

PSB Holdings, Inc.

**it's
about
you**

our customers,
employees and
shareholders.

2019 ANNUAL REPORT



PSB HOLDINGS, INC. 2019 ANNUAL REPORT

Positioning Ourselves for Shareholders

Peoples continually seeks new opportunities to bring our unique brand of banking to new markets to support increased shareholder value and returns.

People tell us time and again they appreciate our customer service, a friendly smile, a handshake after signing a contract, and a thank you for banking at Peoples. No matter

how they reach us, by walking in or driving up to one of our locations, reaching out by phone, or through our digital platforms, it all adds up to success.



\$41 MILLION

commercial net loan growth



\$156 MILLION

new residential first mortgage loan volume



\$77 MILLION

in net local deposit growth



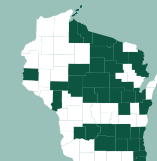
\$1.2 MILLION

wealth management gross revenue



\$514 MILLION

in-house and serviced mortgage loans



34 COUNTIES

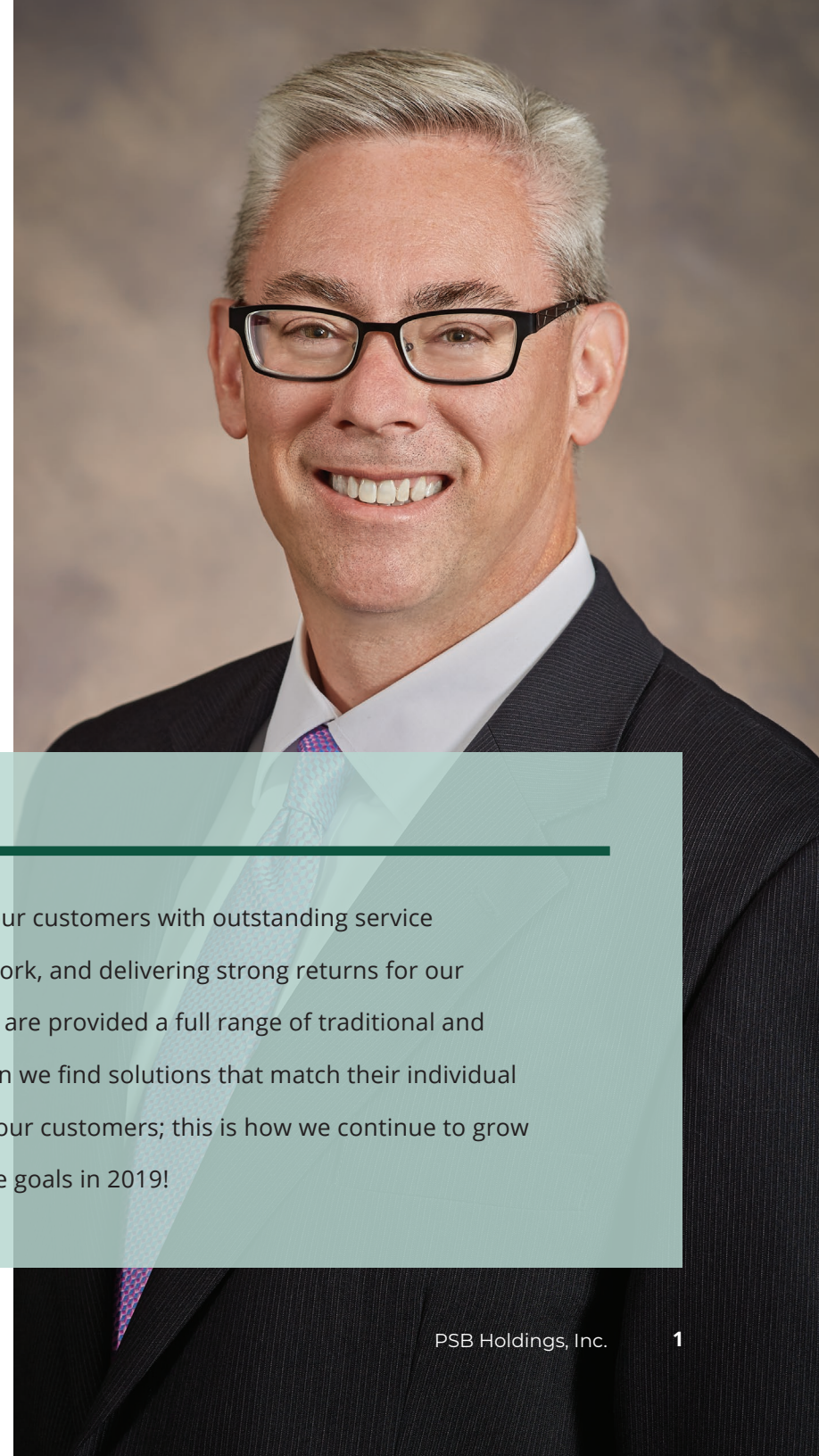
with \$1 million+ in loan commitments

president's letter

... BUILDING ON OUR STRENGTHS FOR THE FUTURE

TO OUR SHAREHOLDERS,

As a community bank, we focus on adding value to all stakeholders by providing our customers with outstanding service and products, supporting our communities, offering employees a great place to work, and delivering strong returns for our shareholders. When we greet a customer by name, they feel welcome. When they are provided a full range of traditional and digital banking tools to meet their financial goals they feel heard and valued. When we find solutions that match their individual needs and goals, we create loyalty. We build success by working as partners with our customers; this is how we continue to grow and build stronger communities. We had another year of success in meeting these goals in 2019!



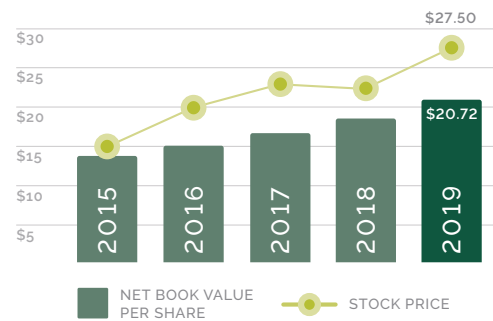
2019 HIGHLIGHTS

Bottom-line performance continued to be strong with 2019 earnings of \$2.51 per share, up 9.6% from \$2.29 per share during 2018. Our 2019 return on equity of 12.77% remained in the top 25 percent of similar-sized banks. We also increased shareholder dividends to \$0.40 per share, up 11.1%, continuing 26 consecutive years of cash dividend increases. PSBQ's stock price increased 22.2% during 2019 reaching \$27.50 per share at year-end.

Beyond the financial measures, we were again recognized as an outstanding community bank based on several different criteria.

- American Banker Magazine selected PSB Holdings, Inc. as one of the "Top 200 Community Banks" for the tenth year in a row. The ranking was based on a three-year average return on average stockholders' equity. Our entire team can be very proud of our ranking of 53rd in the nation of publicly traded banks having under \$2 billion in total assets.
- The Wausau Daily Herald's 2019 Best of Marathon County Awards named Peoples State Bank "Best Bank or Credit Union" and "Best Mortgage Company" based on a survey of their readers. It is a great feeling to be affirmed by your customers and community as being a trusted partner.
- Peoples was chosen as one of the "Best Banks to Work For" by American Banker Magazine and Best Companies Group. This award honors those institutions which have gone above and beyond to invest in their employees' personal well-being and professional growth.

Stock Price/Tangible Net Book Value – December 31



Our strategy continues to look for increased growth in our current markets and to add new markets to diversify our growth opportunities, helping us achieve the scale needed to increase earnings and shareholder value.

We experienced continued growth in our Milwaukee lending office, which reached \$73 million in total loans, up 37% during the year. To further our growth in this market, we purchased and renovated a bank branch for our first standalone location in Milwaukee. Located at 10725 W. National Ave. in West Allis near shopping and residential neighborhoods, this new location provides loan and deposit services. Read more about our West Allis location on page 8.

We consolidated our Rhinelander locations into our remodeled Anderson Street location. In addition to interior remodeling, we added an additional drive-up lane, expanded the parking lot, and added an adjacent public green space. The transition has been well received, and customer feedback indicates they appreciate the new "all-in-one" location.

We upgraded our digital and mobile banking platform during the year, making it easier for customers to use their phones to review and conduct their normal bank activity. Additional



Digital and mobile banking platform upgrade in 2019.

More and more Peoples State Bank customers are banking digitally—online with a computer or using our mobile phone app.



11,266 DIGITAL BANKING USERS
(as of 12/31/2019)



4,231 MOBILE APP BANKING USERS
(as of 12/31/2019)



\$1.2 MILLION AVERAGE MONTHLY PEOPLES MOBILE APP DEPOSITS
(2019)

features include setting text alerts and stronger fraud protections with the ability to turn a debit card on and off to prevent unauthorized use.

Our customers have recognized our efforts to better serve them. Recent survey results on customer satisfaction and loyalty show Peoples customers are two times more likely to refer Peoples to a friend than other banks' customers.

We shared part of our recent success by supporting significant local projects to expand the Wausau area YMCA and build a new Rhinelander youth sports dome. These donations of \$100,000 each demonstrated our commitment to those communities and their economic development. You can read more about these donations and other community involvement efforts on page 11.

Adding the PSB common stock, ticker PSBQ, to the OTCQX trading platform is helping to increase our shareholder liquidity. During the past two years, the number of business days with a PSBQ share trade has increased 68 percent. Based on our current shareholder

base, ownership positions, and average trading activity, 88% of all our shareholders could, if they wished, liquidate all their shares within one week. In addition, the number of parties consistently bidding to acquire shares at a similar price has increased, showing greater investment interest and providing greater price stability in our stock.

UPDATES ON OUR TEAM

We continue to add to our team and align our strategies related to continued growth and risk management.



During 2019, **Pat Heier** was appointed vice president of PSB Holdings, Inc. by the board of directors. Pat continues to serve as senior vice president, commercial banking group leader of Peoples. He has experience in markets around the state and his network—both in and outside the banking industry—will benefit us as we grow outside our legacy footprint.



Robert McPherson joined our team as vice president of risk management. He brings substantial experience in consumer regulatory compliance and other operational risk areas and is a strong resource as we grow into new markets and products.

As we planned for upcoming director retirements, **Corey Vanderpoel** joined our board as a new director during 2019, after an extensive needs review and search. He is a candidate for a new 3-year director term to be voted on at the 2020 annual shareholder meeting. Corey is a mid-market investment banker with the Taureau Group, LLC, headquartered in Milwaukee serving privately owned businesses with capital raising and strategic purchase and sale options. He brings important experience related to our growth strategy involving acquisitions. Corey is also well connected with the Milwaukee business community, which will help us grow that market.

“Corey’s background in mergers and acquisitions with Taureau Group is valuable experience as we pursue building value for shareholders through new market growth. His appointment made perfect sense, and we believe he will add value for our shareholders.”

– Bill Fish, Chairman of PSB Holdings Inc.



PRESIDENT'S LETTER



Patricia Hanz, J.D., daughter of Lawrence and Doris Hanz, founding bank shareholders, was recently added as a new director and is proposed as a candidate for a new three-year directorship term at the 2020 annual shareholder meeting. Patricia brings legal

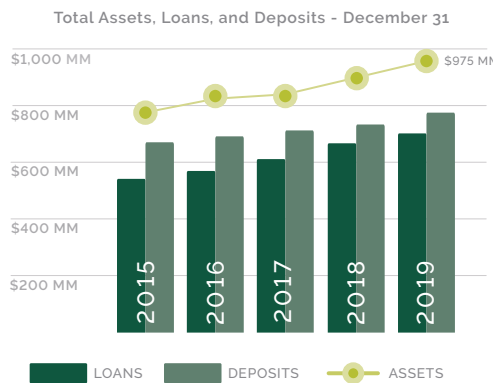
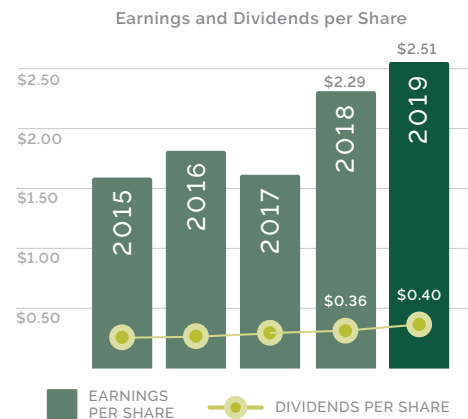
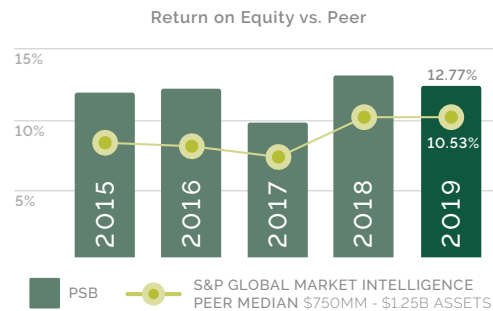
experience from her career with Briggs & Stratton and the United States Consumer Product Safety Commission and will help support Peoples' long-term mission as a strong community bank. She is a long-time Milwaukee resident and, like Corey, is familiar with the Milwaukee business climate.

Director **Tim Sonnentag** is retiring from our board after ten years of service. He has been a valuable member of our board but is moving on to pursue other important business opportunities within his company.

Directors **Tom Polzer** and **William Reif** have reached the Company's stated retirement age and are also retiring after 28- and 23-years of service, respectively. As past chairmen of several important committees, each will serve next year as directors emeritus to assist in our leadership transitions. Their long-time leadership and local connections will be missed but they will remain an important part of the Peoples family.

LOOKING AHEAD

In recent survey results released by The Wisconsin Bankers Association, bank CEOs are confident Wisconsin will experience good loan demand, and the economy will remain similar to 2019. In connection with opening our new Milwaukee branch, we're updating our retail checking lineup for all our markets, streamlining the menu, and adding a unique new account, Peoples Edge Plus, which carries new features, including robust identity theft protection and cell phone damage protection.



We have a goal to reach \$1 billion in total assets by the end of 2020 as we capitalize on organic growth in our new Milwaukee location and increase market share in our existing northern Wisconsin markets. We also continue to seek new markets via merger and acquisition activity. The Wisconsin banking industry experienced 17 bank sales during 2019 (tied for 3rd highest in the nation), a trend driven by the large number of independent banks in Wisconsin relative to other states. There is significant competition from other banks when we consider a bank purchase that adds value to our shareholders.

Despite the challenges, bank acquisitions provide us the opportunity to grow quickly beyond \$1 billion in total assets while adding operating scale, new market growth potential, and geographically diversified credit risk. Therefore, we continue to investigate acquisitions that make sense.

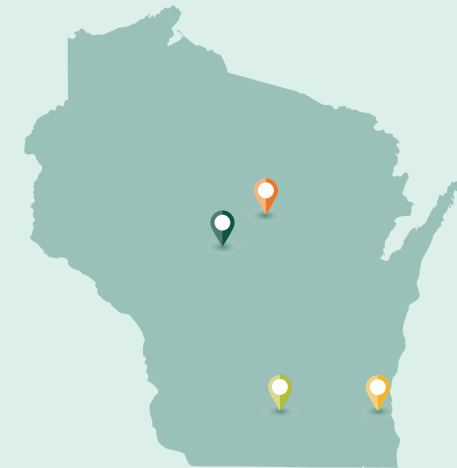
We've been busy expanding our investor base by sharing the Peoples' story with potential investors. We regularly meet with institutional investors who focus on small bank investing to share our story and strategy. We have experienced a growing number of investors providing a daily bid to purchase our shares on the OTCQX market. Regular weekly trades permit smaller shareholders to grow their position over time with the confidence they could acquire or sell PSBQ shares on their timeframe at a fair price.

Thank you for your trust and investment in Peoples. We hope you enjoy the benefits of being our customer, as well, and we look forward to connecting with you often in 2020.

Sincerely,

Scott M. Cattanach
President & Chief Executive Officer
PSB Holdings Inc. & Peoples State Bank

building wisconsin



Peoples' commercial banking team works with businesses throughout Wisconsin, taking the time to understand a business owner's need, offering financial insight to make sound financial decisions. In 2019, the team grew commercial net loans by more than \$41 million. Peoples helps businesses throughout Wisconsin with all types of loans, deposit products, cash management solutions, and fraud protection products.



DENTAL CRAFTERS MARSHFIELD

New Employees: 10-20

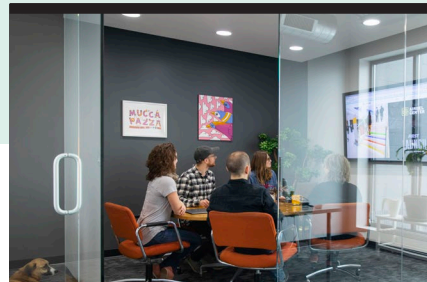


Dental Crafters, a full-service dental laboratory, expanded their business to accommodate state-of-the-art dental milling and 3D printing equipment, additional workspace for employees and a training room designed to help educate their customers and staff for the future.



OCUPOP MILWAUKEE

New Employees: 10



Ocupop—a design, branding and technology firm with staff in Wisconsin, Hawaii, British Columbia and more—recently worked with Peoples State Bank to finance the transformation of a manufacturing storage building into their new Milwaukee HQ. The new space serves as a creative haven for employees, brimming with natural light and maple wood accents.



VALUE HOSPITALITY, LLC MADISON

New Employees: 24



This project includes a four-story interconnected building to house a Baymont Inn and Suites hotel surrounded by surface parking, retention pond, and landscaping. The hotel will include approximately 85 rooms, large lobby, front desk, fitness center, micro mart, small bar, breakfast area, pantry area, and a porte co-chère, allowing guests to pull under to load and unload their cars.



BRICKNER'S WAUSAU

Total Employees: 60+



Brickner's new 40,000 square foot building on Grand Avenue in Wausau provides a comfortable and welcoming setting for their customers, regardless if they're looking for a new Chrysler, Jeep, Dodge, Ram, or Fiat vehicle, a used car or truck, or bringing a vehicle in for service.



THE 2019 LEADERSHIP TEAM

board of directors

William J. Fish

Chairman of PSB Holdings, Inc. & Peoples State Bank
Retired President
BILCO, Inc.

Scott M. Cattanach

President & CEO
PSB Holdings, Inc. &
Peoples State Bank

Charles A. Ghidorzi

Managing Member
Ghidorzi Construction
Company, LLC

Kevin J. Kraft

Managing Director
Wisconsin River
Partners, LLC

Lee A. Guenther

Retired CEO
T.A. Solberg Co., Inc.

Thomas R. Polzer

President & CEO
Polzer of Wausau, LLC
M&J Sports, Inc.

Karla M. Kieffer

Co-owner & VP Sales
SUN Printing

William M. Reif

CEO
Roastar, Inc.
Former CEO
Wausau Coated
Products, Inc.

Peter W. Knitt

Retired President & CEO
PSB Holdings, Inc. &
Peoples State Bank

Timothy J. Sonnentag

President & CEO
County Materials
Corporation

Corey B. Vanderpoel

Managing Director &
Owner
Taureau Group, LLC

AMERICAN BANKER
**BEST BANKS
 TO WORK FOR**
 2019

BEST BANK TO WORK FOR

Peoples was named as one of the Best Banks to Work For by American Banker magazine and Best Companies Group in 2019. It's the first time Peoples has applied for the prestigious designation.

AMERICAN BANKER
TOP 200
 COMMUNITY BANKS
 2019

TOP 200 COMMUNITY BANK

The ranking comes on the heels of American Banker naming PSB Holdings, Inc. as a Top 200 Community Bank for 10 straight years. American Banker recognized us as the 53rd top performing community bank in the nation.



BEST OF MARATHON COUNTY

Peoples was voted as "Best Bank or Credit Union" and "Best Mortgage Company" in the Wausau Daily Herald 2019 Best of Marathon County Awards. The honor marks the eighth year in a row that Peoples has been honored as best bank.



THE 2019 LEADERSHIP TEAM
senior management

Scott Cattanach

President
 Chief Executive Officer

Tim Dively

Vice President
 Chief Operations Officer

Pat Heier

Senior Vice President
 Group Leader
 Commercial Banking

Maureen Jorgensen

Senior Vice President
 Retail Sales & Service

Robert McPherson

Vice President
 Risk Management

Mark Oldenberg

Senior Vice President
 Chief Financial Officer

Donna Staples

Senior Vice President
 Human Resources

Front row: Mark Oldenberg, Robert McPherson

Back row: Maureen Jorgensen, Pat Heier, Scott Cattanach, Donna Staples, Tim Dively

PSB Holdings, Inc.

PEOPLES EXPANDS MILWAUKEE OPERATION

Peoples State Bank has opened a full-service bank location at 10725 W. National Avenue in West Allis. The expansion to a full-service location for retail and commercial banking was a natural progression for Peoples, which opened a lending office in nearby Wauwatosa—to serve the greater Milwaukee area—in 2016.

“We strive to be a ‘can-do’ bank that makes a difference for local business owners and families,” said Scott Cattanaach, president and CEO of Peoples State Bank.

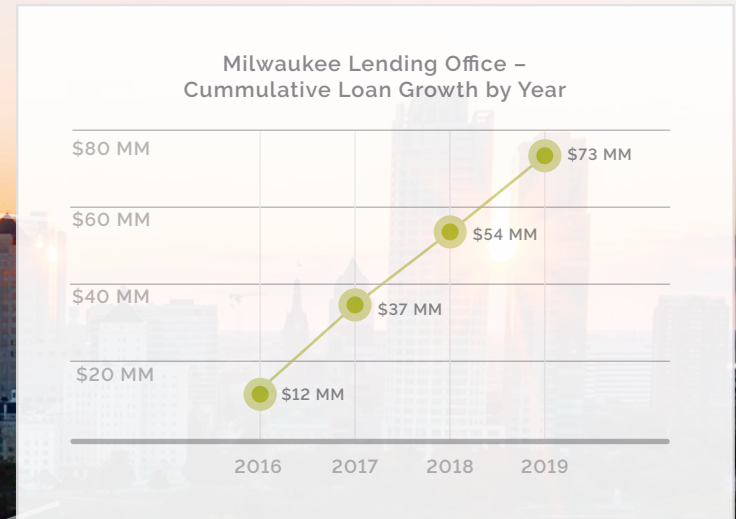
Peoples has provided loan services for Milwaukee area businesses since 2016. That’s when Jeff Musa was hired as the market president and built a team to provide commercial banking services throughout the Milwaukee area.

“Our team is excited to extend the same level of personalized, community banking service to retail clients as well,” said Musa.

“It was our plan from the beginning to grow into a full-service bank in Milwaukee. Jeff Musa has been a great fit in guiding us through a measured-growth approach,” said Cattanaach. “He understands you have to pay as you go, a step-by-step process, but he has a very strategic view.”



Left to Right: Bryan Nill, AVP - Mortgage Lender; Mark Chambers, Jr., AVP - Deposit Relationship Manager; David LaBrie, VP – Commercial Banker; Jeff Musa, VP – Southeastern Wisconsin Market President; Barbara Jones, VP – West Allis Branch Manager; Jose Pimienta, Jr., Commercial Banking Officer; Julie Katz, Commercial Portfolio Specialist II; Michael Merritt, Commercial Portfolio Manager



Peoples Provides Expansion Opportunity to Milwaukee's Monterrey Market

"We found many of our Monterrey Market customers were coming in from outside the area. So, we said, 'Let's look for a second location.' We found the old Toys R Us building on S. 27th and W. Howard in South Milwaukee. Peoples State Bank has been great to work with.

Jeff Musa and his team went through our financial projections and saw the business will support the loan to purchase the property and to build it into Monterrey Plaza.

Peoples has helped our business tremendously...giving us an opportunity to grow from one location to two. We'll be hiring more than 50 full- and part-time employees at the new location.

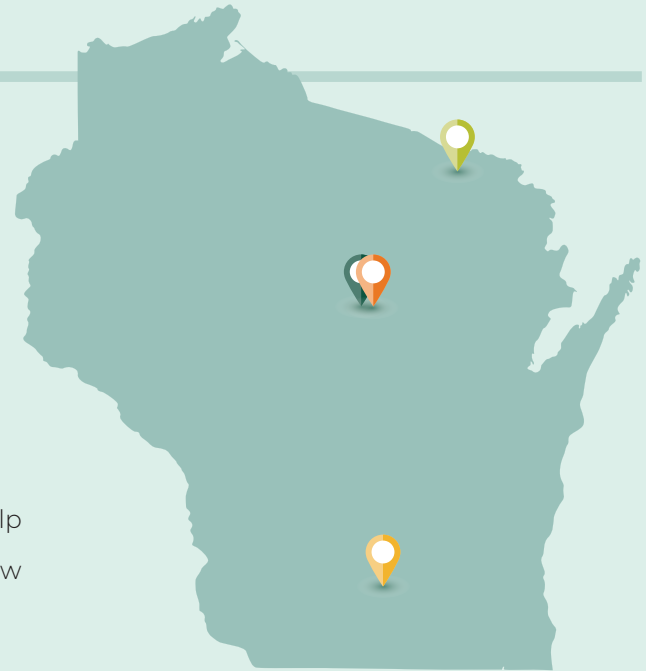
Jeff and the staff at Peoples understand our needs. They've helped guide us to grow our business even more.

Peoples cares for their customers. They know you by your first name instead of by your account number."

**LEONOR & ROBERT
MONTEMAYOR**
Monterrey Market



building wisconsin



Peoples' mortgage team helps Wisconsinites purchase their dream homes with options that help customers make the best choice for their needs. In 2019, Peoples provided \$156 million in new residential first loan mortgages, and serviced \$514 million in mortgages throughout Wisconsin.



PURCHASE
LOGAN & KASSI HEIL
WAUSAU



PURCHASE
JOSEPH & STELLE CRISTOFORO
MIDDLETON



PURCHASE
GARY & AMY BAUMETZ
THREE LAKES



CONSTRUCTION
TRAVIS & REBECCA HOERMAN
WAUSAU





PEOPLES COMMITTED \$100,000 EACH TO LARGE PROJECTS IN TWO OF OUR COMMUNITIES.

- In Wausau, Peoples gave to the Woodson YMCA's modernization and expansion project. The project is part of a reinvestment in Wausau's downtown, creating space for seniors, child-care, and additional fitness facilities to enhance the quality of life and health of our residents.
- In Rhinelander, Peoples announced a \$100,000 donation to the Hodag Sports Complex. "The project will benefit the community's youth, student-athletes, their families, and citizens of Rhinelander by promoting health and wellness, team-building, and social responsibility," said Craig Lau, Peoples northern market president.

giving back

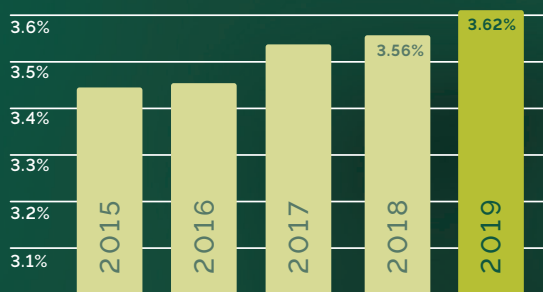
COMMUNITY BANKING MEETS COMMUNITY NEEDS

Peoples is a community bank, not just a bank in your community. We're vested in the community.

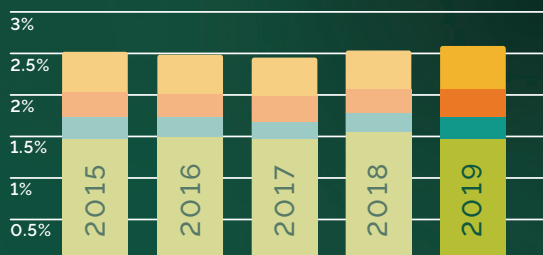
- Our employees give back to the communities they live in through volunteering—in 2019 they set a record of 8,677 hours! That's nearly 50 volunteer hours per employee. Peoples employees are provided 20 hours of volunteer time off to make a difference in their communities. The time allows employees to volunteer during their regular workday hours, when they otherwise aren't able to.
- In addition to the philanthropy provided to those in need, Peoples supports many schools, churches, non-profits, sports teams, and other agencies and organizations through scholarships, sponsorship of their events, and by providing promotional items and raffle baskets to more than 200 events on an annual basis.

stats at a glance

Net Interest Margin (tax adjusted)



Operating Expenses to Average Assets



SUMMARY STATEMENTS OF INCOME

(dollars in thousands, except per share data)

	2019	2018	2017
Net interest income	\$31,283	\$28,828	\$27,176
Provision for loan losses	850	130	385
Net interest income after loan loss provision	30,433	28,698	26,791
Noninterest income	7,661	6,476	6,107
Operating expenses	23,296	21,713	20,346
Net income before income taxes	14,798	13,461	12,552
Provision for income taxes	3,551	3,149	5,365

NET INCOME **\$11,247** **\$10,312** **\$7,187**

Diluted earnings per share	\$2.51	\$2.29	\$1.58
Cash dividends per share	\$0.40	\$0.36	\$0.32
Average common shares outstanding	4,481,251	4,496,525	4,558,569
Return on average assets	1.22%	1.19%	0.87%
Return on average equity	12.77%	13.41%	9.82%

SUMMARY BALANCE SHEETS

December 31, 2019, 2018 and 2017. (dollars in thousands, except per share data)

<i>Assets</i>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$49,028	\$43,978	\$28,107
Securities	179,431	175,108	173,812
Loans receivable, net	707,651	658,481	610,076
Premises and equipment, net	10,457	10,209	10,453
Other assets	28,326	28,222	25,233

TOTAL ASSETS	\$974,893	\$915,998	\$847,681
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Liabilities

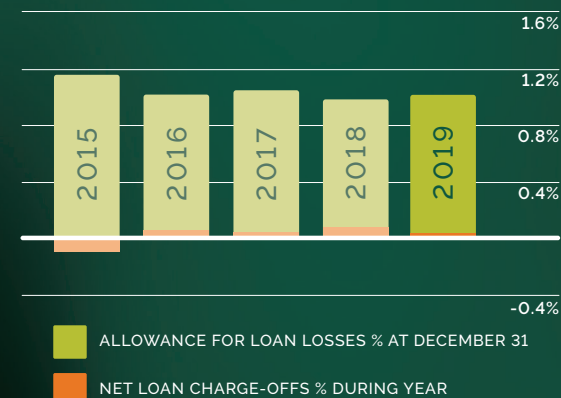
Total deposits	\$781,790	\$725,826	\$702,303
Federal Home Loan Bank advances	73,496	81,071	49,448
Other borrowings	6,131	8,379	2,636
Senior subordinated notes	2,500	2,500	2,500
Junior subordinated debentures	7,732	7,732	7,732
Other liabilities	10,553	9,650	9,280
Stockholders' equity	92,691	80,840	73,782

TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$974,893	\$915,998	\$847,681
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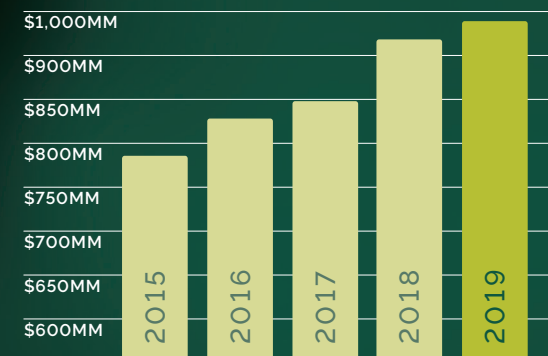
<i>Tangible net book value per share</i>	\$20.72	\$17.98	\$16.28
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stats at a glance

Allowance for Loan Losses & Charge-offs to Gross Loans



Total Assets at December 31





better banking starts here

PSB Holdings, Inc.

PSBQ

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