

Subject: Audit Committee Charter	Section: Policies (Kevin Kraft)
Date Board Reaffirmed: April 18, 2018	Date Last Revised: March 6, 2015

PSB HOLDINGS, INC. AUDIT COMMITTEE CHARTER

1. Purpose

The Audit Committee shall assist the Board of Directors in monitoring (1) the integrity of the Company's financial statements, (2) the independent auditor's qualifications and independence, (3) the performance of the Company's internal and independent auditors, (4) compliance by the Company with respect to legal and regulatory matters, and (5) the Company's ethics policies and practices.

2. Committee Membership

The Audit Committee shall consist of no fewer than three outside directors independent of management who shall be appointed and may be replaced by the Board. Each member of the Audit Committee shall satisfy the criteria for independent director under Nasdaq Rule 4200(a)(15) and a majority of the members of the Audit Committee shall satisfy the criteria under Nasdaq Rule 4350(d)(2).

3. Meetings

The Audit Committee shall meet as often as it determines appropriate, but not less frequently than quarterly. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

4. Committee Authority and Responsibilities

(a) *Appointment of Independent Auditor.* The Audit Committee shall have the sole authority to appoint or replace the independent auditor. The Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Committee.

(b) *Approval of Services.*

(1) The Audit Committee shall pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditor, subject to the *de minimus* exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act which are approved by the Committee prior to the completion of the audit.

(2) The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate. The authority to grant pre-approvals of audit and permitted non-audit services may be delegated to the chair of the Committee, provided that decisions of the Chairman or a subcommittee to grant pre-approvals shall be presented to the full Committee at its next scheduled meeting.

(c) *Retention of Advisors.* The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Company shall provide for appropriate funding, as determined by the Committee, for payment of

compensation to the independent auditor for the purpose of rendering or issuing an audit report and to any advisors employed by the Committee.

(d) *Reports to the Board and Assessment of Charter.* The Audit Committee shall make periodic reports to the Board. The Committee shall review and reassess the adequacy of this Charter Annually and recommend any proposed changes to the Board for approval.

(e) *Oversight of the Company's Enterprise Risk Management Processes.* The Audit Committee shall oversee the Enterprise Risk Management processes at the Bank and ensure those processes are adequately addressing all areas impacting the financial reporting of the Company.

(f) *Evaluation of the Company's Ethics Policies and Practices.* No less than annually, the Audit Committee shall review and evaluate the Company's Ethics Policies and Practices to ensure that the "tone at the top" and throughout the organization is consistent with integrity and accuracy in financial reporting and business processes, providing a strong framework for internal control processes within the Company.

5. Duties of the Committee

In exercising its authority and fulfilling its responsibilities under this Charter, the Audit Committee shall take the following actions to the extent it deems necessary or appropriate. Such duties may be delegated to the Chairman of the Audit Committee for reporting of time sensitive issues.

(a) *Financial Statements*

(1) Review and discuss with management and the independent auditor the annual audited financial statements.

(2) Discuss with management and the independent auditor significant financial reporting issues and judgments regarding accounting principles and financial statement presentations made in connection with the preparation of the Company's financial statements.

(3) Review and discuss with the independent auditors:

(i) All critical accounting policies and practices to be used.

(ii) All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor.

(iii) Other material written communications between the independent auditor and management, such as any management letter, management representations, and any schedules of made or unadjusted differences.

(4) Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

(5) Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit.

(6) Discuss with the independent auditor the matters required to be discussed under current auditing standards relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

(7) Review with the independent auditor any problems or difficulties the auditor may have encountered and any management letter provided by the auditor and the Company's response to that letter.

(8) Discuss with the principal office of the independent auditor issues on which they were consulted by the Company's audit team and matters of audit quality and consistency.

(b) *Oversight of the Company's Enterprise Risk Management System*

(1) Review the appointment and replacement of the senior executives overseeing risk management, internal audit, and other critical areas involving Enterprise risk management impacting financial reporting.

(2) Review the significant reports to management prepared by the risk management area and internal auditing department and management's responses.

(3) Discuss with the independent auditor and management the risk management area responsibilities, budget and staffing and any recommended changes in the planned scope of the internal audit.

(4) Consider the effectiveness of the company's internal control system, including information technology security and control.

(5) Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

(c) *Compliance Oversight Responsibilities.*

(1) Obtain reports from management, the Company's senior risk management executive and the independent auditor that the Company and its subsidiary affiliated entities are in conformity with applicable legal requirements. Review reports and disclosures of insider and affiliated party transactions.

(2) Review the Company's hiring of employees or former employees of the independent auditor who participated in any capacity in the audit of the Company.

(3) Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.

(4) Discuss with the Company's general counsel legal matters that may have a material impact on the financial statements or the Company's compliance policies.

(5) Establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

(d) *Oversight of the Company's Ethics Policies and Practices*

(1) Annually, review the Company's Ethics Policies as they relate to financial reporting functions

- (2) Discuss with management the Company's Ethics policies and practices to ensure management is aware of, communicates, and enforces ethics policies and practices related to areas of financial reporting.

6. Limitation of Audit Committee's Role

While the Audit Committee has the responsibilities and powers set forth in this charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor.