



NEWS RELEASE

PSB Reports Fourth Quarter 2019 Earnings of \$2.8 Million or \$0.63 Per Share; Net Income Increased 9% to Record \$11.2 Million in 2019

2020-01-27

WAUSAU, Wis., Jan. 27, 2020 (GLOBE NEWSWIRE) -- PSB Holdings, Inc. ("PSB") (OTCQX: PSBQ), the holding company for Peoples State Bank serving North Central Wisconsin, reported fourth quarter earnings ending December 31, 2019 of \$0.63 per share on net income of \$2.81 million, compared to earnings of \$0.70 per share on net income of \$3.13 million during the September 2019 quarter, and \$0.56 per share one year earlier on earnings of \$2.53 million. The fourth quarter earnings reflected slightly higher net interest income and higher levels of non-interest expense. Loan production remained strong, with net loans receivable expanding 2.3% from the previous quarter and 7.5% relative to one year earlier.

For the year ended December 31, 2019, earnings increased 9.1% to \$11.2 million, or \$2.51 per share compared to \$10.3 million, or \$2.29 per share for the year ended December 31, 2018.

"PSB achieved record earnings in 2019 as strong lending activity has fueled asset growth and a streamlined branch network added efficiencies. As we begin 2020, we will convert our loan production office in Milwaukee into a full-service branch office in the first quarter. We anticipate the move into this economically vibrant market will continue to fuel loan and deposit growth in years ahead," stated Scott Cattanach, President and CEO.

Financial Highlights (at or for the periods ended December 31, 2019, compared to September 30, 2019 and /or December 31, 2018, as applicable):

- Return on shareholders' equity was 11.98% for the quarter compared to 13.94% one quarter earlier and 12.62% for the fourth quarter one year earlier. Return on average assets was 1.17% for the fourth quarter of 2019, compared to 1.34% the previous quarter and 1.14% for the fourth quarter one year earlier. For the year ended December 31, 2019, the return on shareholders' equity was 12.77% and the return on average assets

was 1.22%.

- Total assets grew 2.7% to \$974.9 million at December 31, 2019 from \$949.7 million one quarter earlier and 6.4% from \$916.0 million one year earlier. Net loan growth of \$49.2 million and core deposit growth of \$74.0 million supported balance expansion over the past year.
- The net interest margin decreased to 3.53% for the quarter ended December 31, 2019, compared to 3.60% the previous quarter and 3.58% for the fourth quarter one year earlier. The net interest margin for the fourth quarter was affected by a larger balance of investments relative to prior periods.
- The efficiency ratio was 59.90% for the fourth quarter compared to 55.14% one quarter earlier and 62.54% in the year ago quarter.
- Tangible net book value was \$20.72 per share at December 31, 2019, compared to \$20.24 per share as of September 30, 2019 and \$17.98 per share at December 31, 2018. Over the past year, tangible book value has grown 15.24%.

Balance Sheet and Asset Quality Review

Total assets were \$974.9 million as of December 31, 2019, compared to \$949.7 million as of September 30, 2019, an increase of \$25.2 million, or 2.7%. Total loans receivable increased \$16.4 million with much of the new loans consisting of loans secured by commercial real estate. The commercial/agricultural real estate loan portfolio increased to \$401.4 million at December 31, 2019 from \$385.5 million three months earlier. Non-owner occupied commercial real estate loans represented the largest component of the loan portfolio at 31.4% of gross loans at December 31, 2019, followed by owner occupied commercial real estate loans at 24.8%, residential real estate at 23.9%, commercial/agricultural loans at 19.0% and consumer loans at 0.7%. Total agricultural related loans represent 1.16% of the total loan portfolio. The non-owner occupied commercial real estate portfolio represents the largest portion of loan growth over the past year as the balance grew 14.0% from \$196.8 million at December 31, 2018 to \$224.3 million at December 31, 2019. Meanwhile, over the past year, the commercial/agricultural non-real estate loans decreased 7.6% from \$147.2 million at December 31, 2018 to \$136.0 million at December 31, 2019.

The allowance for loan losses remained at 0.97% of gross loans at December 31, 2019. The annualized net charge-offs to average loans was unchanged at 0.01% for the quarter ended December 31, 2019, compared to the previous quarter and 0.07% one year earlier. Non-performing assets decreased to 0.55% of total assets at December 31, 2019, compared to 0.57% at September 30, 2019, and 0.67% at December 31, 2018. At December 31, 2019, non-performing assets consisted of \$3.7 million in non-accrual loans, \$499,000 in non-accrual restructured loans,

\$676,000 in restructured loans not on non-accrual, and \$460,000 in other real estate owned.

At December 31, 2019, cash and investments totaled \$228.5 million compared to \$219.8 million at September 30, 2019. During the course of the quarter, cash and investments increased due to deposit growth, a portion of which was used to support loan origination activity.

Total deposits increased 6.2% to \$781.8 million at December 31, 2019 compared to \$736.2 million at September 30, 2019. At December 31, 2019, interest-bearing demand and savings deposits accounted for 32.9% of total deposits, followed by money market deposits at 23.5%, noninterest-bearing demand deposits at 22.6% and retail and local time deposits at 16.7%. Broker and national time deposits accounted for 4.3% of total deposits at December 31, 2019 versus 4.9% the prior quarter and 7.6% one year earlier.

FHLB advances decreased to \$73.5 million at December 31, 2019 compared to \$85.5 million at September 30, 2019 and other borrowings decreased to \$6.1 million from \$17.4 million over the same time period.

For the quarter ended December 31, 2019, stockholders' equity increased \$2.1 million, or 2.28%, to \$92.7 million, compared to \$90.6 million at September 30, 2019. Tangible net book value per share increased 2.37%, to \$20.72 per share, at December 31, 2019, compared to \$20.24 per share at September 30, 2019. PSB's tangible equity to total assets was 9.50% at December 31, 2019, compared to 9.53% at September 30, 2019.

Operations Review

Net interest income totaled \$8.0 million (on a net margin of 3.53%) for the fourth quarter of 2019, compared to \$7.9 million (on net margin of 3.60%) for the third quarter of 2019 and \$7.5 million (on a net margin of 3.58%) for the fourth quarter of 2018. Compared to the preceding quarter, loans and investment yields decreased 16 basis points to 4.41% during the fourth quarter of 2019 from 4.57% one quarter earlier while deposit and borrowing costs declined 9 basis points to 1.17% from 1.26% over the same time period. The decline in loan and investment yields were partially due to a larger average balance of cash and cash equivalents held during the quarter and a decrease in the prime lending rate due to actions by the Federal Reserve. Loan yields decreased to 4.88% from 5.04% during the fourth quarter of 2019, as many loans repriced lower as the prime rate declined, and market competition intensified.

The cost of interest-bearing liabilities decreased during the quarter, reflecting lower rates associated with savings and demand deposits partially offset by higher rates on money market accounts. Towards the end of the quarter, the bank received a large balance of public funds deposited into money market accounts.

Additionally, the bank offered attractive rates on money market accounts to customers who met specific criteria

designed to enhance the customers' banking relationship with the bank. These funds were used to replace higher costing certificates of deposit and borrowed funds. Deposit costs decreased to \$1.54 million for the fourth quarter of 2019 from \$1.65 million the previous quarter. Interest costs on borrowings declined \$25,000 for the fourth quarter of 2019 to \$475,000 from \$500,000 the previous quarter.

"Our deposit costs declined less than the yield on earning assets during the fourth quarter, as we have sought to attract new deposits in anticipation of repaying higher costing brokered deposits of approximately \$8.5 million and continue to fund anticipated balance sheet growth in the first quarter of 2020," said Mark C. Oldenberg, Chief Financial Officer.

For the year ended December 31, 2019, net interest income increased 8.5% to \$31.3 million compared to \$28.8 million for the previous fiscal year.

The provision for loan losses totaled \$150,000 during the fourth quarter of 2019 compared to the same provision level for the prior linked quarter. The provision primarily relates to new loan originations and an expanding loan portfolio.

Total noninterest income for the fourth quarter of 2019 compared similarly to the prior quarter at \$1.8 million and higher than the \$1.7 million for the fourth quarter of 2018. Service fees in the fourth quarter were \$411,000 compared to \$348,000 during the third quarter of 2019. Gains on sale of mortgage loans decreased slightly to \$452,000 for the fourth quarter from \$463,000 in the third quarter of 2019 but remained strong as falling long-term U.S. Treasury rates have spurred mortgage refinance activity. Commissions on investment and insurance sales increased to \$301,000 from \$276,000 the prior quarter. At December 31, 2019, the bank had wealth assets under management totaling \$248.5 million compared to \$240.6 million at September 30, 2019 and \$211.9 million at December 31, 2018. The year over year growth of assets under management was 17.3%.

For the year ended December 31, 2019, total noninterest income increased 18.3% to \$7.7 million from \$6.5 million one year earlier.

Noninterest expense was \$5.9 million for the fourth quarter of 2019, compared to \$5.4 million for the third quarter. For the fourth quarter of 2019, noninterest expense increased due to a slight increase in health insurance claims, software charges related to upgrades to product and operational features, an increase in advertising and promotion, losses on the sale of foreclosed property and professional fees largely related to audits of deposit and loan operation processes, to identify cost efficiencies. Similar to the prior quarter, the fourth quarter 2019 results reflect the elimination of FDIC insurance premiums as the FDIC insurance fund reached its targeted level.

For the year ended December 31, 2019, total noninterest expense increased 4.7% to \$22.7 million from \$21.7

million one year earlier, adjusted for our Rhinelander branch write down, recorded in the June 2019 quarter.

In the first quarter of 2020, we anticipate higher personnel expenses, office expenses, depreciation and advertising costs associated with the opening of our new branch in Milwaukee.

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 Wisconsin from eight full-service banking locations in Marathon, Oneida, and Vilas counties and loan production offices in Milwaukee and 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. 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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Earnings and dividends:	2019	2019	2019	2019	2018	
Interest income	\$9,988	\$10,098	\$9,839	\$9,604	\$9,365	
Interest expense	\$2,019	\$2,154	\$2,041	\$2,032	\$1,888	
Net interest income	\$7,969	\$7,944	\$7,798	\$7,572	\$7,477	
Provision for loan losses	\$150	\$150	\$150	\$400	\$60	
Other noninterest income	\$1,839	\$1,802	\$1,903	\$2,117	\$1,718	
Other noninterest expense	\$5,947	\$5,437	\$6,167	\$5,745	\$5,829	
Net income	\$2,813	\$3,131	\$2,572	\$2,731	\$2,529	
Basic earnings per share (3)	\$0.63	\$0.70	\$0.57	\$0.61	\$0.56	
Diluted earnings per share (3)	\$0.63	\$0.70	\$0.57	\$0.61	\$0.56	
Dividends declared per share (3)	\$0.20	\$-	\$0.20	\$-	\$0.18	
Tangible net book value per share (4)	\$20.72	\$20.24	\$19.41	\$18.89	\$17.98	
Semi-annual dividend payout ratio	15.04	% n/a	16.95	% n/a	15.65	%
Average common shares outstanding	4,471,173	4,473,583	4,486,022	4,494,568	4,488,397	
Balance sheet - average balances:						
Loans receivable, net of allowances for loss	\$700,469	\$689,057	\$666,008	\$658,586	\$646,063	
Assets	\$951,409	\$928,282	\$893,998	\$899,263	\$883,373	
Deposits	\$745,455	\$721,788	\$713,910	\$713,257	\$708,318	
Stockholders' equity	\$93,189	\$89,139	\$86,656	\$82,516	\$79,525	
Performance ratios:						
Return on average assets (1)	1.17	% 1.34	% 1.15	% 1.23	% 1.14	%
Return on average stockholders' equity (1)	11.98	% 13.94	% 11.90	% 13.42	% 12.62	%
Average stockholders' equity less accumulated other comprehensive income (loss) to average assets	9.68	% 9.52	% 9.68	% 9.27	% 9.22	%
Net loan charge-offs to average loans (1)	0.01	% 0.01	% 0.00	% 0.08	% 0.07	%
Nonperforming loans to gross loans	0.68	% 0.70	% 0.53	% 1.11	% 0.91	%
Nonperforming assets to total assets	0.55	% 0.57	% 0.42	% 0.84	% 0.67	%
Allowance for loan losses to gross loans	0.97	% 0.97	% 0.97	% 0.98	% 0.94	%
Nonperforming assets to tangible equity plus the allowance for loan losses (4)	5.45	% 5.69	% 4.13	% 8.40	% 7.20	%
Net interest rate margin (1)(2)	3.53	% 3.60	% 3.72	% 3.63	% 3.58	%
Net interest rate spread (1)(2)	3.24	% 3.31	% 3.42	% 3.36	% 3.32	%
Service fee revenue as a percent of average demand deposits (1)	1.00	% 0.90	% 1.14	% 1.12	% 1.15	%
Noninterest income as a percent of gross revenue	15.55	% 15.14	% 16.21	% 18.06	% 15.50	%
Efficiency ratio (2)	59.90	% 55.14	% 62.83	% 58.59	% 62.54	%
Noninterest expenses to average assets (1)	2.48	% 2.32	% 2.77	% 2.59	% 2.62	%
Tangible equity to actual assets	9.50	% 9.53	% 9.65	% 9.50	% 8.81	%
Stock price information:						
High	\$28.25	\$27.50	\$24.75	\$23.45	\$27.50	
Low	\$26.00	\$23.55	\$22.00	\$21.25	\$21.10	
Last trade value at quarter-end	\$27.50	\$26.49	\$24.00	\$22.75	\$22.50	

(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, 2019	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018
Interest and dividend income:					
Loans, including fees	\$8,691	\$ 8,823	\$ 8,629	\$ 8,334	\$ 8,125
Securities:					
Taxable	768	769	730	713	714

Tax-exempt	387	378	389	396	424
Other interest and dividends	142	128	91	161	102
Total interest and dividend income	9,988	10,098	9,839	9,604	9,365
Interest expense:					
Deposits	1,544	1,654	1,634	1,553	1,435
FHLB advances	328	323	230	309	315
Other borrowings	26	58	57	51	18
Senior subordinated notes	29	28	28	28	28
Junior subordinated debentures	92	91	92	91	92
Total interest expense	2,019	2,154	2,041	2,032	1,888
Net interest income	7,969	7,944	7,798	7,572	7,477
Provision for loan losses	150	150	150	400	60
Net interest income after provision for loan losses	7,819	7,794	7,648	7,172	7,417
Noninterest income:					
Service fees	411	348	403	381	419
Gain on sale of mortgage loans	452	463	432	175	227
Mortgage loan servicing, net	57	89	84	125	129
Investment and insurance sales commissions	301	276	310	333	430
Net gain on sale of securities	71	-	121	18	-
Increase in cash surrender value of life insurance	104	105	101	98	96
Other noninterest income	443	521	452	987	417
Total noninterest income	1,839	1,802	1,903	2,117	1,718
Noninterest expense:					
Salaries and employee benefits	3,523	3,372	3,322	3,428	3,566
Occupancy and facilities	506	510	591	601	526
Loss (gain) on foreclosed assets	69	4	3	4	(17)
Data processing and other office operations	739	654	646	577	654
Advertising and promotion	182	107	120	100	163
FDIC insurance premiums	-	-	63	59	61
Other noninterest expenses	928	790	1,422	976	876
Total noninterest expense	5,947	5,437	6,167	5,745	5,829
Income before provision for income taxes	3,711	4,159	3,384	3,544	3,306
Provision for income taxes	898	1,028	812	813	777
Net income	\$ 2,813	\$ 3,131	\$ 2,572	\$ 2,731	\$ 2,529
Basic earnings per share	\$ 0.63	\$ 0.70	\$ 0.57	\$ 0.61	\$ 0.56
Diluted earnings per share	\$ 0.63	\$ 0.70	\$ 0.57	\$ 0.61	\$ 0.56

PSB Holdings, Inc.
Consolidated Statements of Income

(dollars in thousands,
except per share data - unaudited)

	Three Months Ended		Year Ended	
	December	December	December	December
	2019	2018	2019	2018
Interest and dividend income:				
Loans, including fees	\$ 8,691	\$ 8,125	\$ 34,477	\$ 30,489
Securities:				
Taxable	768	714	2,980	2,799
Tax-exempt	387	424	1,550	1,517
Other interest and dividends	142	102	522	384
Total interest and dividend income	9,988	9,365	39,529	35,189
Interest expense:				
Deposits	1,544	1,435	6,385	4,815
FHLB advances	328	315	1,190	1,085
Other borrowings	26	18	192	24
Senior subordinated notes	29	28	113	111
Junior subordinated debentures	92	92	366	326

Total interest expense	2,019	1,888	8,246	6,361
Net interest income	7,969	7,477	31,283	28,828
Provision for loan losses	150	60	850	130
Net interest income after provision for loan losses	7,819	7,417	30,433	28,698
Noninterest income:				
Service fees	411	419	1,543	1,611
Gain on sale of mortgage loans	-	-	-	-
Mortgage banking income	509	356	1,877	1,528
Investment and insurance sales commissions	301	430	1,220	1,307
Net gain on sale of securities	71	-	210	-
Increase in cash surrender value of life insurance	104	96	408	373
Other noninterest income	443	417	2,403	1,657
Total noninterest income	1,839	1,718	7,661	6,476
Noninterest expense:				
Salaries and employee benefits	3,523	3,566	13,645	13,194
Occupancy and facilities	506	526	2,208	2,115
Loss (gain) on foreclosed assets	69	(17)	80	(34)
Data processing and other office operations	739	654	2,616	2,563
Advertising and promotion	182	163	509	420
FDIC insurance premiums	-	61	122	247
Other noninterest expenses	928	876	4,116	3,208
Total noninterest expense	5,947	5,829	23,296	21,713
Income before provision for income taxes	3,711	3,306	14,798	13,461
Provision for income taxes	898	777	3,551	3,149
Net income	\$2,813	\$2,529	\$11,247	\$10,312
Basic earnings per share	\$0.63	\$0.56	\$2.51	\$2.29
Diluted earnings per share	\$0.63	\$0.56	\$2.51	\$2.29

PSB Holdings, Inc.
Consolidated Statements of Comprehensive Income

(dollars in thousands - unaudited)	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Net income	\$2,813	\$2,529	\$11,247	\$10,312
Other comprehensive income, net of tax:				
Unrealized gain (loss) on securities available for sale	179	1,153	3,288	(766)
Reclassification adjustment for security gain included in net income	(51)	-	(152)	-
Amortization of unrealized loss (gain) included in net income on securities available for sale transferred to securities held to maturity	3	(6)	(3)	(39)
Unrealized gain (loss) on interest rate swap	55	(157)	(211)	(158)
Reclassification adjustment of interest rate swap settlements included in earnings	13	8	31	9
Other comprehensive income (loss)	199	998	2,953	(954)
Comprehensive income	\$3,012	\$3,527	\$14,200	\$9,358

PSB Holdings, Inc.
Consolidated Balance Sheets
December 31, September 30, June 30, and March 31, 2019, unaudited,
December 31, 2018 derived from audited financial statements

(dollars in thousands, except per share data)	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2018	Dec. 31, 2018
Assets					
Cash and due from banks	\$ 23,005	\$ 17,954	\$ 11,825	\$ 8,917	\$ 18,923
Interest-bearing deposits	839	1,059	2,306	349	501
Federal funds sold	25,184	30,415	4,552	12,989	24,554
Cash and cash equivalents	49,028	49,428	18,683	22,255	43,978
Securities available for sale (at fair value)	174,448	127,587	123,586	127,368	113,821
Securities held to maturity (fair values of \$0, \$41,311, \$42,511, \$53,338 and \$57,607 respectively)	-	40,791	42,074	43,061	58,311
Bank certificates of deposit (at cost)	4,983	1,984	1,984	2,976	2,976
Loans held for sale	545	335	50	245	358
Loans receivable, net	707,651	691,289	678,247	660,756	658,481
Accrued interest receivable	2,776	2,803	2,844	2,826	2,777
Foreclosed assets	460	572	172	113	113
Premises and equipment, net	10,457	10,212	9,749	10,426	10,209
Mortgage servicing rights, net	1,747	1,720	1,738	1,781	1,805
Federal Home Loan Bank stock (at cost)	2,073	2,173	1,662	1,657	2,330
Cash surrender value of bank-owned life insurance	16,773	16,668	16,564	16,463	16,365
Other assets	3,952	4,101	3,961	3,836	4,474
TOTAL ASSETS	\$ 974,893	\$ 949,663	\$ 901,314	\$ 893,763	\$ 915,998
Liabilities					
Non-interest-bearing deposits	\$ 177,002	\$ 159,897	\$ 143,423	\$ 138,124	\$ 148,611
Interest-bearing deposits	604,788	576,288	571,794	577,263	577,215
Total deposits	781,790	736,185	715,217	715,387	725,826
Federal Home Loan Bank advances	73,496	85,496	59,915	51,165	81,071
Other borrowings	6,131	17,411	19,179	22,870	8,379
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	10,553	9,715	9,668	9,047	9,650
Total liabilities	882,202	859,039	814,211	808,701	835,158
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 - 4,467,217, 4,471,216, 4,480,585, 4,495,110 and 4,487,895 shares, respectively	1,830	1,830	1,830	1,830	1,830
Additional paid-in capital	7,597	7,543	7,490	7,497	7,430
Retained earnings	95,037	93,117	89,986	88,314	85,583
Accumulated other comprehensive income (loss), net of tax	1,302	1,103	543	(227)	(1,651)
Treasury stock, at cost - 1,023,581, 1,019,582, 1,010,213, 995,688 and 1,002,903 shares, respectively	(13,075)	(12,969)	(12,746)	(12,352)	(12,352)
Total stockholders' equity	92,691	90,624	87,103	85,062	80,840
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 974,893	\$ 949,663	\$ 901,314	\$ 893,763	\$ 915,998

PSB Holding, Inc. Loan Composition by Purpose Quarter-ended (dollars in thousands)	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018
Total Loans					
Residential real estate					
One to four family	121,548	119,620	117,093	116,393	117,970
HELOC loans	21,668	22,855	22,158	23,631	24,746
Residential construction & development	23,633	21,273	20,937	18,893	16,413
Residential vacant land	3,908	4,299	4,680	5,052	5,370
Total Residential real estate	170,757	168,047	164,868	163,969	164,499
Commercial/Agricultural real estate					
Owner occupied					
Commercial real estate	156,275	158,423	149,507	147,435	145,480
SBA commercial real estate	1,647	1,367	1,386	1,741	1,769
Agriculture real estate	5,901	5,139	5,764	5,078	4,968
Construction and land development	13,228	12,742	7,832	6,523	350
Commercial vacant land	929	-	-	-	-
Total Owner occupied	177,051	177,671	164,489	160,777	152,567
Non-owner occupied					
Commercial real estate	192,160	179,136	168,809	161,647	147,246
SBA commercial real estate	844	863	141	146	151
Agricultural real estate	-	-	-	-	315
Construction and land development	17,061	13,301	22,159	22,014	35,288
Commercial vacant land	14,280	14,532	14,702	15,404	13,800
Total Non-owner occupied	224,345	207,832	205,811	199,211	196,800
Commercial/Agricultural non-real estate					
Municipal non-real estate	11,601	6,384	9,017	6,353	6,806
Commercial line	54,538	62,991	65,252	58,117	68,300
Other commercial non-real estate	65,690	64,418	65,500	69,073	65,829
SBA commercial non-real estate	1,733	1,819	2,252	2,169	2,278
Agricultural non-real estate	2,402	3,606	3,491	3,699	3,994
Total Commercial/Agricultural non-real estate	135,964	139,218	145,512	139,411	147,207
Consumer non-real estate					
Consumer installment	3,454	3,319	3,093	2,793	2,755
Consumer line	1,354	1,343	304	344	243
Other consumer	189	197	195	190	218
Total Consumer non-real estate	4,997	4,859	3,592	3,327	3,216
Gross loans	714,043	697,627	684,272	666,695	664,289
Net deferred loan costs	326	295	300	272	213
Overdrafts	221	168	339	296	211
Allowance for loan losses	(6,939)	(6,801)	(6,664)	(6,507)	(6,232)
Total loans receivable	707,651	691,289	678,247	660,756	658,481

PSB Holdings, Inc. Deposit Composition (dollars in thousands)	2019		December 31, 2018			
	\$	%	\$	%		
Non-interest bearing demand	\$ 177,002	22.60	% \$ 148,611	20.50	%	
Interest-bearing demand and savings	257,486	32.90	% 254,857	35.10	%	
Money market deposits	183,370	23.50	% 145,300	20.00	%	
Retail and local time deposits <= \$250	104,455	13.40	% 99,584	13.80	%	
Total core deposits	722,313	92.40	% 648,352	89.40	%	
Wholesale interest-bearing demand	-	0.0	% -	0.0	%	
Retail and local time deposits > \$250	25,431	3.30	% 22,131	3.00	%	
Broker & national time deposits <= \$250	5,457	0.70	% 2,483	0.30	%	
Broker & national time deposits > \$250	28,589	3.60	% 52,860	7.30	%	

Totals	\$ 781,790	100.00	%	\$ 725,826	100.0	%
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Nonperforming Assets as of: (dollars in thousands)	December 2019		2018	
Nonaccrual loans (excluding restructured loans)	\$ 3,697		\$ 3,422	
Nonaccrual restructured loans	499		313	
Restructured loans not on nonaccrual	676		2,284	
Accruing loans past due 90 days or more	-		-	
Total nonperforming loans	4,872		6,019	
Other Real Estate Owned	460		113	
Total nonperforming assets	\$ 5,332		\$ 6,132	
Nonperforming loans as a % of gross loans receivable	0.68	%	0.91	%
Total nonperforming assets as a % of total assets	0.55	%	0.67	%
Allowance for loan losses as a % of nonperforming loans	142.43	%	103.54	%

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

	Quarter ended December 31, 2019			Quarter ended September 30, 2019			Quarter ended December 31, 2018		
	Average Balance	Interest	Yield / Rate	Average Balance	Interest	Yield / Rate	Average Balance	Interest	Yield / Rate
Assets									
Interest-earning assets:									
Loans (1)(2)	\$ 707,336	\$ 8,709	4.88 %	\$ 695,776	\$ 8,838	5.04 %	\$ 652,342	\$ 8,137	4.95 %
Taxable securities	111,697	768	2.73 %	107,801	769	2.83 %	105,269	714	2.69 %
Tax-exempt securities (2)	59,511	490	3.27 %	59,537	478	3.19 %	68,576	537	3.11 %
FHLB stock	2,091	25	4.74 %	1,970	20	4.03 %	2,004	25	4.95 %
Other	29,443	117	1.58 %	22,493	108	1.90 %	13,748	77	2.22 %
Total (2)	910,078	10,109	4.41 %	887,577	10,213	4.57 %	841,939	9,490	4.47 %
Non-interest-earning assets:									
Cash and due from banks	12,284			12,113			11,855		
Premises and equipment, net	10,333			10,136			10,311		
Cash surrender value ins	16,713			16,606			15,751		
Other assets	8,868			8,569			9,796		
Allowance for loan losses	(6,867))		(6,719))		(6,279))	
Total	\$ 951,409			\$ 928,282			\$ 883,373		
Liabilities & stockholders' equity									
Interest-bearing liabilities:									
Savings and demand deposits (3)	\$ 239,613	\$ 307	0.51 %	\$ 239,490	\$ 392	0.65 %	\$ 235,839	\$ 370	0.62 %
Money market deposits (3)	180,262	418	0.92 %	164,801	432	1.04 %	143,618	280	0.77 %

Time deposits	162,726	819	2.00 %	164,899	830	2.00 %	184,178	785	1.69 %
FHLB borrowings	77,920	328	1.67 %	75,325	323	1.70 %	64,833	315	1.93 %
Other borrowings	14,374	26	0.72 %	22,079	58	1.04 %	11,139	18	0.64 %
Junior sub. debentures	2,500	29	4.60 %	2,500	28	4.44 %	2,500	28	4.44 %
	7,732	92	4.72 %	7,732	91	4.67 %	7,732	92	4.72 %
Total	685,127	2,019	1.17 %	676,826	2,154	1.26 %	649,839	1,888	1.15 %
Non-interest-bearing liabilities:									
Demand deposits	162,854			152,598			144,683		
Other liabilities	10,239			9,719			9,326		
Stockholders' equity	93,189			89,139			79,525		
Total	\$ 951,409			\$ 928,282			\$ 883,373		
Net interest income		\$ 8,090			\$ 8,059			\$ 7,602	
Rate spread			3.24 %			3.31 %			3.32 %
Net yield on interest-earning assets			3.53 %			3.60 %			3.58 %

(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%.

(3) Reflects changes in categorization from the third quarter earnings release.

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

	Year ended December 31, 2019			Year ended December 31, 2018		
	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
Assets						
Interest-earning assets:						
Loans (1)(2)	\$ 685,279	\$ 34,533	5.04 %	\$ 633,406	\$ 30,538	4.82 %
Taxable securities	107,801	2,980	2.76 %	108,944	2,799	2.57 %
Tax-exempt securities (2)	61,482	1,962	3.19 %	62,611	1,920	3.07 %
FHLB stock	1,918	104	5.42 %	2,004	86	4.29 %
Other	21,253	418	1.97 %	16,272	298	1.83 %
Total (2)	877,733	39,997	4.56 %	823,237	35,641	4.33 %
Non-interest-earning assets:						
Cash and due from banks	11,644			10,966		
Premises and equipment, net	10,318			10,469		
Cash surrender value ins	16,558			15,384		
Other assets	8,738			9,393		
Allowance for loan losses	(6,605))		(6,286))	
Total	\$ 918,386			\$ 863,163		
Liabilities & stockholders' equity						
Interest-bearing liabilities:						
Savings and demand deposits	\$ 243,035	\$ 1,588	0.65 %	\$ 240,119	\$ 1,320	0.55 %
Money market deposits	163,061	1,541	0.95 %	138,220	770	0.56 %
Time deposits	168,624	3,256	1.93 %	180,950	2,725	1.51 %
FHLB borrowings	67,207	1,190	1.77 %	61,553	1,085	1.76 %
Other borrowings	19,628	192	0.98 %	5,617	24	0.43 %
Senior sub. notes	2,500	113	4.52 %	2,500	111	4.44 %
Junior sub. debentures	7,732	366	4.73 %	7,732	326	4.22 %
Total	671,787	8,246	1.23 %	636,691	6,361	1.00 %
Non-interest-bearing liabilities:						
Demand deposits	148,746			140,561		
Other liabilities	9,810			9,040		
Stockholders' equity	88,043			76,870		
Total	\$ 918,386			\$ 863,162		

Net interest income	\$ 31,751			\$ 29,280		
Rate spread		3.33	%		3.33	%
Net yield on interest-earning assets		3.62	%		3.56	%

(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%.

Source: PSB Holdings, Inc.

