



NEWS RELEASE

PSB Reports Second Quarter 2020 Earnings of \$3.2 Million or \$0.72 Per Share; Earnings Supported By Record Mortgage Refinancings; Total Assets Exceed \$1.0 Billion

2020-07-27

WAUSAU, Wis., July 27, 2020 (GLOBE NEWSWIRE) -- PSB Holdings, Inc. ("PSB") (OTCQX: PSBQ), the holding company for Peoples State Bank serving North Central and Southeastern Wisconsin, reported second quarter earnings ending June 30, 2020 of \$0.72 per share on net income of \$3.19 million, compared to earnings of \$0.36 per share on net income of \$1.61 million during the March 31, 2020 quarter, and \$0.57 per share on earnings of \$2.57 million during the second quarter a year ago. Second quarter earnings benefitted from record mortgage refinance income and lower compensation and benefit expenses related to expense deferrals on the origination of Paycheck Protection Program ("PPP") loans offset in part by higher loan loss provisions and a lower net interest margin.

"We are pleased with the success of our operations during the first full quarter of the COVID-19 pandemic. During the quarter, we were able to generate record 1st mortgage originations of \$84.2 million, originate over \$116.4 million in PPP loans and provide loan accommodations on \$143 million of loans despite many staff members working remotely. Meanwhile, we continued our outreach to borrowers to determine their financial health and adjust our risk-weighting accordingly. Though the balance of our "Watch Risk" loans increased during the quarter, we are currently seeing a large portion of these borrowers making payments or agreeing to return to payments in the third quarter. We maintained the same loan loss provision during the quarter as in the previous quarter and continued strong core operating income that supported an increase in our reserve ratio to 1.32% of gross loans less our PPP loans," stated Scott Cattanach, President and CEO.

Loan Accommodations: As of June 30, 2020, PSB has provided 114 loan accommodations totaling \$143 million to defer payments or make interest only payments for 90 days in response to challenges for borrowers resulting from COVID-19. As the initial 90-day accommodation period now ends, we expect approximately 90 of the loans totaling

\$97.3 million to return to making regularly scheduled payments in the third quarter. The remaining 24 loans totaling \$45.7 million have, or are expected to, request an extended deferral of an additional 90 days, including \$19.9 million of loans requesting a full payment deferral. "For each relationship, we assign a risk weighting to identify and quantify the risk of loss prior to origination of the loan and periodically afterwards. As requests for payment deferrals or modifications for interest only payments are made, we review the credit risk rating and adjust as forward-looking circumstances warrant. We believe this system helps us monitor the risks inherent in our loan portfolio and appropriately track the impact caused by the pandemic and the resulting slowing economy. As shown in the table below, our "impaired loans" and "substandard risk" loans did not change materially from the prior quarter. However, we did move approximately \$38.6 million of loans to the "Watch Risk" category in 2020, which are largely related to businesses materially affected by the mandatory closing of their operation by executive order. Thirteen of the loans where we anticipate extended deferrals totaling \$28.6 million are weighted as average or acceptable risk, ten loans totaling \$16.9 million are weighted as watch, and one loan totaling less than \$200,000 is considered impaired," continued Cattanach.

As of June 30, 2020, the bank had granted a 90-day payment deferral on 88 residential related loans totaling \$10.3 million. As with the commercial loan deferrals, the majority of customers are expected to return to regular principal and interest payments during the third quarter 2020.

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

Risk Rating		12/2015	12/2016	12/2017	12/2018	12/2019	03/2020	06/2020
Rating 1	"High Quality"	\$ 79	\$ -	\$ -	\$ -	\$ -	\$ 71	\$ 55
Rating 2	"Minimal Risk"	59,882	67,468	76,710	85,382	57,904	59,101	72,601
Rating 3	"Average Risk"	227,020	253,673	292,496	323,627	349,002	324,378	374,709
Rating 4	"Acceptable Risk"	85,206	91,367	65,024	79,271	128,932	123,296	154,302
Rating 5	"Watch Risk"	12,520	10,774	18,049	15,551	15,933	33,999	54,522
Rating 6	"Substandard Risk"	621	2,678	500	489	2,568	2,732	4,545
Rating 7	"Impaired Loans"	9,877	7,758	9,952	8,707	5,518	7,811	6,130
		\$ 395,205	\$ 433,718	\$ 462,731	\$ 513,027	\$ 559,857	\$ 551,388	\$ 666,864

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

Industry Exposure: PSB has identified the following fifteen industries with the highest portfolio concentrations, and identified Hotels, Restaurants, Retail Stores and Services as concentrations that may be adversely impacted by the Safer-At-Home Order and the on-going pandemic. 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.

The following table indicates PSB's Top Industry Risk Exposure sorted by weighted average risk rating as of June 30, 2020:

Total Industry Risk Exposure

Industry	No. of Loans	Total Loans	% of Ln Portfolio	Weighted Avg Risk Rating
Hotels	48	34,479,059	4.39 %	4.23
Restaurant	136	22,837,436	2.91 %	3.90
Agricultural	90	10,751,676	1.37 %	3.87
Other	11	7,310,552	0.93 %	3.76
Recreation	59	8,343,848	1.06 %	3.67
Wood, Log, Sawmill, Lumber	61	12,167,298	1.55 %	3.66
Retail Stores	97	23,574,361	3.00 %	3.58
Non-Owner Occupied (Residential)	324	103,744,629	13.22 %	3.52
Lessors of Residential Buildings and Dwellings Multi-Family	28	69,104,242	8.80 %	
Lessors of Residential Buildings and Dwellings	296	34,640,387	4.42 %	
Automotive and Marine Dealerships (Includes Maint.)	99	22,159,323	2.82 %	3.36
Religious Organizations	31	3,124,871	0.40 %	3.25
Non-Owner Occupied (Commercial)	194	94,049,521	11.98 %	3.23
Lessors of Nonresidential Buildings (except Miniwarehouses)	144	79,063,621	10.07 %	
Lessors of Miniwarehouses and Self-Storage Units	25	9,724,152	1.24 %	
Lessors of Other Real Estate Property	25	5,261,748	0.67 %	
Trucking	122	46,100,112	5.87 %	3.17
Land (Res. And Com.)	35	8,565,878	1.09 %	3.16
Manufacturing	218	129,082,341	16.44 %	3.16
Services	420	70,119,129	8.93 %	3.14

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

Weighted average loan to collateral values at June 30, 2020 were 64%, 64% and 72% in the Hotels, Restaurant and Retail industry categories, respectively.

Loan Loss Reserve: For the quarter ended June 30, 2020, PSB added provisions for loan losses totaling \$1.8 million, the same level provided during the prior quarter. The provision replaced existing specific reserves related to a charge-off of approximately \$500,000 on a Shopko store loan moved into foreclosed property in addition to provisions taken due to changes in risk ratings associated with loan classifications as a result of the ongoing pandemic. Loan loss provisions are expected to remain elevated in the third quarter as better clarity on the impact of the economic slowdown from the COVID-19 pandemic materializes. Allowance for loan losses totaled \$9.17 million at June 30, 2020 which includes \$3.18 million of allowances for loans with risk weightings at 5 and above ("Watch and Impaired") and \$5.99 million for loans with risk weightings at 4 and below ("Acceptable and Average"). At June 30, 2020, allowance for loan losses totaled 1.12% of gross loans and 1.32% of gross loans less PPP loans guaranteed through the SBA.

Net Interest Margin Impact: PSB's net interest margin declined to 3.09% for the quarter ended June 30, 2020 from 3.45% the prior quarter due to the swift reduction in short term interest rates in March, and the resulting effect of loans and investments repricing at lower rates, and the addition of PPP loans with 1% coupon yields. "The addition of PPP loans combined with a large liquid position fueled in part by strong deposit growth in a low interest rate market influenced the net interest margin. Excluding the impact of our PPP lending, the net interest margin would have been 3.25% for the most recent quarter," said Mark C. Oldenberg, Chief Financial Officer.

Paycheck Protection Program Participation and Deposit Growth: During the second quarter of 2020, PSB originated

718 loans, 152 to new customers, for a total of \$116.4 million in PPP loans and generated total loan fees receivable of \$3.9 million. These fees are currently deferred and will be realized over the life of the loan or will be recognized in proportion to the amount of loan when forgiven by the SBA. We expect customers to begin the process of requesting loan forgiveness during the third quarter and receipt of the loan funds from the SBA to begin taking place during the fourth quarter. Additionally, during the June 2020 quarter, PSB deferred direct salary and compensation expenses associated with the origination of the loans totaling \$861,000 and will recognize this expense during the period in which the origination fee is recognized in income. These factors combined during the quarter resulting in total net deferred loan fees at June 30, 2020 of \$2.6 million compared to net deferred costs of \$388,000 at March 31, 2020.

Main Street Lending Program: We have reviewed the requirements for the program and stand ready to participate on behalf of our customers who need and qualify for the program. As of June 30, 2020, we have not received any borrower requests that could benefit from the program.

Capital Management: At June 30, 2020, the holding company's tangible equity to asset ratio was 8.95% and the bank's capital was well in-excess of all regulatory requirements. As the PPP loans paydown or are forgiven resulting in a declining asset base, management expects capital ratios to return to historical levels exceeding 9.00%.

June 2020 Quarterly Financial Highlights (at or for the periods ended June 30, 2020, compared to March 31, 2020 and / or June 30, 2019, as applicable):

- Return on shareholders' equity was 13.38% for the quarter compared to 6.84% one quarter earlier and 11.90% for the second quarter one year earlier. Return on average assets was 1.20% for the second quarter of 2020, compared to 0.67% the previous quarter and 1.15% for the second quarter one year earlier.
- Gains on the sale of mortgage loans increased to \$1.75 million for the quarter ended June 30, 2020 from \$987,000 the previous quarter and \$432,000 for the same quarter ended one year earlier. The gains were slightly offset by a decline in net mortgage loan servicing rights to a loss of \$165,000 compared to a loss of \$23,000 the prior quarter and a gain of \$84,000 for the same quarter ended one year earlier. Through the beginning of the third quarter of fiscal 2020, mortgage banking activity remains robust.
- PSB realized a sizable increase in the value of investments held for sale as the market value improved for four collateralized loan obligations. During the quarter ended June 30, 2020, the net unrealized gain on securities available for sale increased \$2.61 million from a loss of \$342,000 during the March 2020 quarter, mostly due to the recovery in value related to \$20 million of Collateralized Loan Obligations Peoples State Bank holds with ratings of A or better. These obligations had been impacted by unusual volatility in the bond market and

temporary illiquidity during the prior quarter.

- Tangible net book value was \$21.97 per share at June 30, 2020, compared to \$20.89 per share as of March 31, 2020, and \$19.41 per share at June 30, 2019. Over the past year, tangible book value per share has grown 13.19%.

Balance Sheet and Asset Quality Review

Total assets were \$1.093 billion as of June 30, 2020, compared to \$970 million as of March 31, 2020, an increase of \$123 million, or 12.7%. Total loans receivable increased by \$101.0 million, or 14.3% due primarily to the addition of PPP loans. With the addition of PPP loans to the commercial/agricultural non-real estate loan portfolio, commercial/agricultural non-real estate loans became the largest loan concentration. The commercial/agricultural non-real estate loan portfolio increased to \$252.0 million at June 30, 2020 from \$139.2 million three months earlier. Commercial/agricultural non-real estate loans represented 30.8% of gross loans at June 30, 2020, followed by non-owner occupied commercial real estate loans at 26.5%, owner occupied commercial/agricultural real estate loans at 22.1%, residential real estate loans at 20.1%, and consumer loans at 0.5%. Total agricultural related loans represent 0.9% of the total loan portfolio.

The allowance for loan losses increased to 1.12% of gross loans at June 30, 2020 and 1.32% of gross loans less the PPP guaranteed loans. The annualized net charge-offs to average loans was 0.25% for the quarter ended June 30, 2020, compared to 0.49% the previous quarter and 0.00% one year earlier. The charge-offs in the most recent quarter related to the previously disclosed bankruptcy of the retailer Shopko, where approximately \$500,000 was charged-off, and a \$50,000 write-down was taken on a former branch office held for sale that is in foreclosed assets. Non-performing assets decreased to 0.49% of total assets at June 30, 2020, compared to 0.54% at March 31, 2020, and 0.42% at June 30, 2019. At June 30, 2020, non-performing assets consisted of \$3.0 million in non-accrual loans, \$244,000 in non-accrual restructured loans, \$650,000 in restructured loans not on non-accrual, and \$1.53 million in other real estate owned.

Accrued interest receivable increased during the quarter to \$3.6 million from \$2.8 million in the first 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 third quarter as borrowers return to regular payments.

At June 30, 2020, cash and cash equivalents totaled \$60.3 million compared to \$48.1 million at March 31, 2020 and \$18.7 million one year earlier. Current cash levels are elevated due to the depositing of PPP funds and to accommodate potential cash needs related to the pandemic. Investment securities totaled \$178.6 million at June 30, 2020 compared to \$171.1 million at March 31, 2020 and \$165.7 million one year earlier. All investment

securities during the prior three quarters were considered available for sale and carried at market value.

Foreclosed assets increased to \$1.53 million at June 30, 2020 from \$425,000 at March 31, 2020 and \$172,000 one year earlier. The increase primarily reflects our foreclosure on the Shopko property which is currently listed for sale and carried at an appraised value obtained in May 2020.

Total deposits increased 15.3% to \$882.2 million at June 30, 2020 compared to \$765.3 million at March 31, 2020, led by an \$83.4 million increase in non-interest demand deposits. A large portion of the increase was related to PPP funds deposited at the Bank. At June 30, 2020, interest-bearing demand and savings deposits accounted for 30.4% of total deposits, followed by noninterest-bearing demand deposits at 27.4%, money market deposits at 23.0%, and retail and local time deposits at 14.6%. Broker and national time deposits accounted for 4.6% of total deposits at June 30, 2020 versus 3.9% the prior quarter and 5.9% one year earlier. As a result of the Safer-At-Home Order and ongoing pandemic, we have seen customer increase mobile banking enrollment by 12% and active mobile deposit product usage of 24%.

FHLB advances decreased to \$87.0 million at June 30, 2020 compared to \$88.7 million at March 31, 2020 and other borrowings increased to \$3.9 million from \$3.5 million over the same time period.

For the quarter ended June 30, 2020, stockholders' equity increased \$4.8 million to \$98.0 million, compared to \$93.2 million at March 31, 2020. Stockholders' equity was impacted by earnings, our recently declared \$0.21 per share dividend payment 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 \$21.97 per share, at June 30, 2020, compared to \$20.89 per share at March 31, 2020. PSB's tangible equity to total assets was 8.95% at June 30, 2020 compared to 9.59% at March 31, 2020. Adjusted for \$116.4 million of PPP loans, tangible equity would have been 10.03% at June 30, 2020. As previously disclosed, we have suspended our share repurchase program and will consider reinstatement of the program at a future date.

Operations Review

Net interest income totaled \$7.8 million (on a net margin of 3.09%) for the second quarter of 2020, compared to \$7.8 million (on net margin of 3.45%) for the first quarter of 2020 and \$7.8 million (on a net margin of 3.72%) for the second quarter of 2019. For the six months ended June 30, 2020, net interest income was \$15.6 million compared to \$15.4 million for the same six-month period one year earlier. Compared to the preceding quarter, loans and investment yields decreased 61 basis points to 3.69% during the second quarter of 2020 from 4.30% one quarter earlier while deposit and borrowing costs declined 26 basis points to 0.84% from 1.10% 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, a decrease in the prime lending rate due to actions by the Federal Reserve and the

addition of PPP loans with coupon yields of 1.00%. Loan yields decreased to 4.14% during the quarter, 4.45% adjusted to exclude the PPP loan volume, from 4.78% during the first quarter of 2020, as many floating rate loans repriced lower as the prime rate declined towards the end of the first quarter. "We expect the net-interest margin adjusted for low yielding PPP loans to stabilize in the third quarter near the 3.25% level as we intend to reduce the elevated level of liquidity during the quarter," 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 \$1.08 million for the second quarter of 2020 from \$1.48 million the previous quarter. Interest costs on borrowings declined \$5,000 for the second quarter of 2020 to \$448,000 from \$453,000 the previous quarter.

The provision for loan losses totaled \$1.8 million during the second quarter of 2020 compared to \$1.8 million for the prior linked quarter. The provision primarily relates to our charge-off on a Shopko related loan and an increased need for reserves related to anticipated losses related to a more difficult economic climate. For the six months ended June 30, 2020, provision for loan losses totaled \$3.6 million compared to \$550,000 for the same period one year earlier.

For the six months ended June 30, 2020, total noninterest income was \$5.5 million compared to \$4.0 million for the six-months ended June 30, 2019. The six-month increase was largely due to gains on the sale of mortgage loans. Total noninterest income for the second quarter of 2020 increased to \$3.1 million from \$2.4 million for the first quarter of 2020. Gains on sale of mortgage loans increased to \$1.7 million for the second quarter from \$987,000 in the first 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 third quarter though the wave of refinancing activity appears to have peaked. The gains on sale of mortgage loans were partially offset by a loss on mortgage loan servicing of \$165,000 for the second quarter of 2020 compared to a loss of \$23,000 the previous quarter.

Deposit and service fee income in the second quarter were down to \$278,000 compared to \$391,000 during the preceding quarter of 2020. The service fee income was down as Peoples State Bank provided waivers on 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 \$194,000 for the second quarter of 2020 compared to \$123,000 for the first quarter of 2020 and \$121,000 for the quarter one year earlier. Commissions on customer investment and insurance sales decreased to \$259,000 from \$349,000 the prior quarter as sales activity slowed during the pandemic and advisory fees tied to market values declined. At June 30, 2020, Peoples State Bank had wealth assets under management totaling \$234.4 million compared to \$217.5 million at March 31, 2020 and \$236.6 million at June 30, 2019. The volatility over the past year in assets under management was has been primarily

related to stock market value declines. Other non-interest income for the second quarter was higher year over year due to \$332,000 of fee income earned on loans originated with swap like features originated during the quarter.

Noninterest expense was \$4.9 million for the second quarter of 2020, compared to \$6.3 million for the first quarter of 2020. For the second quarter of 2020, noninterest expense decreased due to lower salaries and employee benefits costs related to the deferral of \$861,000 in loan origination costs associated with the PPP loans. The 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 \$2.6 million for the second quarter compared to \$3.8 million in the first quarter of 2020, from the deferred costs and a separate \$375,000 reduction related to lower benefits expenses. Second quarter expenses were also \$115,000 less than first quarter on lower donations expense. The second quarter 2020 results reflect renewed FDIC insurance premiums compared to zero during the prior three quarters as the FDIC insurance fund had reached its targeted level. It is expected FDIC insurance premiums will continue to be incurred throughout the pandemic. For the six-months ended June 30, 2020, total noninterest expense was \$11.2 million compared to \$11.9 million for the same period 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)

	Quarter ended		Dec. 31,	Sep. 30,	Jun. 30,	
	Jun. 30,	Mar. 31,	2019	2019	2019	
	2020	2020				
Earnings and dividends:						
Interest income	\$ 9,291	\$ 9,726	\$ 9,988	\$ 10,098	\$ 9,839	
Interest expense	\$ 1,528	\$ 1,935	\$ 2,019	\$ 2,154	\$ 2,041	
Net interest income	\$ 7,763	\$ 7,791	\$ 7,969	\$ 7,944	\$ 7,798	
Provision for loan losses	\$ 1,800	\$ 1,800	\$ 150	\$ 150	\$ 150	
Other noninterest income	\$ 3,138	\$ 2,355	\$ 1,839	\$ 1,802	\$ 1,903	
Other noninterest expense	\$ 4,879	\$ 6,330	\$ 5,947	\$ 5,437	\$ 6,167	
Net income	\$ 3,190	\$ 1,610	\$ 2,813	\$ 3,131	\$ 2,572	
Basic earnings per share (3)	\$ 0.72	\$ 0.36	\$ 0.63	\$ 0.70	\$ 0.57	
Diluted earnings per share (3)	\$ 0.72	\$ 0.36	\$ 0.63	\$ 0.70	\$ 0.57	
Dividends declared per share (3)	\$ 0.21	\$ -	\$ 0.20	\$ -	\$ 0.20	
Tangible net book value per share (4)	\$ 21.97	\$ 20.89	\$ 20.72	\$ 20.24	\$ 19.41	
Semi-annual dividend payout ratio	14.50	% n/a	15.04	% n/a	16.95	%
Average common shares outstanding	4,453,225	4,464,956	4,471,173	4,473,583	4,486,022	
Balance sheet - average balances:						
Loans receivable, net of allowances for loss	\$ 786,785	\$ 705,333	\$ 700,469	\$ 689,057	\$ 666,008	
Assets	\$ 1,067,466	\$ 963,191	\$ 951,409	\$ 928,282	\$ 893,998	
Deposits	\$ 855,155	\$ 761,268	\$ 745,455	\$ 721,788	\$ 713,910	
Stockholders' equity	\$ 95,909	\$ 94,735	\$ 93,189	\$ 89,139	\$ 86,656	
Performance ratios:						
Return on average assets (1)	1.20	% 0.67	% 1.17	% 1.34	% 1.15	%
Return on average stockholders' equity (1)	13.38	% 6.84	% 11.98	% 13.94	% 11.90	%
Average stockholders' equity less accumulated other comprehensive income (loss) to average assets	8.83	% 9.75	% 9.68	% 9.52	% 9.68	%
Net loan charge-offs to average loans (1)	0.25	% 0.49	% 0.01	% 0.01	% 0.00	%
Nonperforming loans to gross loans	0.47	% 0.67	% 0.68	% 0.70	% 0.53	%
Nonperforming assets to total assets	0.49	% 0.54	% 0.55	% 0.57	% 0.42	%
Allowance for loan losses to gross loans	1.13	% 1.10	% 0.97	% 0.97	% 0.97	%
Nonperforming assets to tangible equity plus the allowance for loan losses (4)	5.11	% 5.24	% 5.45	% 5.69	% 4.13	%
Net interest rate margin (1)(2)	3.09	% 3.45	% 3.53	% 3.60	% 3.72	%
Net interest rate spread (1)(2)	2.85	% 3.20	% 3.24	% 3.31	% 3.42	%
Service fee revenue as a percent of average demand deposits (1)	0.49	% 1.04	% 1.00	% 0.90	% 1.14	%
Noninterest income as a percent of gross revenue	25.25	% 19.49	% 15.55	% 15.14	% 16.21	%
Efficiency ratio (2)	44.23	% 61.59	% 59.90	% 55.14	% 62.83	%
Noninterest expenses to average assets (1)	1.84	% 2.64	% 2.48	% 2.32	% 2.77	%

Tangible equity to actual assets	8.95	%	9.59	%	9.50	%	9.53	%	9.65	%
Stock price information:										
High	\$ 24.75		\$ 28.25		\$ 28.25		\$ 27.50		\$ 24.75	
Low	\$ 18.55		\$ 19.50		\$ 26.00		\$ 23.55		\$ 22.00	
Last trade value at quarter-end	\$ 18.55		\$ 24.75		\$ 27.50		\$ 26.49		\$ 24.00	

(1) Annualized

(2) The yield on tax-exempt loans and securities is computed on a tax-equivalent basis using a federal tax rate of 21%.

(3) Due to rounding, cumulative quarterly per share performance may not equal annual per share totals.

(4) Tangible stockholders' equity excludes intangible assets.

PSB Holdings, Inc.
Consolidated Statements of Income

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

	Quarter Ended				
	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019
Interest and dividend income:					
Loans, including fees	\$ 8,175	\$ 8,445	\$ 8,691	\$ 8,823	\$ 8,629
Securities:					
Taxable	622	733	768	769	730
Tax-exempt	446	431	387	378	389
Other interest and dividends	48	117	142	128	91
Total interest and dividend income	9,291	9,726	9,988	10,098	9,839
Interest expense:					
Deposits	1,080	1,482	1,544	1,654	1,634
FHLB advances	323	320	328	323	230
Other borrowings	6	14	26	58	57
Senior subordinated notes	28	28	29	28	28
Junior subordinated debentures	91	91	92	91	92
Total interest expense	1,528	1,935	2,019	2,154	2,041
Net interest income	7,763	7,791	7,969	7,944	7,798
Provision for loan losses	1,800	1,800	150	150	150
Net interest income after provision for loan losses	5,963	5,991	7,819	7,794	7,648
Noninterest income:					
Service fees	278	391	411	348	403
Gain on sale of mortgage loans	1,747	987	452	463	432
Mortgage loan servicing, net	(165)	(23)	57	89	84
Investment and insurance sales commissions	259	349	301	276	310
Net gain on sale of securities	194	123	71	-	121
Increase in cash surrender value of life insurance	104	104	104	105	101
Other noninterest income	721	424	443	521	452
Total noninterest income	3,138	2,355	1,839	1,802	1,903
Noninterest expense:					
Salaries and employee benefits	2,583	3,819	3,523	3,372	3,322
Occupancy and facilities	508	544	506	510	591
Loss on foreclosed assets	23	71	69	4	3
Data processing and other office operations	675	644	739	654	646
Advertising and promotion	94	141	182	107	120
FDIC insurance premiums	23	-	-	-	63
Other noninterest expenses	973	1,111	928	790	1,422
Total noninterest expense	4,879	6,330	5,947	5,437	6,167
Income before provision for income taxes	4,222	2,016	3,711	4,159	3,384
Provision for income taxes	1,032	406	898	1,028	812

Net income	\$ 3,190	\$ 1,610	\$ 2,813	\$ 3,131	\$ 2,572
Basic earnings per share	\$ 0.72	\$ 0.36	\$ 0.63	\$ 0.70	\$ 0.57
Diluted earnings per share	\$ 0.72	\$ 0.36	\$ 0.63	\$ 0.70	\$ 0.57

PSB Holdings, Inc.
Consolidated Statements of Income

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

	Three Months Ended June		Six Months Ended June	
	2020	2019	2020	2019
Interest and dividend income:				
Loans, including fees	\$ 8,175	\$ 8,629	\$ 16,620	\$ 16,963
Securities:				
Taxable	622	730	1,355	1,443
Tax-exempt	446	389	877	785
Other interest and dividends	48	91	165	252
Total interest and dividend income	9,291	9,839	19,017	19,443
Interest expense:				
Deposits	1,080	1,634	2,562	3,187
FHLB advances	323	230	643	539
Other borrowings	6	57	20	108
Senior subordinated notes	28	28	56	56
Junior subordinated debentures	91	92	182	183
Total interest expense	1,528	2,041	3,463	4,073
Net interest income	7,763	7,798	15,554	15,370
Provision for loan losses	1,800	150	3,600	550
Net interest income after provision for loan losses	5,963	7,648	11,954	14,820
Noninterest income:				
Service fees	278	403	669	784
Gain on sale of mortgage loans	-	-	-	-
Mortgage banking income	1,582	516	2,546	816
Investment and insurance sales commissions	259	310	608	643
Net gain on sale of securities	194	121	317	139
Increase in cash surrender value of life insurance	104	101	208	199
Other noninterest income	721	452	1,145	1,439
Total noninterest income	3,138	1,903	5,493	4,020
Noninterest expense:				
Salaries and employee benefits	2,583	3,322	6,402	6,750
Occupancy and facilities	508	591	1,052	1,192
Loss on foreclosed assets	23	3	94	7
Data processing and other office operations	675	646	1,319	1,223
Advertising and promotion	94	120	235	220
FDIC insurance premiums	23	63	23	122
Other noninterest expenses	973	1,422	2,084	2,398
Total noninterest expense	4,879	6,167	11,209	11,912
Income before provision for income taxes	4,222	3,384	6,238	6,928
Provision for income taxes	1,032	812	1,438	1,625
Net income	\$ 3,190	\$ 2,572	\$ 4,800	\$ 5,303
Basic earnings per share	\$ 0.72	\$ 0.57	\$ 1.08	\$ 1.18
Diluted earnings per share	\$ 0.72	\$ 0.57	\$ 1.08	\$ 1.18

PSB Holdings, Inc.
Consolidated Statements of Comprehensive Income

(dollars in thousands - unaudited)	Three Months Ended		Six Months Ended	
	June 30, 2020	2019	June 30, 2020	2019
Net income	\$ 3,190	\$ 2,572	\$ 4,800	\$ 5,303
Other comprehensive income, net of tax:				
Unrealized gain on securities available for sale	2,608	995	2,266	2,510
Reclassification adjustment for security gain included in net income	(141)	(88)	(230)	(101)
Amortization of unrealized gain included in net income on securities available for sale transferred to securities held to maturity	-	(1)	-	(6)
Unrealized loss on interest rate swap	(3)	(142)	(343)	(218)
Reclassification adjustment of interest rate swap settlements included in earnings	32	6	50	9
Other comprehensive income	2,496	770	1,743	2,194
Comprehensive income	\$ 5,686	\$ 3,342	\$ 6,543	\$ 7,497

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

(dollars in thousands, except per share data)	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019
Assets					
Cash and due from banks	\$ 13,016	\$ 9,665	\$ 23,005	\$ 17,954	\$ 11,825
Interest-bearing deposits	1,483	1,349	839	1,059	2,306
Federal funds sold	45,796	37,071	25,184	30,415	4,552
Cash and cash equivalents	60,295	48,085	49,028	49,428	18,683
Securities available for sale (at fair value)	178,635	171,054	174,448	127,587	123,586
Securities held to maturity (fair values of \$0, \$0, \$0, \$41,311 and \$42,511 respectively)	-	-	-	40,791	42,074
Bank certificates of deposit (at cost)	1,738	3,234	4,983	1,984	1,984
Loans held for sale	3,755	1,394	545	335	50
Loans receivable, net	805,243	706,584	707,651	691,289	678,247
Accrued interest receivable	3,590	2,847	2,776	2,803	2,844
Foreclosed assets	1,525	425	460	572	172
Premises and equipment, net	11,067	11,098	10,457	10,212	9,749
Mortgage servicing rights, net	1,623	1,668	1,747	1,720	1,738
Federal Home Loan Bank stock (at cost)	2,283	2,283	2,073	2,173	1,662
Cash surrender value of bank-owned life insurance	16,981	16,877	16,773	16,668	16,564
Other assets	6,611	4,330	3,952	4,101	3,961

TOTAL ASSETS	\$ 1,093,346	\$ 969,879	\$ 974,893	\$ 949,663	\$ 901,314
Liabilities					
Non-interest-bearing deposits	\$ 241,914	\$ 158,505	\$ 177,002	\$ 159,897	\$ 143,423
Interest-bearing deposits	640,307	606,781	604,788	576,288	571,794
Total deposits	882,221	765,286	781,790	736,185	715,217
Federal Home Loan Bank advances	87,000	88,682	73,496	85,496	59,915
Other borrowings	3,941	3,504	6,131	17,411	19,179
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	11,998	9,024	10,553	9,715	9,668
Total liabilities	995,392	876,728	882,202	859,039	814,211
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, 4,453,472, 4,467,217, 4,471,216 and 4,480,585 shares, respectively	1,830	1,830	1,830	1,830	1,830
Additional paid-in capital	7,712	7,632	7,597	7,543	7,490
Retained earnings	98,901	96,646	95,037	93,117	89,986
Accumulated other comprehensive income, net of tax	3,045	550	1,302	1,103	543
Treasury stock, at cost - 1,038,511, 1,037,326, 1,023,581, 1,019,582 and 1,010,213 shares, respectively	(13,534)	(13,507)	(13,075)	(12,969)	(12,746)
Total stockholders' equity	97,954	93,151	92,691	90,624	87,103
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,093,346	\$ 969,879	\$ 974,893	\$ 949,663	\$ 901,314

PSB Holding, Inc. Loan Composition by Purpose Quarter-ended (dollars in thousands)	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
Total Loans					
Residential real estate					
One to four family	\$ 118,049	\$ 122,276	\$ 121,548	\$ 119,620	\$ 117,093
HELOC loans	19,550	20,795	21,668	22,855	22,158
Residential construction & development	23,129	22,963	23,633	21,273	20,937
Residential vacant land	3,417	3,745	3,908	4,299	4,680
Total Residential real estate	164,145	169,779	170,757	168,047	164,868
Commercial/Agricultural real estate					
Owner occupied					
Commercial real estate	164,483	164,851	156,275	158,423	149,507
SBA commercial real estate	1,539	1,571	1,647	1,367	1,386
Agriculture real estate	4,885	5,041	5,901	5,139	5,764
Construction and land development	7,294	8,297	13,228	12,742	7,832
Commercial vacant land	2,241	1,560	929	-	-
Total Owner occupied	180,442	181,320	177,980	177,671	164,489
Non-owner occupied					
Commercial real estate	193,550	188,525	192,160	179,136	168,809
SBA commercial real estate	793	824	844	863	141
Agricultural real estate	-	-	-	-	-
Construction and land development	11,927	16,406	17,061	13,301	22,159
Commercial vacant land	10,135	13,965	14,280	14,532	14,702
Total Non-owner occupied	216,405	219,720	224,345	207,832	205,811
Commercial/Agricultural non-real estate					
Municipal non-real estate	7,826	5,933	11,601	6,384	9,017
Commercial line	55,317	59,266	54,538	62,991	65,252

Other commercial non-real estate	69,267	70,467	65,690	64,418	65,500
SBA commercial non-real estate	117,436	1,453	1,733	1,819	2,252
Agricultural non-real estate	2,148	2,075	2,402	3,606	3,491
Total Commercial/Agricultural non-real estate	251,994	139,194	135,964	139,218	145,512
Consumer non-real estate					
Consumer installment	3,512	3,344	3,454	3,319	3,093
Consumer line	243	328	1,354	1,343	304
Other consumer	160	183	189	197	195
Total Consumer non-real estate	3,915	3,855	4,997	4,859	3,592
Gross loans	816,901	713,868	714,043	697,627	684,272
Net deferred loan (fees) costs	(2,617)	388	326	295	300
Overdrafts	133	199	221	168	339
Allowance for loan losses	(9,174)	(7,871)	(6,939)	(6,801)	(6,664)
Total loans receivable	\$ 805,243	\$ 706,584	\$ 707,651	\$ 691,289	\$ 678,247

PSB Holdings, Inc.
Nonperforming Assets as of:

(dollars in thousands)	June 2020	2019	December 31, 2019	
Nonaccrual loans (excluding restructured loans)	\$ 2,964	\$ 2,306	\$ 3,697	
Nonaccrual restructured loans	244	270	499	
Restructured loans not on nonaccrual	650	1,048	676	
Accruing loans past due 90 days or more	-	-	-	
Total nonperforming loans	3,858	3,624	4,872	
Other real estate owned	1,525	172	460	
Total nonperforming assets	\$ 5,383	\$ 3,796	\$ 5,332	
Nonperforming loans as a % of gross loans receivable	0.47	% 0.53	% 0.68	%
Total nonperforming assets as a % of total assets	0.49	% 0.42	% 0.55	%
Allowance for loan losses as a % of nonperforming loans	237.79	% 183.89	% 142.43	%

PSB Holdings, Inc.
Deposit Composition

(dollars in thousands)	2020		June 30,		2019		December 31,		2019	
	\$	%	\$	%	\$	%	\$	%	\$	%
Non-interest bearing demand	\$ 241,914	27.40	%	\$ 143,423	20.10	%	\$ 177,002	22.60	%	
Interest-bearing demand and savings	267,874	30.40	%	237,922	33.30	%	257,486	32.90	%	
Money market deposits	202,708	23.00	%	165,918	23.20	%	183,370	23.50	%	
Retail and local time deposits <= \$250	103,917	11.80	%	100,560	14.00	%	104,455	13.40	%	
Total core deposits	816,413	92.60	%	647,823	90.60	%	722,313	92.40	%	

Retail and local time deposits > \$250	24,399	2.80	%	25,077	3.50	%	25,431	3.30	%
Broker & national time deposits <= \$250	15,376	1.70	%	3,470	0.50	%	5,457	0.70	%
Broker & national time deposits > \$250	26,033	2.90	%	38,847	5.40	%	28,589	3.60	%
Totals	\$882,221	100.00	%	\$ 715,217	100.00	%	\$ 781,790	100.00	%

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

	Quarter ended June 30, 2020			Quarter ended March 31, 2020			Quarter ended June 30, 2019		
	Average Balance	Interest	Yield / Rate	Average Balance	Interest	Yield / Rate	Average Balance	Interest	Yield / Rate
Assets									
Interest-earning assets:									
Loans (1)(2)	\$ 795,337	\$ 8,186	4.14 %	\$ 712,402	\$ 8,461	4.78 %	\$ 672,576	\$ 8,641	5.15 %
Taxable securities	99,621	622	2.51 %	110,980	733	2.66 %	106,737	730	2.74 %
Tax-exempt securities (2)	70,105	565	3.24 %	66,958	546	3.28 %	61,851	492	3.19 %
FHLB stock	2,283	25	4.40 %	2,121	26	4.93 %	1,593	24	6.04 %
Other	58,776	23	0.16 %	30,253	91	1.21 %	11,470	67	2.34 %
Total (2)	1,026,122	9,421	3.69 %	922,714	9,857	4.30 %	854,227	9,954	4.67 %
Non-interest-earning assets:									
Cash and due from banks	10,760			11,621			10,837		
Premises and equipment, net	11,116			10,779			10,422		
Cash surrender value ins	16,918			16,811			16,506		
Other assets	11,102			8,335			8,574		
Allowance for loan losses	(8,552))		(7,069))		(6,568))	
Total	\$ 1,067,466			\$ 963,191			\$ 893,998		
Liabilities & stockholders' equity									
Interest-bearing liabilities:									
Savings and demand deposits									
Money market deposits	\$ 261,942	\$ 127	0.20 %	\$ 261,704	\$ 330	0.51 %	\$ 239,929	\$ 417	0.70 %
Time deposits	197,571	213	0.43 %	188,507	373	0.80 %	161,070	392	0.98 %
FHLB borrowings	169,398	740	1.76 %	159,294	779	1.97 %	171,501	825	1.93 %
Other borrowings	90,623	323	1.43 %	80,486	320	1.60 %	51,014	230	1.81 %
Senior sub. notes	5,857	6	0.41 %	6,394	14	0.88 %	22,302	57	1.03 %
Junior sub. debentures	2,500	28	4.50 %	2,500	28	4.50 %	2,500	28	4.49 %
	7,732	91	4.73 %	7,732	91	4.73 %	7,732	92	4.77 %
Total	735,623	1,528	0.84 %	706,617	1,935	1.10 %	656,048	2,041	1.25 %
Non-interest-bearing liabilities:									
Demand deposits	226,244			151,763			141,410		
Other liabilities	9,690			10,076			9,884		
Stockholders' equity	95,909			94,735			86,656		
Total	\$ 1,067,466			\$ 963,191			\$ 893,998		
Net interest income		\$ 7,893			\$ 7,922			\$ 7,913	
Rate spread			2.85 %			3.20 %			3.42 %
Net yield on interest-earning assets			3.09 %			3.45 %			3.72 %

(1) Nonaccrual loans are included in the daily average loan balances outstanding.

(2) The yield on tax-exempt loans and securities is computed on a tax-equivalent basis using a federal tax rate of 21%.

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

	Six months ended June 30, 2020				Six months ended June 30, 2019			
	Average Balance	Interest	Yield/Rate		Average Balance	Interest	Yield/Rate	
Assets								
Interest-earning assets:								
Loans (1)(2)	\$ 753,869	\$ 16,647	4.44 %	\$ 668,732	\$ 16,986	5.12 %		
Taxable securities	105,300	1,355	2.59 %	105,933	1,443	2.75 %		
Tax-exempt securities (2)	68,532	1,110	3.26 %	63,472	994	3.16 %		
FHLB stock	2,202	51	4.66 %	1,803	59	6.60 %		
Other	45,051	114	0.51 %	16,701	193	2.33 %		
Total (2)	974,954	19,277	3.98 %	856,641	19,675	4.63 %		
Non-interest-earning assets:								
Cash and due from banks	11,190			11,080				
Premises and equipment, net	10,948			10,402				
Cash surrender value ins	16,864			16,456				
Other assets	9,717			8,782				
Allowance for loan losses	(7,810))		(6,415))			
Total	\$ 1,015,863			\$ 896,946				
Liabilities & stockholders' equity								
Interest-bearing liabilities:								
Savings and demand deposits								
	\$ 261,823	\$ 457	0.35 %	\$ 246,577	\$ 889	0.73 %		
Money market deposits	193,329	586	0.61 %	153,988	691	0.90 %		
Time deposits	164,346	1,519	1.86 %	173,515	1,607	1.87 %		
FHLB borrowings	85,555	643	1.51 %	57,635	539	1.89 %		
Other borrowings	6,125	20	0.66 %	21,052	108	1.03 %		
Senior sub. notes	2,500	56	4.50 %	2,500	56	4.52 %		
Junior sub. debentures	7,732	182	4.73 %	7,732	183	4.77 %		
Total	721,410	3,463	0.97 %	662,999	4,073	1.24 %		
Non-interest-bearing liabilities:								
Demand deposits	189,004			139,623				
Other liabilities	10,008			9,670				
Stockholders' equity	95,441			84,654				
Total	\$ 1,015,863			\$ 896,946				
Net interest income		\$ 15,814			\$ 15,602			
Rate spread			3.01 %			3.39 %		
Net yield on interest-earning assets			3.26 %			3.67 %		

(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.