)			(8,552)			(6,719)		
Total	$1,099,402			$1,067,466			$928,282		
Liabilities & stockholders' equity									
Interest-bearing liabilities:									
Savings and demand deposits	$285,384	$72	0.10 %	$261,942	$127	0.20 %	$239,490	$495	0.82 %
Money market deposits	206,881	146	0.28 %	197,571	213	0.43 %	164,801	329	0.79 %
Time deposits	159,851	615	1.53 %	169,398	740	1.76 %	164,899	830	2.00 %
FHLB borrowings	86,565	304	1.40 %	90,623	323	1.43 %	75,325	323	1.70 %
Other borrowings	9,445	5	0.21 %	5,857	6	0.41 %	22,079	58	1.04 %
Senior sub. notes	2,500	28	4.46 %	2,500	28	4.50 %	2,500	28	4.44 %
Junior sub. debentures	7,732	91	4.68 %	7,732	91	4.73 %	7,732	91	4.67 %
Total	758,358	1,261	0.66 %	735,623	1,528	0.84 %	676,826	2,154	1.26 %
Non-interest-bearing liabilities:									
Demand deposits	230,566			226,244			152,598		
Other liabilities	10,042			9,690			9,719		
Stockholders' equity	100,436			95,909			89,139		
Total	$1,099,402			$1,067,466			$928,282		
Net interest income		$8,032			$7,893			$8,059	

Rate spread	2.84	%	2.85	%	3.31	%
Net yield on interest-earning assets	3.03	%	3.09	%	3.60	%

(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)

	Nine months ended September 30, 2020				Nine months ended September 30, 2019			
	Average Balance	Interest	Yield/ Rate		Average Balance	Interest	Yield/ Rate	
Assets								
Interest-earning assets:								
Loans (1)(2)	$772,794	$24,728	4.27	%	$677,846	$25,824	5.09	%
Taxable securities	106,283	1,919	2.41	%	106,559	2,212	2.78	%
Tax-exempt securities (2)	71,096	1,710	3.21	%	62,146	1,472	3.17	%
FHLB stock	2,229	79	4.73	%	1,859	79	5.68	%
Other	49,060	135	0.37	%	18,660	301	2.16	%
Total (2)	1,001,462	28,571	3.81	%	867,070	29,888	4.61	%
Non-interest-earning assets:								
Cash and due from banks	12,115				11,428			
Premises and equipment, net	11,010				10,313			
Cash surrender value ins	16,917				16,506			
Other assets	10,444				8,705			
Allowance for loan losses	(8,418)				(6,517)			
Total	$1,043,530				$907,505			
Liabilities & stockholders' equity								
Interest-bearing liabilities:								
Savings and demand deposits	$269,734	$529	0.26	%	$244,189	$1,384	0.76	%
Money market deposits	197,630	732	0.49	%	157,800	1,020	0.86	%
Time deposits	162,837	2,134	1.75	%	170,611	2,437	1.91	%
FHLB borrowings	85,894	947	1.47	%	63,597	862	1.81	%
Other borrowings	7,240	25	0.46	%	21,398	166	1.04	%
Senior sub. notes	2,500	84	4.49	%	2,500	84	4.49	%
Junior sub. debentures	7,732	273	4.72	%	7,732	274	4.74	%
Total	733,567	4,724	0.86	%	667,827	6,227	1.25	%
Non-interest-bearing liabilities:								
Demand deposits	202,958				143,990			
Other liabilities	9,892				9,573			
Stockholders' equity	97,113				86,115			
Total	$1,043,530				$907,505			
Net interest income		$23,847				$23,661		
Rate spread			2.95	%			3.36	%
Net yield on interest-earning assets			3.18	%			3.65	%

(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%.

Source: PSB Holdings, Inc.