

Investor Relations Contact

PSB Holdings, Inc.
1905 Stewart Avenue
Wausau, WI 54401
888.929.9902
InvestorRelations@bankpeoples.com

PSB Holdings, Inc.

Stock Symbol: PSBQ | Real-Time Quotes: www.OTCmarkets.com

PSB Reports Record 2018 Earnings of \$10.3 Million; Asset and Loan Growth Continues

Wausau, WI – January 28, 2019 – PSB Holdings, Inc. (“PSB”) (OTCPK: PSBQ), the holding company for Peoples State Bank serving North Central Wisconsin, reported that 2018 earnings grew to \$2.29 per share on net income of \$10.31 million, compared to earnings of \$1.58 per share on net income of \$7.2 million in 2017. The December quarter earnings more than doubled to \$0.56 per share, on net income of \$2.53 million, compared to earnings of \$0.21 per share, on net income of \$946,000, for the fourth quarter of 2017. December quarterly earnings also remained steady as compared to September quarterly 2018 earnings of \$0.59 per share, on net income of \$2.66 million. Earnings increased primarily due to higher net interest income achieved through asset growth as well as lower taxes.

“For 2018, we achieved record earnings by expanding our asset base beyond \$900 million and delivered a 25th consecutive year of increased cash dividends per share. Our return on average equity for the full year in 2018 was 13.41%. We are proud to provide strong stewardship of our shareholders’ capital and continue to explore growth opportunities throughout vibrant Wisconsin communities as they may arise,” stated Scott M. Cattanach, President & CEO.

“Our net loan growth during the December 2018 quarter was \$21.8 million compared to a slight decline for the same quarter last year. Our increased volume largely came from our north central Wisconsin markets where we are seeing solid commercial loan demand,” said Cattanach.

Financial Highlights (at or for the periods ended December 31, 2018, compared to December 31, 2017 and /or September 30, 2018, as applicable):

- Total assets grew to \$916.0 million at year end, an increase of \$68.3 million, or 8.1%, compared to a year ago, led by net loan growth of \$48.4 million, or 7.9%, reflecting solid growth in commercial loans. Relative to the previous quarter ended September 30, 2018, loans increased 3.4%.
- The loan-to-deposit ratio increased to 90.7% at December 31, 2018, from 86.9% at December 31, 2017, as loan origination activity outpaced deposit growth over the fiscal year.
- Deposit balances increased \$23.5 million or 3.3% year-over year with \$15.1 million consisting of new interest-bearing demand and savings accounts.
- Asset quality improved over the past year as non-performing assets totaled \$6.1 million, or 0.67% of total assets versus \$10.7 million, or 1.27% of total assets at December 31, 2017, and increased slightly from \$5.9 million, or 0.67% of total assets at September 30, 2018.
- The net interest margin increased to 3.58% for the quarter ended December 31, 2018, compared to 3.48% the previous quarter and decreased from 3.68% one year earlier. For the full year in 2018, the net interest margin was 3.56% compared to 3.54% for 2017.

- Return on shareholders' equity was 13.41% for 2018 compared to 9.82% for 2017. For the fourth quarter of 2018, return on shareholders' equity was 12.62% compared to 13.64% the previous quarter and 4.98% for the fourth quarter a year ago.
- Return on average assets was 1.14% for the fourth quarter of 2018 compared to 1.20% the previous quarter and 0.45% one year earlier. Return on average assets for 2018 was 1.19% compared to 0.87% for 2017.
- Earnings in the fourth quarter of fiscal 2017 were reduced by \$1.2 million or \$0.27 per share due to the revaluation of our deferred tax asset due to the Tax Cuts and Jobs Act enacted on December 22, 2017.
- Tangible net book value was \$17.98 per share at December 31, 2018, an increase of 10.4% from \$16.28 per share as of December 31, 2017.

Balance Sheet and Asset Quality Review

Total assets increased 8.1% to \$916.0 million as of December 31, 2018, compared to \$847.7 million as of December 31, 2017. Relative to the prior quarter, assets increased 3.7% from \$883.3 million. Total loans increased \$48.4 million, or 7.9% over the past year, which was partially fueled by origination activity in our loan production office in Milwaukee. Most of the loan growth was in commercial real estate loans which increased to \$349.4 million at December 31, 2018 from \$319.9 million at December 31, 2017 and commercial non-real estate loans, which increased to \$147.2 million at December 31, 2018, from \$127.4 million at December 31, 2017. Non-owner occupied commercial/agricultural real estate loans represented the largest component of the loan portfolio at 29.6% of gross loans at December 31, 2018, followed by residential real estate loans at 24.8%, owner occupied commercial/agricultural real estate loans at 23.0%, commercial loans at 22.1% and consumer loans at 0.5%. The allowance for loan losses was 0.94% of gross loans at December 31, 2018, compared to 0.98% the previous quarter and 1.04% one year earlier. Net charge-offs were \$70,000 for 2017 and \$296,000 for 2018.

Non-performing assets were 0.67% of total assets at December 31, 2018, compared to 0.67% at September 30, 2018, and 1.27% at December 31, 2017. At December 31, 2018, non-performing assets consisted of \$3.4 million in non-accruing loans, \$2.3 million in restructured loans not on non-accrual, \$313,000 in non-accrual restructured loans and \$113,000 in foreclosed assets. Nonperforming assets aggregating to \$500,000 or more, measured by gross principal outstanding per credit relationship, included two relationships at December 31, 2018, and five relationships as of December 31, 2017, totaling \$1.8 million and \$6.7 million, respectively. Specific reserves maintained on these large problem loans were \$9,000 at December 31, 2018, and \$347,000 at December 31, 2017.

At December 31, 2018, cash and investments totaled \$219.1 million compared to \$201.9 million at December 31, 2017 and \$208.9 million at September 30, 2018. Relative to the previous quarter, the cash and cash equivalent balance increased to \$44.0 million at December 31, 2018, from \$30.5 million at September 30, 2018, reflecting anticipated future funding needs.

“The securities portfolio reflected an increase in securities available for sale and a decrease in securities held to maturity as PSB transitions to carrying more securities at market values for additional future liquidity to support growth if needed,” said Mark Oldenberg, Chief Financial Officer.

Total deposits increased \$23.5 million, or 3.3% to \$725.8 million at December 31, 2018 from \$702.3 million at December 31, 2017. Seasonal deposits from governmental entities were not as strong in December as in years' past, which slowed deposit growth for the year. Interest-bearing demand and savings deposits increased as a percent of total deposits and remained the largest deposit category. At December 31, 2018, interest-bearing demand and savings deposits accounted for 35.1% of total deposits,

followed by noninterest-bearing demand deposits at 20.5%, money market deposits at 20% and retail and local time deposits at 16.8%. Broker and national time deposits accounted for 7.6% of total deposits at December 31, 2018.

FHLB advances increased to \$81.1 million at December 31, 2018, from \$49.4 million at December 31, 2017, and \$64.7 million at September 30, 2018. The increase in advances was used to support increased lending volumes. Total borrowings increased to \$99.7 million at December 31, 2018, from \$62.3 million one year earlier.

For the year ended December 31, 2018, stockholders' equity increased \$7.1 million, or 9.6%, which reflects the impact of dividend payments totaling \$1.6 million. Tangible net book value increased 10.4% to \$17.98 per share, at December 31, 2018, compared to \$16.28 per share at December 31, 2017. PSB's tangible equity to total assets increased to 8.81% at December 31, 2018, compared to 8.69% at December 31, 2017.

Operations Review

Net interest income totaled \$7.5 million (on a net margin of 3.58%) for the fourth quarter of 2018, compared to \$7.3 million (on net margin of 3.48%) for the third quarter of 2018 and \$7.1 million (on a net margin of 3.68%) for the fourth quarter of 2017. Net interest income growth from the prior quarter was mainly due to higher average loan yields which equaled 4.95% for the fourth quarter versus 4.85% the preceding quarter. For the year, net interest income totaled \$28.8 million (on a net margin of 3.56%) compared to \$27.2 million (on a net margin of 3.54%) for 2017.

The cost of interest-bearing liabilities continued to increase in the most recent quarter, equaling 1.15% for the fourth quarter compared to 1.10% for the preceding quarter. For the year, the cost of interest-bearing liabilities was 1.00% compared to 0.72% for 2017. The largest change in interest expense over the past year has come from interest cost associated with savings and demand deposits where costs increased from \$553,000 to \$1.32 million. Interest cost related to time deposits also increased over the past year, though the impact of rising rates on time deposits will be felt more fully in the future as current time deposits mature, while savings and demand deposit increases were immediately affected by the rising interest rate environment. The expense associated with time deposits increased to \$2.73 million for 2018 from \$2.14 million for 2017.

“Our deposit beta was 20.7% for the fourth quarter compared to 66.7% in the previous quarter. Our fourth quarter deposit beta is near our cumulative average since September 30, 2015. Meanwhile, our loan beta change remained relatively consistent at 33.6% for the quarter ended December 31, 2018, compared to 33.7% one quarter earlier,” said Oldenberg.

The provision for loan losses totaled \$60,000 during the fourth quarter of 2018 compared to a provision of \$10,000 for the prior quarter. The increased provision primarily relates to establishing reserves for the growing loan portfolio.

Total noninterest income for the fourth quarter of 2018 was \$1.7 million compared to \$1.6 million during the preceding quarter and \$1.5 million for the fourth quarter of 2017. The increase from the previous quarter was from increased commissions on investment and insurance sales of \$430,000 versus \$299,000 the prior quarter. Total noninterest income for 2018 was \$6.5 million compared to \$6.1 million during 2017. Investment sales commissions were up \$220,000 while mortgage loan servicing income was up \$185,000 for 2018 relative to the prior year.

Noninterest expense totaled \$5.8 million for the fourth quarter of 2018 compared to \$5.4 million for the third quarter of 2018 and \$5.3 million for the fourth quarter of 2017. For the fourth quarter of 2018 noninterest expense increased due to increased salaries and benefit expenses associated with higher health

benefit costs and personnel costs associated with our increase in total assets and the need for additional compliance resources. For the full year in 2018, noninterest expenses totaled \$21.7 million compared to \$20.3 million for 2017. The increased cost was led by salaries and employee benefit expense, up \$1.0 million and occupancy expense which increased \$219,000. All other operating expenses increased \$137,000 compared to the prior year.

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.

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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PSB Holdings, Inc.

Quarterly Financial Summary

(dollars in thousands, except per share data)

	Quarter ended				
	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017
Earnings and dividends:					
Interest income	\$ 9,365	\$ 9,063	\$ 8,685	\$ 8,076	\$ 8,247
Interest expense	\$ 1,888	\$ 1,805	\$ 1,406	\$ 1,262	\$ 1,151
Net interest income	\$ 7,477	\$ 7,258	\$ 7,279	\$ 6,814	\$ 7,096
Provision for loan losses	\$ 60	\$ 10	\$ 30	\$ 30	\$ 105
Other noninterest income	\$ 1,718	\$ 1,615	\$ 1,553	\$ 1,590	\$ 1,533
Other noninterest expense	\$ 5,829	\$ 5,373	\$ 5,145	\$ 5,366	\$ 5,302
Net income	\$ 2,529	\$ 2,661	\$ 2,767	\$ 2,355	\$ 946
Basic earnings per share (3)	\$ 0.56	\$ 0.59	\$ 0.62	\$ 0.52	\$ 0.21
Diluted earnings per share (3)	\$ 0.56	\$ 0.59	\$ 0.62	\$ 0.52	\$ 0.21
Dividends declared per share (3)	\$ 0.18	\$ -	\$ 0.18	\$ -	\$ 0.16
Tangible net book value per share (4)	\$ 17.98	\$ 17.37	\$ 16.90	\$ 16.52	\$ 16.28
Semi-annual dividend payout ratio	15.56%	n/a	15.49%	n/a	23.68%
Average common shares outstanding	4,488,397	4,490,621	4,492,059	4,515,384	4,533,081

Balance sheet - average balances:

Loans receivable, net of allowances for loss	\$ 646,063	\$ 634,469	\$ 619,251	\$ 608,203	\$ 602,117
Assets	\$ 883,373	\$ 881,518	\$ 845,816	\$ 841,863	\$ 832,201
Deposits	\$ 708,318	\$ 708,521	\$ 691,706	\$ 691,799	\$ 675,358
Stockholders' equity	\$ 79,525	\$ 77,390	\$ 76,150	\$ 74,026	\$ 75,309

Performance ratios:

Return on average assets (1)	1.14%	1.20%	1.31%	1.13%	0.45%
Return on average stockholders' equity (1)	12.62%	13.64%	14.57%	12.90%	4.98%
Average stockholders' equity less accumulated other comprehensive income (loss) to average assets	9.22%	9.02%	9.21%	8.92%	9.09%
Net loan charge-offs to average loans (1)	0.07%	-0.06%	0.16%	0.03%	0.05%
Nonperforming loans to gross loans	0.91%	0.84%	0.81%	1.05%	1.70%
Nonperforming assets to total assets	0.67%	0.67%	0.67%	0.79%	1.27%
Allowance for loan losses to gross loans	0.94%	0.98%	0.97%	1.04%	1.04%
Nonperforming assets to tangible equity plus the allowance for loan losses (4)	7.20%	7.14%	7.37%	8.47%	13.74%
Net interest rate margin (1)(2)	3.58%	3.48%	3.67%	3.49%	3.68%
Net interest rate spread (1)(2)	3.32%	3.23%	3.46%	3.31%	3.50%
Service fee revenue as a percent of average demand deposits (1)	1.15%	1.16%	1.13%	1.15%	1.11%
Noninterest income as a percent of gross revenue	15.50%	15.12%	15.17%	16.45%	15.67%
Efficiency ratio (2)	62.54%	59.75%	57.56%	63.08%	59.65%
Noninterest expenses to average assets (1)	2.62%	2.42%	2.44%	2.59%	2.53%
Tangible equity to actual assets (4)	8.81%	8.83%	8.61%	8.79%	8.69%

Stock price information:

High	\$ 27.50	\$ 27.45	\$ 24.67	\$ 23.67	\$ 23.32
Low	\$ 21.10	\$ 24.08	\$ 23.08	\$ 22.92	\$ 22.77
Last trade value at quarter-end	\$ 22.50	\$ 27.20	\$ 24.67	\$ 23.58	\$ 23.17

(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.

PSB Holdings, Inc.
Consolidated Statements of Income

(dollars in thousands, except per share data - unaudited)	Quarter Ended					Year Ended	
	Dec. 31, 2018	Sept. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Interest and dividend income:							
Loans, including fees	\$ 8,125	\$ 7,814	\$ 7,579	\$ 6,971	\$ 7,172	\$30,489	\$27,350
Securities:							
Taxable	714	732	677	676	685	2,799	2,663
Tax-exempt	424	394	364	335	324	1,517	1,333
Other interest and dividends	102	123	65	94	66	384	248
Total interest and dividend income	9,365	9,063	8,685	8,076	8,247	35,189	31,594
Interest expense:							
Deposits	1,435	1,324	1,078	978	853	4,815	3,103
FHLB advances	315	359	221	190	192	1,085	709
Other borrowings	18	1	3	2	22	24	200
Senior subordinated notes	28	28	29	26	24	111	94
Junior subordinated debentures	92	93	75	66	60	326	312
Total interest expense	1,888	1,805	1,406	1,262	1,151	6,361	4,418
Net interest income	7,477	7,258	7,279	6,814	7,096	28,828	27,176
Provision for loan losses	60	10	30	30	105	130	385
Net interest income after provision for loan losses	7,417	7,248	7,249	6,784	6,991	28,698	26,791
Noninterest income:							
Service fees	419	415	389	388	402	1,611	1,589
Gain on sale of mortgage loans	227	286	258	284	307	1,055	1,188
Mortgage loan servicing, net	129	115	131	98	61	473	288
Investment and insurance sales commissions	430	299	274	304	286	1,307	1,087
Net gain on sale of securities	-	-	-	-	-	-	4
Increase in cash surrender value of life insurance	96	95	93	89	93	373	383
Other noninterest income	417	405	408	427	384	1,657	1,568
Total noninterest income	1,718	1,615	1,553	1,590	1,533	6,476	6,107
Noninterest expense:							
Salaries and employee benefits	3,566	3,244	3,101	3,283	3,176	13,194	12,183
Occupancy and facilities	526	499	534	556	441	2,115	1,896
Loss (gain) on foreclosed assets	(17)	(7)	(18)	8	62	(34)	120
Data processing and other office operations	654	649	625	635	654	2,563	2,430
Advertising and promotion	163	98	74	85	149	420	454
FDIC insurance premiums	61	63	65	58	67	247	276
Other noninterest expenses	876	827	764	741	753	3,208	2,987
Total noninterest expense	5,829	5,373	5,145	5,366	5,302	21,713	20,346
Income before provision for income taxes	3,306	3,490	3,657	3,008	3,222	13,461	12,552
Provision for income taxes	777	829	890	653	2,276	3,149	5,365
Net income	\$ 2,529	\$ 2,661	\$ 2,767	\$ 2,355	\$ 946	\$10,312	\$ 7,187
Basic earnings per share	\$ 0.56	\$ 0.59	\$ 0.62	\$ 0.52	\$ 0.21	\$ 2.29	\$ 1.58
Diluted earnings per share	\$ 0.56	\$ 0.59	\$ 0.62	\$ 0.52	\$ 0.21	\$ 2.29	\$ 1.58

PSB Holdings, Inc.
Consolidated Statements of Comprehensive Income

(dollars in thousands - unaudited)	Quarter Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
Net income	\$ 2,529	\$ 946	\$ 10,312	\$ 7,187
Other comprehensive income, net of tax:				
Unrealized gain (loss) on securities available for sale	1,153	(524)	(766)	179
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	(6)	(18)	(39)	(75)
Unrealized gain (loss) on interest rate swap	(157)	-	(158)	5
Reclassification adjustment of interest rate swap settlements included in earnings	8	-	9	52
Other comprehensive income (loss)	998	(542)	(954)	159
Comprehensive income	\$ 3,527	\$ 404	\$ 9,358	\$ 7,346

PSB Holdings, Inc.**Consolidated Balance Sheets**

December 31, September 30, June 30, and March 31, 2018 unaudited, December 31, 2017 derived from audited financial statements

(dollars in thousands, except per share data)	Dec. 31, 2018	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017
Assets					
Cash and due from banks	\$ 18,923	\$ 15,348	\$ 11,876	\$ 8,854	\$ 17,241
Interest-bearing deposits	501	930	453	164	479
Federal funds sold	24,554	14,246	19,493	21,050	10,387
Cash and cash equivalents	43,978	30,524	31,822	30,068	28,107
Securities available for sale (at fair value)	113,821	114,997	114,939	102,865	101,527
Securities held to maturity (fair values of \$57,607, \$59,341, \$61,487, \$63,783 and \$67,768 respectively)	58,311	60,421	62,299	64,536	67,573
Bank certificates of deposit (at cost)	2,976	2,976	2,976	3,472	4,712
Loans held for sale	358	-	405	156	-
Loans receivable, net	658,481	636,712	631,620	606,764	610,076
Accrued interest receivable	2,777	2,709	2,544	2,372	2,279
Foreclosed assets	113	483	736	260	250
Premises and equipment, net	10,209	10,339	10,524	10,582	10,453
Mortgage servicing rights, net	1,805	1,805	1,817	1,817	1,838
Federal Home Loan Bank stock (at cost)	2,330	2,011	2,297	1,672	1,700
Cash surrender value of bank-owned life insurance	16,365	15,407	15,312	15,219	15,130
Other assets	4,474	4,893	4,655	4,438	4,036
TOTAL ASSETS	\$ 915,998	\$ 883,277	\$ 881,946	\$ 844,221	\$ 847,681
Liabilities					
Non-interest-bearing deposits	\$ 148,611	\$ 151,484	\$ 138,079	\$ 136,873	\$ 151,858
Interest-bearing deposits	577,215	565,799	571,512	557,118	550,445
Total deposits	725,826	717,283	709,591	693,991	702,303
Federal Home Loan Bank advances	81,071	64,660	71,523	48,831	49,448
Other borrowings	8,379	4,864	1,140	8,513	2,636
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	9,650	8,144	13,412	8,302	9,280
Total liabilities	835,158	805,183	805,898	769,869	773,899
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 - 4,487,895, 4,488,720, 4,491,789, 4,486,245 and 4,521,600 shares, respectively	1,830	1,830	1,830	1,830	1,830
Additional paid-in capital	7,508	7,462	7,417	7,524	7,350
Retained earnings	85,583	83,861	81,200	79,226	76,873
Accumulated other comprehensive income, net of tax	(1,651)	(2,649)	(2,059)	(1,759)	(697)
Treasury stock, at cost - 1,002,903, 1,002,078, 999,009, 1,004,553 and 969,198 shares, respectively	(12,430)	(12,410)	(12,340)	(12,469)	(11,574)
Total stockholders' equity	80,840	78,094	76,048	74,352	73,782
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 915,998	\$ 883,277	\$ 881,946	\$ 844,221	\$ 847,681

Loan Composition by Purpose:

	31-Dec-18	30-Sep-18	30-Jun-18	31-Mar-18	31-Dec-17
Total Loans:					
Residential real estate:					
One to four family	117,970	120,130	119,736	120,542	121,761
HELOC loans	24,746	25,880	25,529	24,730	25,479
Residential construction & development	16,413	13,483	12,464	12,174	11,995
Residential vacant land	5,370	5,507	7,017	6,451	6,659
Total Residential real estate:	164,499	165,000	164,746	163,897	165,894
Commercial/Agricultural real estate:					
Owner occupied:					
Commercial real estate	145,480	141,043	136,248	135,170	141,964
SBA commercial real estate	1,769	1,888	1,560	1,863	1,891
Agriculture real estate	4,968	4,895	4,547	4,392	4,439
Construction and land development	350	-	-	-	200
Total Owner occupied:	152,567	147,826	142,355	141,425	148,494
Non-owner occupied:					
Commercial real estate	147,246	134,860	135,162	137,939	135,431
SBA commercial real estate	151	156	160	161	-
Agricultural real estate	315	321	331	338	346
Construction and land development	35,288	32,481	31,377	26,014	24,410
Commercial vacant land	13,800	14,414	11,535	10,809	11,176
Total Non-owner occupied:	196,800	182,232	178,565	175,261	171,363
Commercial/Agricultural non-real estate:					
Municipal non-real estate	6,806	6,661	8,532	6,037	8,771
Commercial line	68,300	62,357	64,652	51,684	51,926
Other commercial non-real estate	65,829	68,446	69,474	65,845	60,827
SBA commercial non-real estate	2,277	2,557	2,785	3,893	2,931
Agricultural non-real estate	3,994	4,366	3,396	3,095	2,976
Total Commercial/Agricultural non-real estate:	147,206	144,387	148,839	130,554	127,431
Consumer non-real estate:					
Consumer installment	2,755	2,629	2,415	2,183	2,327
Consumer line	243	216	220	250	239
Other consumer	218	211	199	204	218
Total Consumer non-real estate:	3,216	3,056	2,834	2,637	2,784
Gr:oss loans:	664,288	642,500	637,339	612,775	615,968
Net deferred loan costs (fees)	213	212	237	212	213
Overdrafts	211	280	217	164	180
Loan fair value acquisition	-	-	-	-	3
GLHEC student loans	-	-	-	-	110
Allowance for loan losses	(6,232)	(6,280)	(6,173)	(6,387)	(6,398)
Total loans receivable:	658,481	636,712	631,620	606,764	610,076

PSB Holdings, Inc.
Deposit Composition

(000s)	December 31,			
	2018		2017	
	\$	%	\$	%
Non-interest bearing demand	\$ 148,611	20.5%	\$ 151,858	21.6%
Interest-bearing demand and savings	254,857	35.1%	239,784	34.1%
Money market deposits	145,300	20.0%	140,846	20.1%
Retail and local time deposits <= \$250	99,584	13.8%	95,853	13.7%
Total core deposits	648,352	89.4%	628,341	89.5%
Retail and local time deposits > \$250	22,131	3.0%	20,103	2.9%
Broker & national time deposits <= \$250	2,483	0.3%	6,592	0.9%
Broker & national time deposits > \$250	52,860	7.3%	47,267	6.7%
Totals	\$ 725,826	100.0%	\$ 702,303	100.0%

Nonperforming Assets as of:

(dollars in thousands)	December 31,	
	2018	2017
Nonaccrual loans (excluding restructured loans)	\$ 3,422	\$ 3,581
Nonaccrual restructured loans	313	969
Restructured loans not on nonaccrual	2,284	5,943
Accruing loans past due 90 days or more	-	-
Total nonperforming loans	6,019	10,493
Foreclosed assets	113	250
Total nonperforming assets	\$ 6,132	\$ 10,743
Nonperforming loans as a % of gross loans receivable	0.91%	1.70%
Total nonperforming assets as a % of total assets	0.67%	1.27%
Allowance for loan losses as a % of nonperforming loans	103.54%	60.97%

PSB Holdings, Inc.

Average Balances (\$000) and Interest Rates

(dollars in thousands)

	Quarter ended December 31, 2018			Quarter ended December 31, 2017		
	Average	Interest	Yield / Rate	Average	Interest	Yield / Rate
	Balance			Balance		
Assets						
Interest-earning assets:						
Loans (1)(2)	\$ 652,342	\$ 8,137	4.95%	\$ 608,492	\$ 7,264	4.74%
Taxable securities	105,269	714	2.69%	115,078	685	2.36%
Tax-exempt securities (2)	68,576	537	3.11%	54,032	491	3.61%
FHLB stock	2,004	25	4.95%	1,807	15	3.29%
Other	13,748	77	2.22%	13,502	51	1.50%
Total (2)	841,939	9,490	4.47%	792,911	8,506	4.26%
Non-interest-earning assets:						
Cash and due from banks	11,855			11,252		
Premises and equipment, net	10,311			10,518		
Cash surrender value ins	15,751			14,787		
Other assets	9,796			9,108		
Allowance for loan losses	(6,279)			(6,375)		
Total	\$ 883,373			\$ 832,201		
Liabilities & stockholders' equity						
Interest-bearing liabilities:						
Savings and demand deposits	\$ 235,839	\$ 370	0.62%	\$ 214,211	\$ 177	0.33%
Money market deposits	143,618	280	0.77%	140,841	140	0.39%
Time deposits	184,178	785	1.69%	176,646	536	1.20%
FHLB borrowings	64,833	315	1.93%	54,058	192	1.41%
Other borrowings	11,139	18	0.64%	8,359	22	1.04%
Senior sub. notes	2,500	28	4.44%	2,500	24	3.81%
Junior sub. debentures	7,732	92	4.72%	7,732	60	3.08%
Total	649,839	1,888	1.15%	604,347	1,151	0.76%
Non-interest-bearing liabilities:						
Demand deposits	144,683			143,660		
Other liabilities	9,326			8,885		
Stockholders' equity	79,525			75,309		
Total	\$ 883,373			\$ 832,201		
Net interest income		\$ 7,602			\$ 7,355	
Rate spread			3.32%			3.50%
Net yield on interest-earning assets			3.58%			3.68%

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

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

PSB Holdings, Inc.

Average Balances (\$000) and Interest Rates

(dollars in thousands)

	Year ended December 31, 2018			Year ended December 31, 2017		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
Assets						
Interest-earning assets:						
Loans (1)(2)	\$ 633,406	\$ 30,538	4.82%	\$ 606,621	\$ 27,499	4.53%
Taxable securities	108,944	2,799	2.57%	112,369	2,663	2.37%
Tax-exempt securities (2)	62,611	1,920	3.07%	55,405	2,020	3.65%
FHLB stock	2,004	86	4.29%	1,791	59	3.29%
Other	16,272	298	1.83%	14,143	189	1.34%
Total (2)	823,237	35,641	4.33%	790,329	32,430	4.10%
Non-interest-earning assets:						
Cash and due from banks	10,966			10,887		
Premises and equipment, net	10,469			10,555		
Cash surrender value ins	15,384			14,522		
Other assets	9,393			9,190		
Allowance for loan losses	(6,286)			(6,266)		
Total	\$ 863,163			\$ 829,217		
Liabilities & stockholders' equity						
Interest-bearing liabilities:						
Savings and demand deposits	\$ 240,119	\$ 1,320	0.55%	\$ 219,224	\$ 553	0.25%
Money market deposits	138,220	770	0.56%	141,296	414	0.29%
Time deposits	180,950	2,725	1.51%	179,984	2,136	1.19%
FHLB borrowings	61,553	1,085	1.76%	52,110	709	1.36%
Other borrowings	5,617	24	0.43%	9,526	200	2.10%
Senior sub. notes	2,500	111	4.44%	2,500	94	3.76%
Junior sub. debentures	7,732	326	4.22%	7,732	312	4.04%
Total	636,691	6,361	1.00%	612,372	4,418	0.72%
Non-interest-bearing liabilities:						
Demand deposits	140,561			135,416		
Other liabilities	9,040			8,260		
Stockholders' equity	76,871			73,169		
Total	\$ 863,163			\$ 829,217		
Net interest income		\$ 29,280			\$ 28,012	
Rate spread			3.33%			3.38%
Net yield on interest-earning assets			3.56%			3.54%

(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%.