NEWS RELEASE

PSB Reports 4th Quarter Earnings of $3.3 Million, or $0.73 Per Share; Strong Mortgage Refinancing Gains Continue; Net Interest Margin Expands; Loan Growth Returns

2021-01-25

WAUSAU, Wis., Jan. 25, 2021 (GLOBE NEWSWIRE) -- PSB Holdings, Inc. (“PSB”) (OTCQX: PSBQ), the holding company for Peoples State Bank serving Northcentral and Southeastern Wisconsin, reported fourth quarter earnings ending December 31, 2020 of $0.73 per share on net income of $3.3 million, compared to earnings of $0.59 per share on net income of $2.6 million during the September 30, 2020 quarter, and $0.63 per share on net income of $2.8 million during the fourth quarter a year ago. Fourth quarter earnings benefitted from continued high mortgage refinance income, an improved net interest margin due to SBA Paycheck Protection Program fee accretion and lower loan loss provisions relative to prior quarters.

“Our earnings were robust for the fourth quarter despite challenges confronting us related to the pandemic. The low interest rate environment continues to fuel mortgage refinancing activity while presenting challenges with maintaining our historically strong net interest margin. However, our operations reflect a return to loan growth, which should serve to improve asset yields as our asset quality remains stable,” stated Scott Cattanach, President and CEO. “This past quarter we were able to announce a strategic acquisition of Waukesha Bancshares, Inc. in the greater Milwaukee area which we anticipate will remain a growth market for our franchise. The merger, expected to close in the second quarter of 2021, compliments our recent branch expansion into the region,” continued Cattanach.

Loan Accommodations: Loan modifications increased from 44 loan accommodations with a balance of $20.1 million at September 30, 2020 to 48 loans with a balance of $22.3 million, or 2.7% of gross loans at December 31, 2020. All loans receiving deferral were for the second time or more. In the fourth quarter, the bank added a second hotel relationship with a balance of $4.3 million to impaired loans, resulting in $9.2 million of hotel loans listed as

impaired. As shown in the table below, “impaired loans” increased $3.0 million, the “substandard risk” loans increased $5.5 million and “watch risk” loans decreased $10.2 million.

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

Risk Rating		12/2017	12/2018	12/2019	03/2020	06/2020	09/2020	12/2020
Rating 1	"High Quality"	$ -	$ -	$ -	$ 71	$ 55	$ -	$ -
Rating 2	"Minimal Risk"	76,710	85,382	57,904	59,101	72,601	56,337	61,223
Rating 3	"Average Risk"	292,496	323,627	349,002	324,378	374,709	391,195	390,191
Rating 4	"Acceptable Risk"	65,024	79,271	128,932	123,296	154,302	155,738	175,400
Rating 5	"Watch Risk"	18,049	15,551	15,933	33,999	54,522	46,603	36,379
Rating 6	"Substandard Risk"	500	489	2,568	2,732	4,545	2,162	7,617
Rating 7	"Impaired Loans"	9,952	8,707	5,518	7,811	6,130	10,164	13,153
		$ 462,731	$ 513,027	$ 559,857	$ 551,388	$ 666,864	$ 662,199	$ 683,963

Includes undisbursed Construction & Development lines of credit. PPP loan balances are assigned a risk-weighting of "3".
Includes $34.3 million of Hotels with average grade 4.80 and Restaurants of $25.3 million with average grade 3.95.

Loan Loss Reserve: For the quarter ended December 31, 2020, the bank added provisions for loan losses totaling $675,000, a decline from $1.3 million in the previous quarter and $1.8 million in the first and second quarters of 2020. 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 $5.6 million for the current year. Allowance for loan losses were $10.8 million at December 31, 2020 which includes $2.9 million of allowances for loans with risk weightings at 5 to 7 (“Watch and Impaired”) and $8.0 million for loans with risk weightings at 1 to 4 (“Acceptable and Average”). At December 31, 2020, allowance for loan losses totaled 1.30% of gross loans, and 1.50% of proforma gross loans net of PPP loans of $102.0 million and purchased USDA guaranteed loans totaling $5.7 million.

Net Interest Margin Impact: PSB’s net interest margin increased to 3.22% for the quarter ended December 31, 2020 from 3.03% the prior quarter due to the accretion of net PPP fees of $492,000 as $14.9 million PPP loans were repaid by the SBA. In addition, the cost of time deposits declined 25 basis points, to 1.28% in the December 2020 quarter. “Our deposits costs have benefited from both our reduced reliance on funding from higher costing certificates of deposit and wholesale funding, and the declining interest rate environment where maturing certificates of deposit have repriced at lower rates,” said Mark C. Oldenberg, Chief Financial Officer.

Capital Management: At December 31, 2020, PSB’s tangible equity to tangible asset ratio was 9.22% and the bank’s capital was well in-excess of all regulatory requirements. Management expects capital ratios to decline slightly with the integration of the Waukesha Bancshares, Inc. acquisition. PSB did not repurchase any shares during the quarter ending December 31, 2020, although the company announced resumption of its repurchase plan beginning January 2021.

December 31, 2020 Quarterly Financial Highlights (at or for the periods ended December 31, 2020, compared to

September 30, 2020 and / or December 31, 2019, as applicable):

- Gains on the sale of mortgage loans totaled $1.4 million for the quarter ended December 31, 2020 which remains elevated to historical levels but lower than $1.8 million the previous quarter. One year earlier, gains on the sale of mortgage loans was $452,000.
- Tangible net book value was $23.43 per share at December 31, 2020, compared to $22.73 per share as of September 30, 2020, and $20.72 per share at December 31, 2019. Over the past year, tangible book value per share grew 13.08%.
- Return on shareholders' equity was 12.59% for the quarter compared to 10.45% one quarter earlier and 11.98% for the fourth quarter one year earlier. Return on average assets was 1.18% for the fourth quarter of 2020, compared to 0.95% the previous quarter and 1.17% for the fourth quarter one year earlier.

Balance Sheet and Asset Quality Review

Total assets were $1.13 billion as of December 31, 2020, compared to $1.10 billion as of September 30, 2020. Total loans receivable increased by $29.0 million, or 3.7%, to $821.0 million at December 31, 2020 from $792.0 million one quarter earlier. Offsetting this growth, SBA PPP loans decreased $14.9 million to $102.0 million at December 31, 2020 as borrower loans were forgiven and repaid by the SBA PPP guarantee program. Excluding the impact of PPP loan payoffs, loan growth was driven in largely equal parts by residential first mortgages, owner occupied commercial real estate, and non-owner occupied commercial real estate.

The bank intends to participate in the second round of PPP lending and expects to begin originating loans in the 1st Q of 2021. At December 31, 2020, the bank had net unrealized PPP origination fees totaling $2.7 million which are recorded as income when the loan is forgiven or paid off. Commercial/agricultural non-owner-occupied real estate loans represented 29.3% of gross loans at December 31, 2020, followed by commercial/agricultural non-real estate at 25.4%, owner occupied commercial/agricultural real estate loans at 24.1%, residential real estate loans at 20.7%, and consumer loans at 0.5%. Total agricultural related loans represent 0.5% of the total loan portfolio.

The allowance for loan losses decreased to 1.30% of gross loans at December 31, 2020 (1.50% of gross loans net of PPP guaranteed loans and USDA guaranteed loans) compared to 1.31% of gross loans (1.53% of gross loans net of PPP loans) one quarter earlier. Annualized net charge-offs to average loans was 0.16% for the quarter ended December 31, 2020. Non-performing assets increased to 0.90% of total assets at December 31, 2020, compared to 0.85% at September 30, 2020, and 0.55% at December 31, 2019. The increase in non-performing assets at December 31, 2020 primarily relates to the addition of a hotel loan relationship totaling $4.3 million which was downgraded during the quarter. At December 31, 2020, non-performing assets consisted of $2.1 million in non-accrual loans, $1.1 million in non-accrual restructured loans, $5.4 million in restructured loans not on non-accrual

and $1.6 million in other real estate owned.

At December 31, 2020, cash and cash equivalents totaled $38.5 million compared to $76.8 million at September 30, 2020 and $49.0 million one year earlier. Cash levels were reduced in the current quarter with the funds invested primarily into mortgage related securities and used to reduce wholesale funding. Investment securities totaled $228.3 million at December 31, 2020 compared to $193.2 million at September 30, 2020 and $174.4 million one year earlier. All investment securities purchased over the past year were considered available for sale and carried at market value.

Foreclosed assets increased to $1.6 million at December 31, 2020 from $1.5 million at September 30, 2020 and $460,000 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 $932.1 million at December 31, 2020 compared to $900.6 million at September 30, 2020, led by a $41.4 million increase in interest-bearing demand and savings deposits followed by an increase of $9.1 million in money market deposits. Offsetting these increases, higher-costing wholesale deposits declined $12.2 million during the same time period. At December 31, 2020, interest-bearing demand and savings deposits accounted for 35.7% of total deposits, followed by noninterest-bearing demand deposits at 25.4%, money market deposits at 23.8%, and retail and local time deposits at 13.6%. Broker and national time deposits accounted for 1.5% of total deposits at December 31, 2020 versus 2.9% the prior quarter and 4.3% one year earlier. As a result of the ongoing pandemic, the bank has experienced larger average deposits per account and increased mobile banking enrollment and active mobile deposit product usage.

FHLB advances decreased $5.0 million during the fourth quarter ended December 31, 2020 to $62.0 million compared to $67.0 million at September 30, 2020, and other borrowings decreased to $12.2 million from $16.2 million over the same time period. Management elected to prepay $5 million in higher-cost FHLB advances during the current quarter and incurred a $125,000 prepayment penalty which has been recognized in other non-interest expense.

For the quarter ended December 31, 2020, stockholders' equity increased $3.0 million to $104.4 million, compared to $101.4 million at September 30, 2020. Stockholders' equity was impacted by earnings, the dividend declared of $0.21 per share and other comprehensive income adjustments, including an increase in unrealized gains on securities available for sale of $533,000 during the current quarter. Tangible net book value per share increased to $23.43 per share, at December 31, 2020, compared to $22.73 per share at September 30, 2020. The bank's tangible equity to total tangible assets was 9.22% at December 31, 2020 compared to 9.17% at September 30, 2020.

Operations Review

Net interest income totaled $8.4 million (on a net margin of 3.22%) for the fourth quarter of 2020, compared to $7.9 million (on net margin of 3.03%) for the third quarter of 2020 and $8.0 million (on a net margin of 3.53%) for the fourth quarter of 2019. For the year ended December 31, 2020, net interest income was $31.9 million compared to $31.3 million for the same period one year earlier. Compared to the preceding quarter, loans and investment yields increased 10 basis points from 3.50% to 3.60% during the fourth quarter of 2020 while deposit and borrowing costs declined 13 basis points to 0.53% from 0.66% over the same period.

The increase in loan and investment yields was largely due to accretion of loan fees of $492,000 related to PPP loans that have been repaid. Loan yields increased to 4.08% during the quarter from 3.97% during the third quarter of 2020. Loan yields excluding the impacts of PPP loans, were 4.28% and 4.47% in the December 2020 and September 2020 quarters, respectively. Net interest margin excluding the impacts of PPP loans, were 3.28% and 3.28% in the December 2020 and September 2020 quarters, respectively. Continued recognition of PPP loan fee income is expected to maintain or move reported net interest margin higher during the first half of 2021 before net margin declines as the first round PPP program fees are largely recognized.

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 $657,000 for the fourth quarter of 2020 from $833,000 the previous quarter. Interest costs on borrowings declined $74,000 to $354,000 for the fourth quarter of 2020 from $428,000 the previous quarter. With the recent prepayment of some FHLB advances, borrowing cost should reflect continued decreases in the March 2021 quarter.

The provision for loan losses totaled $675,000 during the fourth quarter of 2020 compared to $1.3 million for the prior linked quarter. The provision primarily relates to reserves taken related to the growth in the loan portfolio, specific reserves on classified assets and general reserves in anticipation of a slowing economy due to the COVID-19 pandemic. For the year ended December 31, 2020, provision for loan losses totaled $5.6 million compared to $850,000 for the same period ended December 31, 2019. Loan loss provisions in 2021 are expected to remain elevated but lower than recorded during 2020.

Total noninterest income for the fourth quarter of 2020 increased to $3.0 million from $2.9 million for the third quarter of 2020 due in part to higher security gains and mortgage loan servicing income, partially offset by lower gains on the sale of mortgage loans. Gains on sale of mortgage loans decreased to $1.4 million for the fourth quarter from $1.8 million in the third quarter of 2020 and remained at historically high levels as lower long-term U.S. Treasury rates have spurred mortgage refinance activity by borrowers. We expect mortgage originations to ease in the first quarter of 2021 as the wave of refinancing requests appears to have peaked with seasonal factors and the recent rise in the 10-year Treasury Notes. Mortgage loan servicing income was $104,000 for the fourth quarter compared to a loss of $79,000 the previous quarter.

Deposit and service fee income in the fourth quarter were similar to the prior quarter at $352,000 for the three months ended December 31, 2020 compared to $344,000 for the prior three-month period. Net gains on the sale of securities were $149,000 for the fourth quarter of 2020 compared to $38,000 for the third quarter of 2020 and $71,000 for the quarter one year earlier. Commissions on customer investment and insurance sales increased to $391,000 from $301,000 the prior quarter as sales activity picked up and advisory fees tied to rising market values increased. At December 31, 2020, the bank had wealth assets under management totaling $269.0 million compared to $244.5 million at September 30, 2020 and $248.5 million at December 31, 2019. For the fourth quarter ended December 31, 2020, other noninterest income was $488,000 compared to $465,000 the prior quarter.

For the year ended December 31, 2020, total noninterest income was $11.4 million compared to $7.7 million for the year ended December 31, 2019. The one-year increase in 2020 was largely due to larger gains on the sale of mortgage loans.

Noninterest expense was $6.5 million for the fourth quarter of 2020, compared to $6.1 million for the third quarter of 2020. For the fourth quarter of 2020, noninterest expense was higher due to higher salaries and employee benefits costs related to variable incentive compensation. Salary and employee benefit expenses were $4.1 million for the fourth quarter compared to $3.5 million in the third quarter of 2020. The fourth quarter of 2020 benefited from a net gain on foreclosed assets of $218,000 compared to a net loss of $36,000 one quarter earlier. Data processing and other office expenses decreased to $568,000 for the quarter ended December 31, 2020 from $743,000 for the prior quarter. For the year ended December 31, 2020, total noninterest expense was $23.7 million compared to $23.3 million one year earlier, up 1.7%.

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 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.

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

	Quarter ended				
Earnings and dividends:	Dec. 31, 2020	Sep. 30, 2020	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019
Interest income	$ 9,442	$ 9,155	$ 9,291	$ 9,726	$ 9,988
Interest expense	$ 1,011	$ 1,261	$ 1,528	$ 1,935	$ 2,019
Net interest income	$ 8,431	$ 7,894	$ 7,763	$ 7,791	$ 7,969
Provision for loan losses	$ 675	$ 1,300	$ 1,800	$ 1,800	$ 150
Other noninterest income	$ 2,991	$ 2,929	$ 3,138	$ 2,355	$ 1,839
Other noninterest expense	$ 6,461	$ 6,074	$ 4,879	$ 6,330	$ 5,947
Net income	$ 3,252	$ 2,637	$ 3,190	$ 1,610	$ 2,813
Basic earnings per share (3)	$ 0.73	$ 0.59	$ 0.72	$ 0.36	$ 0.63
Diluted earnings per share (3)	$ 0.73	$ 0.59	$ 0.72	$ 0.36	$ 0.63
Dividends declared per share (3)	$ 0.21	$ -	$ 0.21	$ -	$ 0.20
Tangible net book value per share (4)	$ 23.43	$ 22.73	$ 21.97	$ 20.89	$ 20.72
Semi-annual dividend payout ratio	15.88%	n/a	14.50%	n/a	15.04%
Average common shares outstanding	4,452,287	4,452,287	4,453,225	4,464,956	4,471,173
Balance sheet - average balances:					
Loans receivable, net of allowances for loss	$ 807,182	$ 800,611	$ 786,785	$ 705,333	$ 700,469
Assets	$ 1,100,064	$ 1,099,402	$ 1,067,466	$ 963,191	$ 951,409
Deposits	$ 896,427	$ 882,682	$ 855,155	$ 761,268	$ 745,455
Stockholders' equity	$ 102,790	$ 100,436	$ 95,909	$ 94,735	$ 93,189
Performance ratios:					
Return on average assets (1)	1.18%	0.95%	1.20%	0.67%	1.17%
Return on average stockholders' equity (1)	12.59%	10.45%	13.38%	6.84%	11.98%
Average stockholders' equity less accumulated other comprehensive income (loss) to average assets	9.00%	8.85%	8.83%	9.75%	9.68%
Net loan charge-offs to average loans (1)	0.16%	0.00%	0.25%	0.49%	0.01%
Nonperforming loans to gross loans	1.03%	0.98%	0.47%	0.67%	0.68%
Nonperforming assets to total assets	0.90%	0.85%	0.49%	0.54%	0.55%
Allowance for loan losses to gross loans	1.30%	1.31%	1.13%	1.10%	0.97%
Nonperforming assets to tangible equity plus the allowance for loan losses (4)	8.96%	8.50%	5.11%	5.24%	5.45%
Net interest rate margin (1)(2)	3.22%	3.03%	3.09%	3.45%	3.53%
Net interest rate spread (1)(2)	3.07%	2.84%	2.85%	3.20%	3.24%
Service fee revenue as a percent of average demand deposits (1)	0.59%	0.59%	0.49%	1.04%	1.00%
Noninterest income as a percent of gross revenue	24.06%	24.24%	25.25%	19.49%	15.55%
Efficiency ratio (2)	55.87%	55.41%	44.23%	61.59%	59.90%
Noninterest expenses to average assets (1)	2.34%	2.20%	1.84%	2.64%	2.48%
Tangible equity to tangible assets	9.22%	9.17%	8.95%	9.59%	9.50%
Stock price information:					
High	$ 23.00	$ 18.80	$ 24.75	$ 28.25	$ 28.25
Low	$ 17.20	$ 17.36	$ 18.55	$ 19.50	$ 26.00
Last trade value at quarter-end	$ 20.57	$ 18.00	$ 18.55	$ 24.75	$ 27.50

(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 Dec. 31, 2020	Sep. 30, 2020	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019
Interest and dividend income:					
Loans, including fees	$ 8,371	$ 8,068	$ 8,175	$ 8,445	$ 8,691
Securities:					
Taxable	542	564	622	733	768
Tax-exempt	489	474	446	431	387
Other interest and dividends	40	49	48	117	142
Total interest and dividend income	9,442	9,155	9,291	9,726	9,988
Interest expense:					
Deposits	657	833	1,080	1,482	1,544
FHLB advances	228	304	323	320	328
Other borrowings	6	5	6	14	26
Senior subordinated notes	29	28	28	28	29
Junior subordinated debentures	91	91	91	91	92
Total interest expense	1,011	1,261	1,528	1,935	2,019
Net interest income	8,431	7,894	7,763	7,791	7,969
Provision for loan losses	675	1,300	1,800	1,800	150
Net interest income after provision for loan losses	7,756	6,594	5,963	5,991	7,819
Noninterest income:					
Service fees	352	344	278	391	411
Gain on sale of mortgage loans	1,401	1,752	1,747	987	452
Mortgage loan servicing, net	104	(79)	(165)	(23)	57
Investment and insurance sales commissions	391	301	259	349	301
Net gain on sale of securities	149	38	194	123	71
Increase in cash surrender value of life insurance	106	108	104	104	104
Other noninterest income	488	465	721	424	443
Total noninterest income	2,991	2,929	3,138	2,355	1,839
Noninterest expense:					
Salaries and employee benefits	4,084	3,526	2,583	3,819	3,523
Occupancy and facilities	511	566	508	544	506
Loss (gain) on foreclosed assets	(218)	36	23	71	69
Data processing and other office operations	568	743	675	644	739
Advertising and promotion	172	77	94	141	182
FDIC insurance premiums	82	87	23	-	-
Other noninterest expenses	1,262	1,039	973	1,111	928
Total noninterest expense	6,461	6,074	4,879	6,330	5,947
Income before provision for income taxes	4,286	3,449	4,222	2,016	3,711
Provision for income taxes	1,034	812	1,032	406	898
Net income	$ 3,252	$ 2,637	$ 3,190	$ 1,610	$ 2,813
Basic earnings per share	$ 0.73	$ 0.59	$ 0.72	$ 0.36	$ 0.63
Diluted earnings per share	$ 0.73	$ 0.59	$ 0.72	$ 0.36	$ 0.63

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

(dollars in thousands, except per share data)	Dec. 31, 2020	Sep. 30, 2020	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019
Assets					
Cash and due from banks	$ 15,723	$ 13,652	$ 13,016	$ 9,665	$ 23,005
Interest-bearing deposits	1,056	1,750	1,483	1,349	839
Federal funds sold	21,749	61,383	45,796	37,071	25,184
Cash and cash equivalents	38,528	76,785	60,295	48,085	49,028
Securities available for sale (at fair value)	228,296	193,179	178,635	171,054	174,448
Bank certificates of deposit (at cost)	1,231	496	1,738	3,234	4,983
Loans held for sale	954	903	3,755	1,394	545
Loans receivable, net	820,956	791,951	805,243	706,584	707,651
Accrued interest receivable	3,527	3,629	3,590	2,847	2,776
Foreclosed assets	1,619	1,485	1,525	425	460
Premises and equipment, net	10,920	11,061	11,067	11,098	10,457
Mortgage servicing rights, net	1,657	1,638	1,623	1,668	1,747
Federal Home Loan Bank stock (at cost)	2,283	2,283	2,283	2,283	2,073
Cash surrender value of bank-owned life insurance	17,795	17,089	16,981	16,877	16,773
Other assets	4,189	3,784	6,611	4,330	3,952
TOTAL ASSETS	$ 1,131,955	$ 1,104,283	$ 1,093,346	$ 969,879	$ 974,893
Liabilities					
Non-interest-bearing deposits	$ 236,981	$ 241,947	$ 241,914	$ 158,505	$ 177,002
Interest-bearing deposits	695,156	658,667	640,307	606,781	604,788
Total deposits	932,137	900,614	882,221	765,286	781,790
Federal Home Loan Bank advances	62,000	67,000	87,000	88,682	73,496
Other borrowings	12,239	16,216	3,941	3,504	6,131
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	10,920	8,871	11,998	9,024	10,553
Total liabilities	1,027,528	1,002,933	995,392	876,728	882,202
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, 4,452,287, 4,453,472 and 4,467,217 shares, respectively	1,830	1,830	1,830	1,830	1,830
Additional paid-in capital	7,818	7,765	7,712	7,632	7,597
Retained earnings	103,855	101,538	98,901	96,646	95,037
Accumulated other comprehensive income, net of tax	4,458	3,751	3,045	550	1,302
Treasury stock, at cost - 1,038,511, 1,038,511, 1,038,511, 1,037,326 and 1,023,581 shares, respectively	(13,534)	(13,534)	(13,534)	(13,507)	(13,075)
Total stockholders' equity	104,427	101,350	97,954	93,151	92,691
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,131,955	$ 1,104,283	$ 1,093,346	$ 969,879	$ 974,893

PSB Holdings, Inc.
Consolidated Statements of Income

(dollars in thousands, except per share data - unaudited)	Three Months Ended December 2020	Three Months Ended December 2019	Year Ended December 2020	Year Ended December 2019

Interest and dividend income:				
Loans, including fees	$ 8,371	$ 8,691	$ 33,059	$ 34,477
Securities:				
Taxable	542	768	2,461	2,980
Tax-exempt	489	387	1,840	1,550
Other interest and dividends	40	142	254	522
Total interest and dividend income	9,442	9,988	37,614	39,529
Interest expense:				
Deposits	657	1,544	4,052	6,385
FHLB advances	228	328	1,175	1,190
Other borrowings	6	26	31	192
Senior subordinated notes	29	29	113	113
Junior subordinated debentures	91	92	364	366
Total interest expense	1,011	2,019	5,735	8,246
Net interest income	8,431	7,969	31,879	31,283
Provision for loan losses	675	150	5,575	850
Net interest income after provision for loan losses	7,756	7,819	26,304	30,433
Noninterest income:				
Service fees	352	411	1,365	1,543
Gain on sale of mortgage loans	1,401	452	5,887	1,522
Mortgage loan servicing, net	104	57	(163)	355
Investment and insurance sales commissions	391	301	1,300	1,220
Net gain on sale of securities	149	71	504	210
Increase in cash surrender value of life insurance	106	104	422	408
Other noninterest income	488	443	2,098	2,403
Total noninterest income	2,991	1,839	11,413	7,661
Noninterest expense:				
Salaries and employee benefits	4,084	3,523	14,012	13,645
Occupancy and facilities	511	506	2,129	2,208
Loss (gain) on foreclosed assets	(218)	69	(88)	80
Data processing and other office operations	568	739	2,630	2,616
Advertising and promotion	172	182	484	509
FDIC insurance premiums	82	-	192	122
Other noninterest expenses	1,262	928	4,385	4,116
Total noninterest expense	6,461	5,947	23,744	23,296
Income before provision for income taxes	4,286	3,711	13,973	14,798
Provision for income taxes	1,034	898	3,284	3,551
Net income	$ 3,252	$ 2,813	$ 10,689	$ 11,247
Basic earnings per share	$ 0.73	$ 0.63	$ 2.40	$ 2.51
Diluted earnings per share	$ 0.73	$ 0.63	$ 2.40	$ 2.51

PSB Holdings, Inc.
Consolidated Statements of Comprehensive Income

(dollars in thousands - unaudited)	Three Months Ended December 31, 2020	2019	Year Ended December 31, 2020	2019
Net income	$ 3,252	$ 2,813	$ 10,689	$ 11,247
Other comprehensive income, net of tax:				
Unrealized gain on securities available for sale	641	179	3,577	3,288
Reclassification adjustment for security gain included in net income	(108)	(51)	(366)	(152)
Amortization of unrealized loss (gain) included in net income on securities available for sale transferred to securities held to maturity	-	3	-	(3)

Unrealized gain (loss) on interest rate swap	135	55	(181)	(211)
Reclassification adjustment of interest rate swap settlements included in earnings	38	13	126	31
Other comprehensive income	706	199	3,156	2,953
Comprehensive income	$ 3,958	$ 3,012	$ 13,845	$ 14,200

PSB Holding, Inc.
Loan Composition by Purpose
Quarter-ended (dollars in thousands)

Residential Real Estate	Dec. 31, 2020	Sep. 30, 2020	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019
One to four family	$ 125,530	$ 114,226	$ 118,049	$ 122,276	$ 121,548
HELOC loans	18,312	19,747	19,550	20,795	21,668
Residential construction & development	25,519	22,529	23,129	22,963	23,633
Residential vacant land	3,305	3,147	3,417	3,745	3,908
Total Residential real estate	172,666	159,649	164,145	169,779	170,757
Commercial/Agricultural real estate:					
Owner occupied					
Commercial real estate	187,059	164,073	164,483	164,851	156,275
SBA commercial real estate	1,483	1,506	1,539	1,571	1,647
Agriculture real estate	4,429	4,677	4,885	5,041	5,901
Construction and land development	5,468	13,557	7,294	8,297	13,228
Commercial vacant land	2,835	2,819	2,241	1,560	929
Total Owner occupied	201,274	186,632	180,442	179,760	177,051
Non-owner occupied					
Commercial real estate	173,953	170,847	165,099	158,634	162,118
One to four family residential rental	31,363	30,159	28,451	29,891	30,042
SBA commercial real estate	749	771	793	824	844
Agricultural real estate	-	-	-	-	-
Construction and land development	29,846	18,600	11,927	16,406	17,061
Commercial vacant land	8,402	8,907	10,135	13,965	14,280
Total Non-owner occupied	244,313	229,284	216,405	219,720	224,345
Commercial/Agricultural non-real estate:					
Municipal non-real estate	11,422	5,687	7,826	5,933	11,601
Commercial line	41,619	40,067	55,317	59,266	54,538
Other commercial non-real estate	52,723	58,718	69,267	70,467	65,690
SBA commercial non-real estate	103,871	118,668	117,436	1,453	1,733
Agricultural non-real estate	1,986	2,150	2,148	2,075	2,402
Total Commercial/Agr. non-real estate	211,621	225,290	251,994	139,194	135,964
Consumer non-real estate:					
Consumer installment	3,400	3,358	3,512	3,344	3,454
Consumer line	353	366	243	328	1,354
Other consumer	143	163	160	183	189
Total Consumer non-real estate	3,896	3,887	3,915	3,855	4,997
Gross loans	833,770	804,742	816,901	713,868	714,043
Net deferred loan costs	(2,140)	(2,627)	(2,617)	388	326
Overdrafts	161	317	133	199	221
Allowance for loan losses	(10,835)	(10,481)	(9,174)	(7,871)	(6,939)
Total loans receivable	$ 820,956	$ 791,951	$ 805,243	$ 706,584	$ 707,651

PSB Holdings, Inc.
Nonperforming Assets as of:

(dollars in thousands)	Dec 31, 2020	Sept 30, 2020	June 30, 2020	Mar 31, 2020	Dec 31, 2019
Nonaccrual loans (excluding restructured loans)	$ 2,071	$ 2,129	$ 2,964	$ 3,868	$ 3,697
Nonaccrual restructured loans	1,064	233	244	232	499
Restructured loans not on nonaccrual	5,414	5,508	650	672	676
Accruing loans past due 90 days or more	-	-	-	-	-
Total nonperforming loans	8,549	7,870	3,858	4,772	4,872
Other real estate owned	1,619	1,485	1,525	425	460
Total nonperforming assets	$ 10,168	$ 9,355	$ 5,383	$ 5,197	$ 5,332
Nonperforming loans as a % of gross loans receivable	1.03%	0.98%	0.47%	0.67%	0.68%
Total nonperforming assets as a % of total assets	0.90%	0.85%	0.49%	0.54%	0.55%
Allowance for loan losses as a % of nonperforming loans	126.74%	133.18%	237.79%	164.94%	142.43%

PSB Holdings, Inc.
Nonperforming Assets >= $500,000 net book value before specific reserves
At December 31, 2020
(dollars in thousands)

Collateral Description	Asset Type	Gross Principal	Specific Reserves
Leased retail sales outlet	ORE	$ 1,100	
Real estate - Hotel	Restructured	4,861	$ 192
Real estate - Buffet Style Restaurant	Restructured/Nonaccrual	895	142
Total listed nonperforming assets		6,856	334
Total bank wide nonperforming assets		$ 10,168	$ 676

Largest Performing, but Impaired Loans at December 31, 2020 ($000s)

Collateral Description	Asset Type	Gross Principal	Specific Reserves
Real estate	Impaired	$ 4,336	$ 233
Total listed performing, but impaired loans		$ 4,336	$ 233
Total performing, but impaired loans		$ 5,929	$ 344

PSB Holdings, Inc.
Deposit Composition

(dollars in thousands)	December 31, 2020		September 30, 2020		December 31, 2019	
	$	%	$	%	$	%
Non-interest bearing demand	$ 236,981	25.40%	$ 241,947	26.90%	$ 177,002	22.60%
Interest-bearing demand and savings	332,677	35.70%	291,275	32.30%	257,486	32.90%
Money market deposits	222,156	23.80%	213,057	23.70%	183,370	23.50%
Retail and local time deposits <= $250	103,064	11.10%	103,288	11.50%	104,455	13.40%
Total core deposits	894,878	96.00%	849,567	94.40%	722,313	92.40%
Retail and local time deposits > $250	23,112	2.50%	24,669	2.70%	25,431	3.30%
Broker & national time deposits <= $250	12,153	1.30%	14,384	1.60%	5,457	0.70%
Broker & national time deposits > $250	1,994	0.20%	11,994	1.30%	28,589	3.60%
Totals	$ 932,137	100.00%	$ 900,614	100.00%	$ 781,790	100.00%

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

	Quarter ended December 31, 2020			Quarter ended September 30, 2020			Quarter ended December 31, 2019		
	Average Balance	Interest	Yield / Rate	Average Balance	Interest	Yield / Rate	Average Balance	Interest	Yield / Rate
Assets									
Interest-earning assets:									
Loans (1)(2)	$ 817,875	$ 8,383	4.08%	$ 810,232	$ 8,080	3.97%	$ 707,336	$ 8,709	4.88%
Taxable securities	129,832	542	1.66%	108,241	564	2.07%	111,697	768	2.73%
Tax-exempt securities (2)	80,619	619	3.05%	76,168	600	3.13%	59,511	490	3.27%
FHLB stock	2,283	27	4.70%	2,283	28	4.88%	2,091	25	4.74%
Other	27,336	13	0.19%	58,081	21	0.14%	29,443	117	1.58%
Total (2)	1,057,945	9,584	3.60%	1,055,005	9,293	3.50%	910,078	10,109	4.41%
Non-interest-earning assets:									
Cash and due from banks	14,011			13,945			12,284		
Premises and equipment, net	11,023			11,135			10,333		
Cash surrender value ins	17,206			17,021			16,713		
Other assets	10,572			11,917			8,868		
Allowance for loan losses	(10,693)			(9,621)			(6,867)		
Total	$	1,100,064		$	1,099,402		$ 951,409		
Liabilities & stockholders' equity									
Interest-bearing liabilities:									
Savings and demand deposits	$ 298,696	$ 65	0.09%	$ 285,384	$ 72	0.10%	$ 239,613	$ 307	0.51%
Money market deposits	218,455	128	0.23%	206,881	146	0.28%	180,262	418	0.92%
Time deposits	143,714	464	1.28%	159,851	615	1.53%	162,726	819	2.00%
FHLB borrowings	64,283	228	1.41%	86,565	304	1.40%	77,920	328	1.67%
Other borrowings	16,638	6	0.14%	9,445	5	0.21%	14,374	26	0.72%
Senior sub. notes	2,500	29	4.61%	2,500	28	4.46%	2,500	29	4.60%
Junior sub. debentures	7,732	91	4.68%	7,732	91	4.68%	7,732	92	4.72%
Total	752,018	1,011	0.53%	758,358	1,261	0.66%	685,127	2,019	1.17%
Non-interest-bearing liabilities:									
Demand deposits	235,562			230,566			162,854		
Other liabilities	9,694			10,042			10,239		
Stockholders' equity	102,790			100,436			93,189		
Total	$	1,100,064		$	1,099,402		$ 951,409		
Net interest income		$ 8,573			$ 8,032			$ 8,090	
Rate spread			3.07%			2.84%			3.24%
Net yield on interest-earning assets			3.22%			3.03%			3.53%

(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)

	Year ended December 31, 2020			Year ended December 31, 2019		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
Assets						
Interest-earning assets:						
Loans (1)(2)	$ 784,126	$ 33,111	4.22%	$ 685,279	$ 34,533	5.04%
Taxable securities	112,200	2,461	2.19%	107,801	2,980	2.76%
Tax-exempt securities (2)	73,490	2,329	3.17%	61,482	1,962	3.19%
FHLB stock	2,243	106	4.73%	1,918	104	5.42%
Other	43,593	148	0.34%	21,253	418	1.97%
Total (2)	1,015,652	38,155	3.76%	877,733	39,997	4.56%
Non-interest-earning assets:						
Cash and due from banks	12,592			11,644		
Premises and equipment, net	11,013			10,318		
Cash surrender value ins	16,990			16,558		
Other assets	10,484			8,738		
Allowance for loan losses	(8,990)			(6,605)		
Total	$	1,057,741		$ 918,386		
Liabilities & stockholders' equity						
Interest-bearing liabilities:						
Savings and demand deposits	$ 277,014	$ 594	0.21%	$ 243,035	$ 1,588	0.65%
Money market deposits	202,666	860	0.42%	163,061	1,541	0.95%
Time deposits	158,030	2,598	1.64%	168,624	3,256	1.93%
FHLB borrowings	80,462	1,175	1.46%	67,207	1,190	1.77%
Other borrowings	9,602	31	0.32%	19,628	192	0.98%
Senior sub. notes	2,500	113	4.52%	2,500	113	4.52%
Junior sub. debentures	7,732	364	4.71%	7,732	366	4.73%
Total	738,006	5,735	0.78%	671,787	8,246	1.23%
Non-interest-bearing liabilities:						
Demand deposits	211,155			148,746		
Other liabilities	9,925			9,810		
Stockholders' equity	98,655			88,043		
Total	$	1,057,741		$ 918,386		
Net interest income		$ 32,420			$ 31,751	
Rate spread			2.98%			3.33%
Net yield on interest-earning assets			3.19%			3.62%

(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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Source: PSB Holdings, Inc.