



NEWS RELEASE

## PSB increases quarterly earnings 28% to \$0.59 per share on net income of \$2.7 million

2018-10-29

WAUSAU, Wis., Oct. 29, 2018 (GLOBE NEWSWIRE) -- PSB Holdings, Inc. (OTCPK: PSBQ) reported September 2018 quarterly earnings of \$0.59 per share on net income of \$2.7 million compared to earnings of \$0.46 per share on net income of \$2.1 million during the September 2017 quarter, a 28.3% increase in earnings per share. Earnings growth year-over-year was a result of increased net interest income due to rising loan yields and growth in average loans receivable and lower tax expense from the reduction in federal tax rates.

Scott M. Cattanach, President & CEO of PSB Holdings, Inc. stated, "We continue to put capital to work for the benefit of our shareholders. Our return on average equity for the most recent quarter was 13.64% and our year to date return was 13.70%. We have benefited from our efficient operation supported by branch offices with significant market share in the communities we serve. During the third quarter, we continued to see loan growth as our market areas remain economically healthy and we expect to continue funding development projects in the fourth quarter generating additional loan growth."

Cattanach also commented, "Despite deposit cost increases due to the recent rise in interest rates, our net interest margin year-over-year has remained steady. Our liquid assets and loans have generally repriced timely in combination with changes to our funding costs. We will continue to monitor the activities of the Federal Reserve with the goal of protecting a net interest margin adequate to generate strong returns on our shareholder equity."

For the nine months ended September 30, 2018, earnings were \$1.73 per share on net income of \$7.8 million, compared to earnings of \$1.37 per share on net income of \$6.2 million in 2017. Year to date earnings in 2018 increased \$177,000, or \$0.04 per share, from one-time items. Year to date earnings adjusted for one-time items were \$1.69 per share in 2018 compared to \$1.35 in 2017, an increase of 25.2%. Year to date earnings were also higher due to increased net interest income from commercial related loan growth.

## Financial Highlights:

- Total assets were \$883.3 million as of September 30, 2018, an increase of \$36.6 million, or 4.3%, compared to September 30, 2017, led by net loan growth of \$26.5 million mostly in commercial non-real estate and commercial real estate loans.
- The allowance for loan losses was 0.98% of total loans at September 30, 2018, compared to 1.03% at September 30, 2017. The decrease in the ratio for the current quarter compared to a year ago was due to the increase in loans and a reduction of \$95,000 in reserves, from net loan charge-offs of \$188,000. Nonperforming assets were \$5.9 million or 0.67% of total assets as of September 30, 2018, down from \$11.4 million or 1.35% a year earlier.
- Deposit balances increased \$28.3 million or 4.1% from September 30, 2017 as core deposits grew \$26.5 million.
- Return on shareholders' equity was 13.64% for the quarter ended September 30, 2018 compared to 11.27% for the quarter ended September 30, 2017. For the same quarterly periods ended, return on assets was 1.20% and 1.00%, respectively.
- Tangible net book value was \$17.37 per share at September 30, 2018, an increase of 6.0% from \$16.39 per share as of September 30, 2017.

## Balance Sheet Highlights

Total assets were \$883.3 million as of September 30, 2018 compared to \$847.7 million as of December 31, 2017, an increase of \$35.6 million. During the nine-month period, net loans receivable increased \$26.6 million or 4.4%, which included \$28.2 million of growth in commercial related loans. Securities available for sale and held to maturity increased \$6.3 million, or 3.7%, and all other assets increased \$2.7 million. Total deposits increased \$15.0 million for the nine-month period with core deposit growth of \$1.0 million due to seasonally high commercial short-term deposit balances as of December 31, 2017, subsequently withdrawn in the first quarter of 2018. Wholesale funding (including brokered certificates of deposit and Federal Home Loan Bank advances) was \$131.5 million (15.4% of total assets) at September 30, 2018, compared to \$103.3 million (12.2% of total assets) at December 31, 2017, up \$28.2 million.

## Asset Quality, Credit Costs, and Allowance for Loan Loss Highlights

Total nonperforming assets as of September 30, 2018 decreased \$4.8 million to \$5.9 million, from \$10.7 million as

of December 31, 2017. The decrease in the nine-month period includes the payoff of a restructured municipal tax incremental financing loan of \$2.0 million discussed in previous earnings releases. General portfolio credit quality remains strong, and management believes large problem credits were well secured with reasonable specific reserves for loss. Total nonperforming assets at September 30, 2018 were 0.67% of total assets compared to 1.27% of total assets at December 31, 2017.

Nonperforming assets are shown in the following table:

Nonperforming Assets as of: (dollars in thousands)	September 30,		December 31,
	2018	2017	2017
Nonaccrual loans (excluding restructured loans)	\$ 3,024	\$ 3,540	\$ 3,581
Nonaccrual restructured loans	325	3,559	969
Restructured loans not on nonaccrual	2,054	3,957	5,943
Accruing loans past due 90 days or more	-	-	-
Total nonperforming loans	5,403	11,056	10,493
Foreclosed assets	483	383	250
<b>Total nonperforming assets</b>	<b>\$ 5,886</b>	<b>\$ 11,439</b>	<b># \$ 10,743</b>
Nonperforming loans as a % of gross loans receivable	0.84%	1.79%	1.70%
Total nonperforming assets as a % of total assets	0.67%	1.35%	1.27%
Allowance for loan losses as a % of nonperforming loans	116.23%	57.66%	60.97%

Nonperforming assets aggregating to \$500,000 or more, measured by gross principal outstanding per credit relationship, included two relationships at September 30, 2018 and five relationships as of December 31, 2017 totaling \$2.2 million and \$6.7 million, respectively. Specific reserves maintained on these large problem loans were \$76,000 at September 30, 2018 and \$347,000 at December 31, 2017.

The Bank recorded a total provision for loan losses of \$10,000 during the September 2018 quarter compared to a provision of \$105,000 during the September 2017 quarter and \$70,000 during the nine-months ended September 2018 compared to \$280,000 for the nine-months ended September 2017. As of September 30, 2018, the allowance for loan losses was \$6,280,000, or 0.98% of total loans (116% of nonperforming loans), compared to \$6,398,000, or 1.04% of total loans (61% of nonperforming loans) at December 31, 2017.

#### Capital and Liquidity Highlights

During the nine-months ended September 30, 2018, stockholders' equity increased \$4,312,000, from \$7,783,000 of net income and \$156,000 of other capital adjustments, decreased by other comprehensive net loss of \$1,952,000, \$795,000 of dividends declared and \$880,000 used for treasury stock buybacks. Other comprehensive net loss of \$1,952,000 resulted from a decrease in fair value of securities available for sale from an increase in market rate changes during the nine-month period ending September 2018. Changes in unrealized fair value gains and losses on securities available for sale are not reflected in net income, but recorded as changes to stockholders' equity, net of tax impacts, and categorized as other comprehensive income (loss).

Supporting stock liquidity for shareholders, as needed, is a priority for PSB and as such we regularly repurchase shares directly from shareholders holding shares in certificate form and on the open market at prevailing prices as opportunities arise. PSB expects to repurchase fewer shares going forward due to decreasing shareholder requests for repurchase and an increased market price relative to tangible book value per share. Mark Oldenberg, CFO of PSB Holdings, Inc., explained, "At lower valuations, share repurchases were accretive to our earnings per share. We will continue to explore the best ways to utilize our shareholder capital including acquisitions and branching opportunities." During the quarter-ended September 30, 2018, PSB repurchased 3,069 shares of its common stock at an average cost of \$23.00 per share and repurchased, during the nine-months ended September 30, 2018, 38,025 shares at an average cost of \$23.16 per share.

Tangible net book value increased to \$17.37 per share at September 30, 2018, compared to \$16.28 per share at December 31, 2017, an increase of 6.7%. PSB's average stockholders' equity decreased to 8.78% of average assets at September 30, 2018 compared to 9.05% of average assets at December 31, 2017 due to the increased loss in accumulated other comprehensive income, dividends declared and an increase in average assets. For regulatory purposes, the \$7.73 million junior subordinated debentures maturing September 2035, reflected as debt on the Consolidated Balance Sheet, are reclassified as Tier 1 regulatory equity capital at the bank level. PSB's subsidiary, Peoples State Bank, was considered "well capitalized" under regulatory rules at September 30, 2018, the strongest capital designation under applicable banking regulations.

#### Net Interest Income and Margin Highlights

Net interest income totaled \$7.3 million (on a net margin of 3.48%) during the September 2018 quarter, compared to \$6.7 million (on net margin of 3.43%) during the September 2017 quarter and \$7.2 million (on net margin of 3.67%) in the June 2018 quarter, which included interest recoveries of \$205,000 (adjusted net margin of 3.57%). Net interest income growth year-over-year was due mainly to a higher average loan yields which equaled 4.85% for the September 2018 quarter, compared to 4.46% for September 2017, and average loan growth of \$33.3 million.

The cost of interest-bearing liabilities continued to increase in the most recent quarter, equaling 1.10% for the

September 2018 quarter, 0.91% in the June 2018 quarter, and 0.76% in the September 2017 quarter. The Bank has implemented interest rate increases related to its core deposit products and will continue to do so as market competition dictates. Recent and expected future increases to the discount rate by the Federal Reserve will likely increase funding costs further, including lower cost core deposits. Net interest margin could decline during the remainder of 2018 and in 2019 as the yield curve flattens or inverts, whereby increased net interest income is likely to depend on continued balance sheet growth and growth of our core deposit base.

#### Noninterest and Fee Income Highlights

Total noninterest income for the quarter ended September 30, 2018 was \$1.6 million compared to \$1.5 million during the quarter ended September 2017. The increase from last year of \$0.1 million, or 6.7% was from increased commissions on investment and insurance sales of \$0.05 million and \$0.04 million in all other noninterest income period over period.

Total noninterest income for the nine-months ended September 30, 2018 was \$4.8 million compared to \$4.6 million during the nine-months ended September 30, 2017. Mortgage banking revenue was \$0.06 million higher than last year (up 5.8%) and investment sales commissions were \$0.08 million (up 9.5%) while all other noninterest income increased \$0.04 (up 1.7%).

#### Operating Expense Highlights

Noninterest expense totaled \$5.4 million during the September 2018 quarter compared to \$4.9 million during the September 2017 quarter. September 2018 quarterly noninterest expense increased \$0.5 million or 10.2% from a year ago, with the largest increase from salaries and employee benefits (\$0.25 million higher) and secondarily from increased other noninterest expenses of \$0.11 million and higher data processing and office operations expense, which increased \$0.08 million.

Noninterest expense totaled \$15.9 million during the nine months ended September 30, 2018 compared to \$15.0 million during the equivalent 2017 period, up \$0.9 million, or 6.0%. The increased cost was led by salaries and employee benefit expense, up \$0.62 million, or 6.9%, and occupancy expense which increased \$0.13 million, or 9.2%. All other operating expenses increased \$0.09 million, up 2.0%, compared to the prior year nine-month period.

#### 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 nine 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 OTC Markets Exchange. More information about PSB, its management, and its financial performance may be found at [www.psbholdingsinc.com](http://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.

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

	Quarter ended				
	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017
Earnings and dividends:					
Interest income	\$ 9,063	\$ 8,685	\$ 8,076	\$ 8,247	\$ 7,932
Interest expense	\$ 1,805	\$ 1,406	\$ 1,262	\$ 1,151	\$ 1,172
Net interest income	\$ 7,258	\$ 7,279	\$ 6,814	\$ 7,096	\$ 6,760
Provision for loan losses	\$ 10	\$ 30	\$ 30	\$ 105	\$ 105
Other noninterest income	\$ 1,615	\$ 1,553	\$ 1,590	\$ 1,533	\$ 1,521
Other noninterest expense	\$ 5,373	\$ 5,145	\$ 5,366	\$ 5,302	\$ 4,929
Net income	\$ 2,661	\$ 2,767	\$ 2,355	\$ 946	\$ 2,109

Basic earnings per

share (3)	\$	0.59	\$	0.62	\$	0.52	\$	0.21	\$	0.46
Diluted earnings per share (3)	\$	0.59	\$	0.62	\$	0.52	\$	0.21	\$	0.46
Dividends declared per share (3)	\$	-	\$	0.177	\$	-	\$	0.16	\$	-
Tangible net book value per share (4)	\$	17.37	\$	16.90	\$	16.52	\$	16.28	\$	16.39

Semi-annual dividend payout ratio		n/a		15.49%		n/a		23.68%		n/a
Average common shares outstanding		4,490,621		4,492,059		4,515,384		4,533,081		4,558,248

Balance sheet - average balances:

Loans receivable, net of allowances for loss	\$	634,469	\$	619,251	\$	608,203	\$	602,117	\$	601,008
Assets	\$	881,518	\$	845,816	\$	841,863	\$	832,201	\$	839,765
Deposits	\$	708,521	\$	691,706	\$	691,799	\$	675,358	\$	684,855
Stockholders' equity	\$	77,390	\$	76,150	\$	74,026	\$	75,309	\$	74,235

Performance ratios:

Return on average assets (1)		1.20%		1.31%		1.13%		0.45%		1.00%
Return on average stockholders' equity (1)		13.64%		14.57%		12.90%		4.98%		11.27%
Average stockholders' equity less accumulated other comprehensive income (loss) to average assets		9.02%		9.21%		8.92%		9.09%		8.84%
Net loan charge-offs to average loans (1)		-0.06%		0.16%		0.03%		0.05%		0.01%
Nonperforming loans to gross loans		0.84%		0.81%		1.05%		1.70%		1.79%
Allowance for loan losses to gross loans		0.98%		0.97%		1.04%		1.04%		1.03%
Nonperforming assets to tangible equity plus the allowance for loan losses (4)		7.14%		7.37%		8.47%		13.74%		14.45%
Net interest rate margin (1)(2)		3.48%		3.67%		3.49%		3.68%		3.43%
Net interest rate spread (1)(2)		3.23%		3.46%		3.31%		3.50%		3.25%
Service fee revenue as a percent of average demand deposits (1)		1.16%		1.13%		1.15%		1.11%		1.15%
Noninterest income as a percent of gross										

revenue	15.12%	15.17%	16.45%	15.67%	16.09%
Efficiency ratio (2)	59.75%	57.56%	63.08%	59.65%	58.46%
Noninterest expenses to average assets (1)	2.42%	2.44%	2.59%	2.53%	2.33%
Tangible equity to actual assets	8.83%	8.61%	8.79%	8.69%	8.81%

Stock price information:

High	\$	27.75	\$	24.67	\$	23.67	\$	23.32	\$	23.32
Low	\$	24.08	\$	23.08	\$	22.92	\$	22.77	\$	22.25
Last trade value at quarter-end	\$	27.20	\$	24.67	\$	23.58	\$	23.17	\$	23.32

(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 and any preferred stock capital elements.

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PSB Holdings, Inc.  
Consolidated Statements of Income

(dollars in thousands, except per share data - unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Interest and dividend income:				
Loans, including fees	\$ 7,814	\$ 6,839	\$ 22,364	\$ 20,178
Securities:				
Taxable	732	679	2,085	1,978
Tax-exempt	394	323	1,093	1,009
Other interest and dividends	123	91	282	182
<b>Total interest and dividend income</b>	<b>9,063</b>	<b>7,932</b>	<b>25,824</b>	<b>23,347</b>
Interest expense:				
Deposits	1,324	825	3,380	2,250

FHLB advances	359	183	770	517
Other borrowings	1	59	6	178
Senior subordinated notes	28	23	83	70
Junior subordinated debentures	93	82	234	252
<b>Total interest expense</b>	<b>1,805</b>	<b>1,172</b>	<b>4,473</b>	<b>3,267</b>
Net interest income	7,258	6,760	21,351	20,080
Provision for loan losses	10	105	70	280
<b>Net interest income after provision for loan losses</b>	<b>7,248</b>	<b>6,655</b>	<b>21,281</b>	<b>19,800</b>
Noninterest income:				
Service fees	415	412	1,192	1,187
Gain on sale of mortgage loans	-	-	-	-
Mortgage banking income	401	385	1,172	1,108
Investment and insurance sales commissions	299	248	877	801
Net gain on sale of securities	-	-	-	4
Increase in cash surrender value of life insurance	95	97	277	290
Other noninterest income	405	379	1,240	1,184
<b>Total noninterest income</b>	<b>1,615</b>	<b>1,521</b>	<b>4,758</b>	<b>4,574</b>
Noninterest expense:				
Salaries and employee benefits	3,244	2,994	9,628	9,007
Occupancy and facilities	499	452	1,589	1,455
Loss (gain) on foreclosed assets	(7)	19	(17)	58
Data processing and other office operations	649	567	1,909	1,776
Advertising and promotion	98	115	257	305
FDIC insurance premiums	63	66	186	209
Other noninterest expenses	827	716	2,332	2,234
<b>Total noninterest expense</b>	<b>5,373</b>	<b>4,929</b>	<b>15,884</b>	<b>15,044</b>
Income before provision for income taxes	3,490	3,247	10,155	9,330
Provision for income taxes	829	1,138	2,372	3,089
<b>Net income</b>	<b>\$ 2,661</b>	<b>\$ 2,109</b>	<b>\$ 7,783</b>	<b>\$ 6,241</b>
<b>Basic earnings per share</b>	<b>\$ 0.59</b>	<b>\$ 0.46</b>	<b>\$ 1.73</b>	<b>\$ 1.37</b>
<b>Diluted earnings per share</b>	<b>\$ 0.59</b>	<b>\$ 0.46</b>	<b>\$ 1.73</b>	<b>\$ 1.37</b>

PSB Holdings, Inc.  
Consolidated Statements of Comprehensive Income

(dollars in thousands - unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income	\$ 2,661	\$ 2,109	\$ 7,783	\$ 6,241
Other comprehensive income, net of tax:				
Unrealized gain (loss) on securities available for sale	(639)	(77)	(1,919)	703
Reclassification adjustment for security gain included in net income	-	-	-	(2)
Amortization of unrealized gain included in net income on securities available for sale transferred to securities held to maturity	(8)	(19)	(33)	(57)
Unrealized gain (loss) on interest rate swap	48	2	(11)	5
Reclassification adjustment of interest rate swap settlements included in earnings	9	14	11	52
Other comprehensive income (loss)	(590)	(80)	(1,952)	701
Comprehensive income	\$ 2,071	\$ 2,029	\$ 5,831	\$ 6,942

PSB Holdings, Inc.  
Consolidated Balance Sheets  
September 30, 2018 and September 30, 2017 unaudited, December 31, 2017  
derived from audited financial statements

(dollars in thousands, except per share data)	September 30, 2018	December 31, 2017	September 30, 2017
Assets			
Cash and due from banks	\$ 15,348	\$ 17,241	\$ 10,807
Interest-bearing deposits	930	479	816
Federal funds sold	14,246	10,387	13,909

Cash and cash equivalents	30,524	28,107	25,532
Securities available for sale (at fair value)	114,997	101,527	104,375
Securities held to maturity (fair value of \$59,341 and \$67,768 and \$66,087 respectively)	60,421	67,573	65,454
Bank certificates of deposit (at cost)	2,976	4,712	4,712
Loans held for sale	-	-	539
Loans receivable, net	636,712	610,076	610,245
Accrued interest receivable	2,709	2,279	2,191
Foreclosed assets	483	250	383
Premises and equipment, net	10,339	10,453	10,455
Mortgage servicing rights, net	1,805	1,838	1,875
Federal Home Loan Bank stock (at cost)	2,011	1,700	1,749
Cash surrender value of bank-owned life insurance	15,407	15,130	14,588
Other assets	4,893	4,036	4,622

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<b>TOTAL ASSETS</b>	<b>\$ 883,277</b>	<b>\$ 847,681</b>	<b>\$ 846,720</b>
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#### Liabilities

Non-interest-bearing deposits	\$ 151,484	\$ 151,858	\$ 150,084
Interest-bearing deposits	565,799	550,445	538,891

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Total deposits	717,283	702,303	688,975
Federal Home Loan Bank advances	64,660	49,448	51,887
Other borrowings	4,864	2,636	12,942
Senior subordinated notes	2,500	2,500	2,500
Junior subordinated debentures	7,732	7,732	7,732
Accrued expenses and other liabilities	8,144	9,280	7,895

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<b>Total liabilities</b>	<b>805,183</b>	<b>773,899</b>	<b>771,931</b>
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#### 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 - 4,488,720 and 4,521,600 and 4,553,409 shares, respectively	1,830	1,830	1,830
Additional paid-in capital	7,384	7,350	7,304
Retained earnings	83,861	76,873	76,536
Accumulated other comprehensive income, net of tax	(2,649)	(697)	(40)
Treasury stock, at cost - 1,002,078 and 969,198 and 937,389 shares, respectively	(12,332)	(11,574)	(10,841)

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Total stockholders' equity	78,094	73,782	74,789
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 883,277</b>	<b>\$ 847,681</b>	<b>\$ 846,720</b>

Loan Composition by Loan Type:

(\$000s)	September 30, 2018	December 31, 2017	September 30,2017
Total			
Loans:			
Residential real estate:			
One to four family	\$ 120,130	\$ 121,761	\$ 119,630
HELOC loans	25,880	25,479	25,981
Residential construction & development	13,483	11,995	11,678
Residential vacant land	5,507	6,660	6,255
	<u>165,000</u>	<u>165,895</u>	<u>163,544</u>
Commercial real estate:			
Commercial real estate	275,903	277,396	275,679
SBA commercial real estate	2,043	1,891	1,916
Construction and land development	32,481	24,610	21,412
Commercial vacant land	14,414	11,176	9,195
	<u>324,841</u>	<u>315,073</u>	<u>308,202</u>
Commercial non-real estate:			
Municipal non-real estate	6,661	8,771	9,510
Commercial line	62,357	51,926	55,345
Other commercial non-real estate	68,446	60,827	63,534
SBA commercial non-real estate	2,557	2,931	3,058
	<u>140,021</u>	<u>124,455</u>	<u>131,447</u>
Consumer non-real estate:			
Consumer installment	2,629	2,327	2,194
Consumer line	216	239	222
Other consumer	211	218	221
	<u>3,056</u>	<u>2,784</u>	<u>2,637</u>
Agricultural loans:	<u>9,582</u>	<u>7,761</u>	<u>8,627</u>
Gross loans	<u>642,500</u>	<u>615,968</u>	<u>614,457</u>

Net deferred loan costs	212	213	241
Overdrafts	280	180	1,787
Loan fair value acquisition	-	3	6
GLHEC Student Loans	-	110	129
Total loans receivable	<u>642,992</u>	<u>616,474</u>	<u>616,620</u>
Allowance for loan losses	<u>6,280</u>	<u>6,398</u>	<u>6,375</u>
Loans receivable, net	<u>\$ 636,712</u>	<u>\$ 610,076</u>	<u>\$ 610,245</u>

PSB Holdings, Inc.  
Deposit Composition

(dollars in thousands, except per share data)	<u>September 30,</u>				<u>December 31,</u>	
	<u>2018</u>		<u>2017</u>		<u>2017</u>	
	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
Non-interest bearing demand	\$ 151,484	21.1%	\$ 150,084	21.8%	\$ 151,858	21.6%
Interest-bearing demand and savings	246,811	34.4%	218,355	31.7%	239,784	34.1%
Money market deposits	132,887	18.5%	139,205	20.2%	140,846	20.1%
Retail and local time deposits ≤ \$250	<u>98,101</u>	<u>13.7%</u>	<u>95,132</u>	<u>13.8%</u>	<u>95,853</u>	<u>13.7%</u>
Total core deposits	629,283	87.7%	602,776	87.5%	628,341	89.5%
Retail and local time deposits > \$250	21,194	3.0%	22,548	3.3%	20,103	2.9%
Broker & national time deposits ≤ \$250	3,225	0.4%	6,842	1.0%	6,592	0.9%
Broker & national time deposits > \$250	<u>63,581</u>	<u>8.9%</u>	<u>56,809</u>	<u>8.2%</u>	<u>47,267</u>	<u>6.7%</u>
<b>Totals</b>	<u>\$ 717,283</u>	<u>100.0%</u>	<u>\$ 688,975</u>	<u>100.0%</u>	<u>\$ 702,303</u>	<u>100.0%</u>

PSB Holdings,  
Inc.

Average Balances (\$000) and Interest Rates  
(dollars in thousands)

	Quarter ended September 30, 2018			Quarter ended September 30, 2017		
	Average Balance	Interest	Yield / Rate	Average Balance	Interest	Yield / Rate
<b>Assets</b>						
Interest-earning assets:						
Loans (1)(2)	\$ 640,656	\$ 7,828	4.85%	\$ 607,342	\$ 6,824	4.46%
Taxable securities	111,937	732	2.59%	114,295	679	2.36%
Tax-exempt securities (2)	64,535	499	3.07%	53,913	489	3.60%
FHLB stock	2,260	20	3.51%	1,762	15	3.38%
Other	21,145	103	1.93%	22,946	76	1.31%
<b>Total (2)</b>	<b>840,533</b>	<b>9,182</b>	<b>4.33%</b>	<b>800,258</b>	<b>8,083</b>	<b>4.01%</b>
Non-interest-earning assets:						
Cash and due from banks	11,702			11,639		
Premises and equipment, net	10,461			10,503		
Cash surrender value ins	15,351			14,535		
Other assets	9,658			9,164		
Allowance for loan losses	(6,187)			(6,334)		
<b>Total</b>	<b>\$ 881,518</b>			<b>\$ 839,765</b>		
<b>Liabilities &amp; stockholders' equity</b>						
Interest-bearing liabilities:						
Savings and demand deposits						
	\$ 246,596	\$ 393	0.63%	\$ 218,034	\$ 156	0.28%
Money market deposits	133,873	186	0.55%	141,350	117	0.33%
Time deposits	186,146	745	1.59%	183,795	552	1.19%
FHLB borrowings	74,045	359	1.92%	52,471	183	1.38%
Other borrowings	2,020	1	0.20%	9,875	59	2.37%
Senior sub. notes	2,500	28	4.44%	2,500	23	3.65%
Junior sub. debentures	7,732	93	4.77%	7,732	82	4.21%

Total	652,912	<u>1,805</u>	1.10%	615,757	<u>1,172</u>	0.76%
Non-interest-bearing liabilities:						
Demand deposits	141,906			141,676		
Other liabilities	9,310			8,097		
Stockholders' equity	<u>77,390</u>			<u>74,235</u>		
<u>Total</u>	<u>\$ 881,518</u>			<u>\$ 839,765</u>		
Net interest income		<u>\$ 7,377</u>			<u>\$ 6,911</u>	
Rate spread			<u>3.23%</u>			<u>3.25%</u>
Net yield on interest-earning assets			<u>3.48%</u>			<u>3.43%</u>

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

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

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

	Nine months ended September 30, 2018			Nine months ended September 30, 2017		
	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
Assets						
Interest-earning assets:						
Loans (1)(2)	\$ 627,026	\$ 22,401	4.78%	\$ 605,990	\$ 20,236	4.46%
Taxable securities	110,104	2,085	2.53%	111,037	1,978	2.38%
Tax-exempt securities (2)	60,601	1,384	3.05%	55,867	1,529	3.66%
FHLB stock	2,003	61	4.07%	1,785	44	3.30%
Other	<u>17,591</u>	<u>221</u>	<u>1.68%</u>	<u>14,776</u>	<u>138</u>	<u>1.25%</u>
Total (2)	<u>817,325</u>	<u>26,152</u>	<u>4.28%</u>	<u>789,455</u>	<u>23,925</u>	<u>4.05%</u>
Non-interest-earning assets:						
Cash and due from banks	10,666			10,765		

Premises and equipment, net	10,522	10,567
Cash surrender value	15,260	14,432
Other assets	9,260	9,216
Allowance for loan losses	(6,288)	(6,229)
<b>Total</b>	<b>\$ 856,745</b>	<b>\$ 828,206</b>

Liabilities & stockholders' equity

Interest-bearing liabilities:

Savings and demand deposits	\$ 241,562	\$ 950	0.53%	\$ 220,914	\$ 376	0.23%
Money market deposits	136,967	490	0.48%	141,514	274	0.26%
Time deposits	179,863	1,940	1.44%	181,109	1,600	1.18%
FHLB borrowings	60,448	770	1.70%	51,454	517	1.34%
Other borrowings	3,757	6	0.21%	9,919	178	2.40%
Senior sub. notes	2,500	83	4.44%	2,500	70	3.74%
Junior sub. debentures	7,732	234	4.05%	7,732	252	4.36%
<b>Total</b>	<b>632,829</b>	<b>4,473</b>	<b>0.95%</b>	<b>615,142</b>	<b>3,267</b>	<b>0.71%</b>

Non-interest-bearing liabilities:

Demand deposits	139,167	132,641
Other liabilities	8,821	7,946
Stockholders' equity	75,928	72,477
<b>Total</b>	<b>\$ 856,745</b>	<b>\$ 828,206</b>

<b>Net interest income</b>	<b>\$ 21,679</b>	<b>\$ 20,658</b>
<b>Rate spread</b>	<b>3.33%</b>	<b>3.34%</b>
<b>Net yield on interest-earning assets</b>	<b>3.55%</b>	<b>3.50%</b>

(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.