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THE ANNUAL  
REPORT

*growing for the future*

PSB Holdings, Inc.

 888.929.9902  [psbholdingsinc.com](https://psbholdingsinc.com) | [bankpeoples.com](https://bankpeoples.com)



**PSB Holdings, Inc.**  
**2021 Annual Report**  
*growing for the future*

While maintaining our leading market share in northcentral Wisconsin, Peoples expanded further in southeastern Wisconsin with the acquisition of Waukesha's Sunset Bank & Savings.

The acquisition provides an opportunity for future growth in a market expanding from commercial and retail perspectives. We're confident our customer- and community-focused approach will set us apart in southeastern Wisconsin.

Our customers look for excellent customer service, no matter how they choose to bank at Peoples. It's what we've provided to them since we opened our doors in 1962 and what we'll continue to provide—even as we look for new markets and new banking partners.

*of growth*  
**HIGHLIGHTS**



**33 Wisconsin counties**  
with \$1 million+ in  
loan commitments



**\$53 million\***  
net local  
deposit growth



**\$44 million\***  
commercial net  
loan growth



**\$205 million\***  
new residential  
mortgage  
loan volume



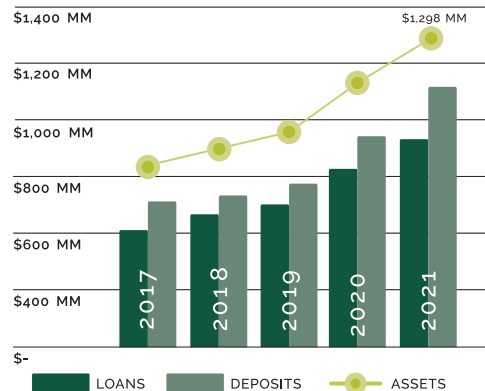
**\$2 million**  
wealth management  
gross revenue

*\*Excluding Sunset acquisition and/or PPP loans*



**SCOTT M. CATTANACH**  
 PRESIDENT & CHIEF EXECUTIVE OFFICER  
 PSB Holdings Inc. & Peoples State Bank

Total Assets, Loans, and Deposits - December 31



## MESSAGE FROM THE PRESIDENT

*To our Shareholders,*

On behalf of our staff and management, I am proud to present 2021 highlights that reflect our team’s focus on growth and excellent personal customer service. We are committed to providing outstanding products and services in our communities to build lasting shareholder value through independence and growth.

### GROWTH

2021 ended with record total assets of nearly \$1.3 billion, up 15% during the year and up 33% since January 2020 before the COVID pandemic began. We reached this milestone due in part to the 2021 acquisition of the \$135 million Sunset Bank & Savings in Waukesha, Wisconsin, along with organic loan and deposit growth across our northern, central, and southeastern Wisconsin regions. The Milwaukee area continues to be a strong growth driver, providing approximately 50% of the 2021 asset growth when including our Waukesha acquisition. In fact, the Peoples’ southeastern Wisconsin team has grown from one employee five years ago to having two full-service bank locations and \$240 million in assets today.

Since the pandemic began, we helped customers obtain Small Business Administration’s (SBA) Paycheck Protection Program (PPP) loans used to continue their employee and related costs but focused in 2021 on assisting customers in obtaining PPP loan forgiveness. We originated \$151 million in PPP loans during 2020 and 2021, of which \$137 million had been

forgiven or repaid by December 31, 2021. The 2021 economic recovery in Wisconsin, along with several SBA loan programs available to customers, maintained customer loan payments with improving credit quality in 2021 and much lower provisions for loan losses.

Peoples has consistently increased our participation in the SBA 504 lending program, allowing customers to finance a portion of their business expansion at attractive long-term fixed rates while bolstering our collateral position. Peoples State Bank was the largest 504 loan provider through WBD, Inc. (Wisconsin Business Development) during 2021.

Stimulus checks and supply chain slowdowns that limited spending contributed to sharp deposit growth during 2021, up nearly 6% before considering the Sunset Bank Waukesha acquisition and up \$173 million including the acquisition. It was also a record year for Peoples Wealth Management as assets under management grew to \$320 million, generating almost \$2 million of service fee income.

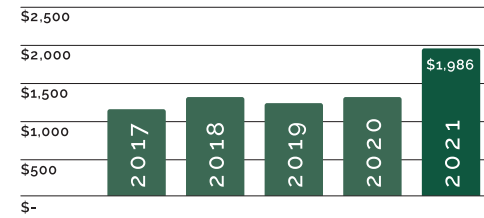
## EARNINGS AND DIVIDENDS

Recognition of PPP loan origination fees of \$3.4 million and a \$4.6 million reduction in provision for loan losses offset a \$2.7 million decline in mortgage banking income (as the low-rate refinance wave cooled) and \$2.8 million of Waukesha acquisition expenses during 2021. Earnings were \$2.88 per share in 2021 compared to \$2.40 per share in 2020, up 20%. Return on equity remained strong at 11.63% during 2021 compared to 10.83% during 2020. We were pleased to increase our shareholder cash dividend from \$0.42 per share in 2020 to \$0.46 per share in 2021, up nearly 10%. Even after recognition of intangible assets associated with our acquisition of Sunset Bank & Savings Waukesha, our tangible net book value increased to \$24.36 per share on December 31, 2021, up 4% during the year.

## CUSTOMER SATISFACTION HIGHLIGHTS

We continue to invest in the digital tools and products desired by our growing customer base. Our recent surveys indicate that 45 percent of customers prefer our online

Peoples Wealth Management  
Fee Revenue (\$000s)



banking tool, 35 percent prefer to visit in person, and 13 percent prefer our Bank Peoples digital app. We seek to provide a great experience across whatever channel the customer chooses to bank with us. Our customers are our strongest promoters, significantly more likely to refer Peoples to a friend than the typical bank customer.

As a community bank, we seek to serve both our customers and the larger community. That's why we encourage and provide paid volunteer time for our staff to give back. It's also why we contribute to local initiatives that benefit the well-being of our local neighbors. Our \$250,000 of donations in 2021 included a long-term commitment to sponsor Peoples Sports Complex in Wausau and significant contributions to the Hodag Dome indoor sports and recreation facility and the Hodag Park amphitheater in Rhinelander. You can read more about



**Dan Augustine**  
Financial Advisor



**Connie Higgins**  
Operations Manager



**Jeff Isaacson**  
Financial Advisor



**Bryan Nill**  
Financial Advisor

2021 PEOPLES WEALTH MANAGEMENT

these initiatives on pages 10 and 11.

Our efforts continue to be recognized by our community and industry. The Wausau Daily Herald's readers voted Peoples State Bank "Best Bank or Credit Union" and "Best Mortgage Company" in their 2021 Best of Marathon County Awards. We were also chosen among the "Best Banks to Work For" and one of the "Top 200 Community Banks" by American Banker Magazine. You will find more information about these awards on page 6.

## LEADERSHIP FOR THE FUTURE

We welcome Jeff Saxton as vice president of our retail group following the retirement of Maureen Jorgensen after nine years of her retail banking leadership. Jeff will provide direction to Peoples' retail, mortgage, and

wealth management staff and expand digital banking and customer self-service options.

Tina Seidl also joined Peoples as vice president - human resources director during 2021. Tina brings over 15 years of experience in the financial services and healthcare fields.

Director Charles Ghidorzi retired from the PSB Holdings, Inc., and Peoples State Bank boards in 2021 after 24 years of service. We thank him for his many years of contributions as he devotes more time to leading various civic projects to benefit the greater Wausau area.

Peoples lost a longtime supporter and friend, Lawrence 'Larry' Hanz, Jr., who passed away in 2021. You can read more about Larry's impact on Peoples on page 7.

## RESPONSIVE TO CUSTOMER NEEDS

Anticipating customer needs is essential in providing an excellent experience. With that in mind, we completed several projects in 2021, including a remodeling project at our Marathon location. The 2,500 square foot project creates a better flow for customers and employees and additional private office space for customer interactions.

We implemented a new residential mortgage platform to provide customers with a better online loan application and allow operating efficiencies behind the scenes. Our goal is to provide more convenient ways for customers to interact with Peoples throughout their mortgage experience from start to finish.

Our commercial banking team is rolling out a



SAXTON



JORGENSEN

## RETAIL LEADERSHIP CHANGE

Peoples State Bank promoted Jeffrey Saxton to vice president, retail group leader in 2021, after the announcement by Maureen Jorgensen that she would retire from Peoples in December 2021.

With the promotion, Saxton expanded his leadership duties, from his experience managing the

bank's mortgage team to managing all retail banking efforts. "Jeff has a passion for expanding the bank's digital banking platforms, making it easier for customers to access their money, and perform routine banking services," said Scott Cattanaach, Peoples State Bank president, and CEO.

Jorgensen spent nearly ten years at Peoples, leading the retail team through many changes. "Maureen never shied away from a difficult customer conversation," said Cattanaach. "She is exceptional at reading people and situations and finding ways to engage with everyone—

even those who might be upset about something."

Jorgensen leaves banking on a high note, as she was named one of BankBeat magazine's 2021 Outstanding Women in Banking!

***Congratulations, Maureen!***

new high-touch platform with additional products and services appropriate for our largest customers having strong business and personal relationships with Peoples to address all their banking needs in one place. It's another way to offer convenient and personalized services to consolidate banking and wealth management assistance with flexibility, convenience, and attractive pricing.

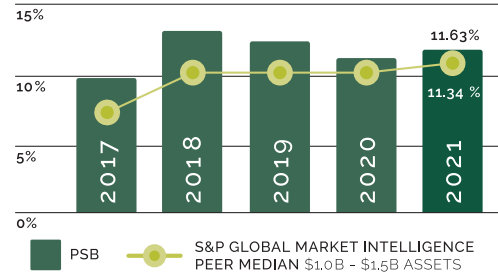
We are working to help all our neighbors access the banking system, and we've added a low-fee account designed to meet the needs of unbanked or underbanked households. The account tools and features allow customers to increase their financial literacy with digital and debit card access to their funds without the fear of high fees or overdrafts.

## LOOKING AHEAD

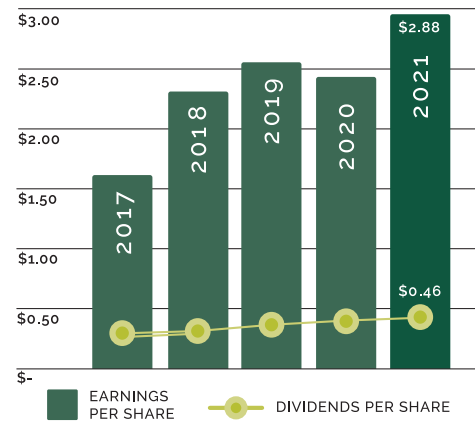
Building upgrades are coming to two of our locations, with more details on page 10. We've remodeled the lobby of our Stewart Avenue (Wausau) home office to allow for more of a personal 'concierge' banking experience with self-service options. A remodel of our Waukesha branch will double the number of private offices and modernize the lobby. Both projects are designed to update the customer experience with multiple channels for service, both digital and personal.

Currently, low net interest margins within the industry require us to explore ways to use technology and process updates to increase operating

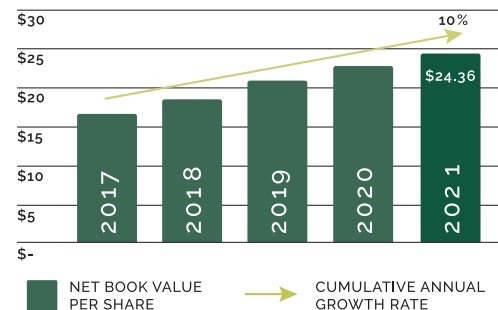
Return on Equity vs. Peer



Earnings and Dividends per Share



Tangible Net Book Value - December 31



efficiency and reduce expense to support a healthy bottom line. Various teams throughout the bank are working to reduce unnecessary paper handling and repetitive tasks to serve customers better.

New products and services are on the horizon, like online deposit account opening and expanded text "conversations" within our mobile app for customer questions or service needs. It is essential for us to provide our customers with multiple options for product purchase and support.

Continued asset, market, and product growth is vital to driving shareholder value over the next several years. We are committed to continued growth on programs, products, and people we have in place while seeking new or expanded markets or lines of business to benefit our customers, employees, and shareholders.

For shareholders in the coming year, we seek to continue above-average returns on shareholder equity that prioritize continued shareholder cash dividends and maintain our stock buyback program for shareholders holding our stock outside of a brokerage account. Thank you for your ongoing investment and support of Peoples as we celebrate our 60-year anniversary during 2022. We hope to see you often this year.

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

# Retirements

Community banking is a people business, and we recognize some long-time colleagues who retired in 2021. Thank you, and we wish you all the best!

## TINA LIS

Loan Servicing Specialist Sr.  
25 years of service

## CINDY SWENDRZYNSKI

Loan Operations Officer  
24 years of service

## DONNA STAPLES

SVR Human Resources  
14 years of service

## MAUREEN JORGENSEN

SVP Retail Sales & Service  
9 years of service



STAPLES



SEIDL

**Donna Staples**, a long-time Peoples employee, retired in mid-January 2021, serving as senior vice president and human resources director at the bank for nearly 15 years. Staples stepped aside to spend more time with her family. **Tina Seidl** was hired as vice president and human resources director, bringing more than 15 years of HR experience to the bank in the healthcare and financial fields. “Tina understands the challenges of the hiring process, but additionally to support and grow workforce culture, develop and implement corporate HR policies, and to deliver training options for employee growth,” said Scott Cattanach, Peoples State Bank president and CEO.



Front row – Scott Cattanach, Robert McPherson  
Back row – Jeffrey Saxton, Maureen Jorgensen, Tim Dively, Pat Heier

## 2021 EXECUTIVE MANAGEMENT

### Scott Cattanach

President  
Chief Executive Officer

### Tim Dively

Vice President  
Chief Technology & Operating Officer

### Pat Heier

Senior Vice President  
Commercial Banking

### Maureen Jorgensen

Senior Vice President  
Retail Sales & Service

### Robert McPherson

Vice President  
Risk Management

### Jeffrey Saxton

Vice President  
Retail Sales & Service

# SATISFIED CUSTOMERS

Sam and Amanda McLellan’s first experience with Peoples State Bank was a mortgage loan they received through the now retired Dan Mortenson. “There were things ‘Morty’ and Peoples helped with that other banks we approached weren’t interested in,” said Sam. Sam and Amanda didn’t have a lengthy self-employment history as new independent home builders. But they were hard-working and dedicated to building high-quality homes.

What they found in Peoples was customer service they could relate to. Their new company, Woodbury Custom Homes, was formed to provide custom-built houses for their customers. “We love our clients who come to us with a portfolio of ideas they like, said Amanda. “We take pride in helping them build their dream home, with specific ideas they wanted. That’s



Sam and Amanda McLellan during a video production for Peoples State Bank.

what custom is all about, and it’s the same thing we saw in our relationship with Peoples.”

Shortly after applying for a mortgage, Sam and Amanda worked with Meredith Otte of Peoples commercial banking team to build a business relationship. “From a professional and financial standpoint, Meredith provides feedback which we appreciate,” said Sam. “She’s been able to help us make smart choices to grow our business in a healthy fashion.”

A few years—and a few houses—built and sold later, and the McLellan’s have become brand ambassadors for Peoples. “Peoples has enough in-house products that provide us as business owners all we need,” said Amanda. “And we’ve gotten to the point where we never hesitate to tell our customers about Peoples. You’re going to get a good experience. And if any bank is going to help you figure out what you need, it’s them.”



## Top 200 Community Bank

American Banker magazine ranked PSB Holdings, Inc. as a Top 200 Community Bank for 12 straight years. In 2021, we’re ranked as the 68th top-performing community bank in the nation.



## Best Banks to Work For

American Banker magazine named Peoples one of the Best Banks to Work For in 2021. It’s the third year in a row Peoples has been honored.



## Best of Marathon County

Wausau Daily Herald readers rated Peoples as the “Best Bank” and the “Best Mortgage Company” in 2021. The honor marks the 10th year in a row Peoples has been named the best bank and the third year in a row as the best mortgage company. Peoples Wealth Management was also recognized as a top-two finalist in the “Best Financial Planning” category.



# BOARD OF DIRECTORS

Our highly qualified board members ensure Peoples State Bank's financial security and dedication to our customers' best interests.



FRONT ROW – KEVIN KRAFT, PETER KNITT, COREY VANDERPOEL, KARLA KIEFFER  
 BACK ROW – PATRICIA HANZ, WILLIAM FISH, SCOTT CATTANACH, BOB EASTMAN, LEE GUENTHER

**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

**Kevin J. Kraft**  
 Managing Director  
 Wisconsin River Partners, LLC

**Lee A. Guenther**  
 Retired CEO  
 T.A. Solberg Co., Inc.

**Karla M. Kieffer**  
 Co-owner & VP Sales  
 SUN Printing

**Peter W. Knitt**  
 Retired President & CEO  
 PSB Holdings, Inc. & Peoples State Bank

**Corey B. Vanderpoel**  
 Managing Director & Owner  
 Taureau Group, LLC

**Patricia M. Hanz**  
 Retired  
 Briggs & Stratton  
 U.S. Consumer Product  
 Safety Commission

**Robert F. Eastman, Jr.**  
 Retired CEO  
 Sunset Bank & Savings



IN MEMORIAM  
 LAWRENCE 'LARRY'  
 HANZ  
 1924 – 2021

Larry was among a group of westside Wausau businessmen who founded Peoples State Bank in 1962. A long-time supporter of the bank, Larry also served on the board of directors from 1981 to 2002.

Peoples opened a full-service bank location in 2020 in West Allis. In 2021, the bank purchased Sunset Bank & Savings of Waukesha, expanding our presence and *creating opportunities.*

In 2015, the PSB Holdings, Inc. board of directors moved forward with a strategic plan culminating in growth opportunities for the bank in southeastern Wisconsin. “For many years, we’ve had the great privilege in northern and central Wisconsin to have the number one community bank deposit market share in our three home counties,” said Scott Cattanaach, Peoples State Bank president and CEO. “Our Marathon, Oneida, and Vilas counties are strong performers but we needed to look to other faster-growing Wisconsin counties. So, in 2015 we looked at where we could find growth opportunities.”

Looking back now, the move into southeastern Wisconsin has been an impressive part of the bank’s growth. Today, Southeast Wisconsin’s \$240 million in assets represents about 20% of Peoples’ total assets of \$1.3 billion.

Peoples opened a loan production office in Wauwatosa in 2016, quickly adding staff as more commercial customers brought their financial needs to the bank.

“I look at it and have to pinch myself. Five years ago, it was just me and Jose Pimienta, Jr., and a few customers. Now we have 30 employees between two full-service bank locations,” said Jeff Musa, Peoples State Bank southeastern Wisconsin market president. “We’ve focused on being able to do what’s right for our customers from day one, building true relationships with them.”





**“It’s all about building good relationships — with our customers— and our employees.”**

– Chadd Frank,  
Peoples State Bank  
Waukesha Market President

Peoples opened a full-service bank location in 2020 in West Allis. In 2021, the bank purchased Sunset Bank & Savings of Waukesha, expanding our presence and creating opportunities.

“It’s all about building good relationships—with our customers—and our employees,” said Chadd Frank, Peoples State Bank Waukesha market president. “It doesn’t matter if it’s a commercial customer or a retail customer. We want to create an atmosphere where customers know we’re here for them.”



“West Allis and Waukesha are branch locations of Peoples State Bank,” said Cattanach. “What that means is that you’ll have the same great experience at the Waukesha or West Allis locations as you do in our Stewart Avenue, Rhinelander, or Minocqua locations where we have been ranked the best local bank for ten years in a row.”

# REDESIGNED *Spaces*

Keeping in mind our customers and employees, Peoples has renovated several bank locations to improve traffic flow for our customers and workflow for our employees.



## MARATHON CITY

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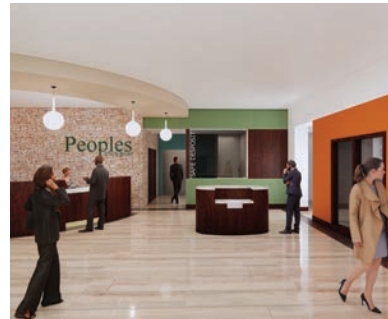
Our Marathon bank saw extensive renovation work in 2021, including creating more offices to allow privacy with customers and improved workflow for our employees.



## WAUSAU

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At Stewart Avenue, we created a “concierge” service model for our customers, with a remodeled lobby including high-top tables, self-service tablets, and a retail banker greeting customers and assisting them in non-cash transactions.



## WAUKESHA

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Our renovation work will double our office space in Waukesha and provide the newest technology for a great customer and employee experience.



## SUPPORTING OUR COMMUNITY



### MC UNITED SOCCER CLUB JERSEY SPONSORSHIP

“With a four-year agreement in place, we know our parents and athletes will take notice of Peoples’ commitment to the club,” said Sharon Belton, former MC United president.



### PEOPLES SPORTS COMPLEX

Peoples State Bank and Marathon County announced the agreement for Peoples State Bank to become the naming rights sponsor of the Peoples Sports Complex. "We're excited for this new partnership with Peoples State Bank," said Jamie Polley, Marathon County Parks, Recreation & Forestry Director.



### WAUKESHA TRAGEDY

Peoples donated \$15,000 to the Waukesha Community Fund hosted by the Waukesha County Community Foundation and United Way of Greater Milwaukee & Waukesha County.



### HODAG PARK

Peoples donated \$15,000 to Rhinelander's Hodag Park improvement project. "When completed, these improvements will draw thousands of people to Hodag Park," said Craig Lau, Peoples State Bank northern market president.



### HELPING OTHERS

Peoples employee Marlie Gordon and her husband Lorn gathered items donated by our employees to send to Kentucky tornado victims.

## SUMMARY STATEMENTS OF INCOME

Years ended December 31 (dollars in thousands, except per share data)

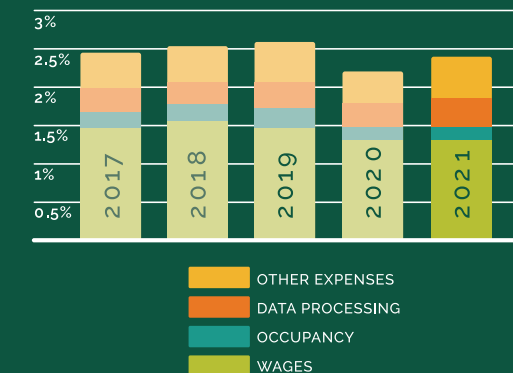
	2021	2020	2019	2018	2017
Net interest income	\$38,601	\$31,879	\$31,283	\$28,828	\$27,176
Provision for loan losses	1,000	5,575	850	130	385
Net interest income after loan loss provision	37,601	26,304	30,433	28,698	26,791
Noninterest income	9,418	11,413	7,661	6,476	6,107
Operating expenses	30,110	23,744	23,296	21,713	20,346
Net income before income taxes	16,909	13,973	14,798	13,461	12,552
Provision for income taxes	4,092	3,284	3,551	3,149	5,365
<b>NET INCOME</b>	<b>\$12,817</b>	<b>\$10,689</b>	<b>\$11,247</b>	<b>\$10,312</b>	<b>\$7,187</b>
Diluted earnings per share	\$2.88	\$2.40	\$2.51	\$2.29	\$1.58
Cash dividends per share	\$0.46	\$0.42	\$0.40	\$0.36	\$0.32
Average common shares outstanding	4,454,836	4,455,670	4,481,251	4,496,525	4,558,569
Return on average assets	1.03%	1.01%	1.22%	1.19%	0.87%
Return on average equity	11.63%	10.83%	12.77%	13.41%	9.82%

## SUMMARY BALANCE SHEETS

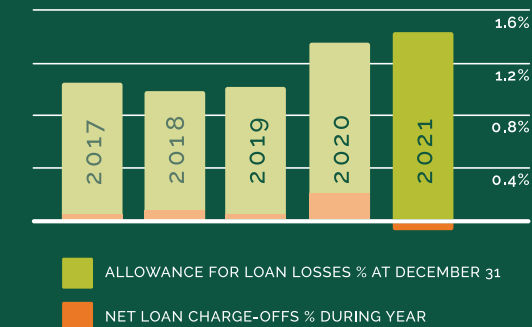
Years ended December 31 (dollars in thousands, except per share data)

ASSETS	2021	2020	2019	2018	2017
Cash and cash equivalents	\$53,543	\$38,528	\$49,028	\$43,978	\$28,107
Securities	310,690	229,527	179,431	175,108	173,812
Loans receivable, net	876,337	820,956	707,651	658,481	610,076
Premises and equipment, net	12,695	10,920	10,457	10,209	10,453
Other assets	45,446	32,024	28,326	28,222	25,233
<b>TOTAL ASSETS</b>	<b>\$1,298,711</b>	<b>\$1,131,955</b>	<b>\$974,893</b>	<b>\$915,998</b>	<b>\$847,681</b>
LIABILITIES	2021	2020	2019	2018	2017
Total deposits	\$1,105,240	\$932,137	\$781,790	\$725,826	\$702,303
Federal Home Loan Bank advances	47,000	62,000	73,496	81,071	49,448
Other borrowings	6,677	12,239	6,131	8,379	2,636
Senior subordinated notes	2,500	2,500	2,500	2,500	2,500
Junior subordinated debentures	12,717	7,732	7,732	7,732	7,732
Other liabilities	13,315	10,920	10,553	9,650	9,280
Stockholders' equity	111,262	104,427	92,691	80,840	73,782
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS EQUITY</b>	<b>\$1,298,711</b>	<b>\$1,131,955</b>	<b>\$974,893</b>	<b>\$915,998</b>	<b>\$847,681</b>
Tangible net book value per share	\$24.36	\$23.43	\$20.72	\$17.98	\$16.28

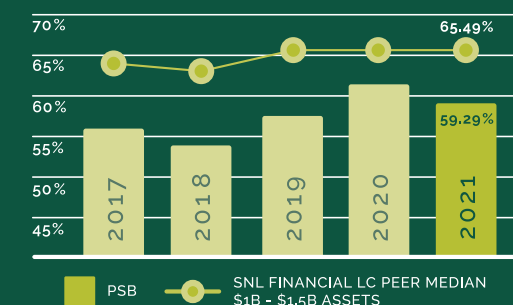
Operating Expenses to Average Assets



Allowance for Loan Losses & Charge-offs to Gross Loans



Efficiency Ratio\* vs. Peer



\*Operating expenses as a % of revenue

GROWING FOR

*The future*



PSB Holdings, Inc.

PSB Holdings, Inc.

PSBQ

888.929.9902

PSBHOLDINGSINC.COM

