



ANNUAL REPORT

20
23

It's about you: our customers, employees and shareholders.



Understanding You
to Support You Better.





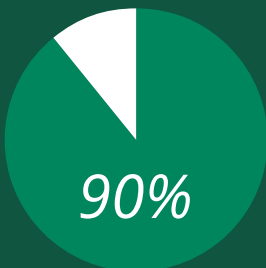
2023 Annual Report

For more than 60 years, Peoples State Bank has focused on providing the best customer service possible. Satisfied customers return time and again when they need financial assistance.

Our customers spoke. We listened. In 2023, we began a new method of instant feedback to gauge our customers' satisfaction. Instant feedback provides opportunities for us to quickly adapt to our customers' needs. You'll find quotes from customers about their experience with Peoples throughout the Annual Report.



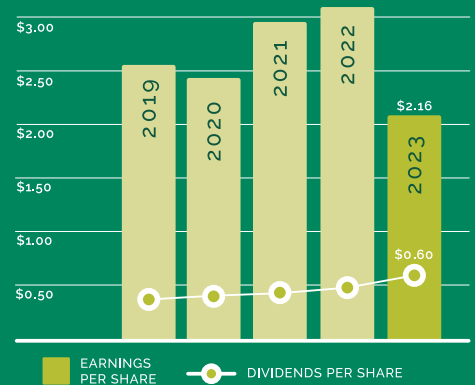
UNDERSTANDING YOU TO SUPPORT YOU BETTER



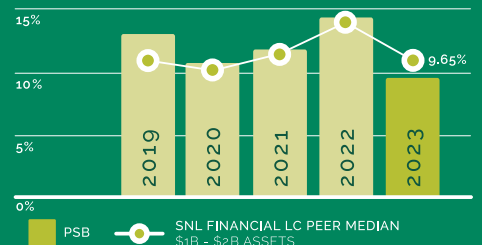
OVERALL CUSTOMER SATISFACTION

2023 customer satisfaction scores from 1,218 Peoples surveys.

Earnings and Dividends per Share



Return on Average Tangible Common Equity vs. Peer



Message from the President



Scott M. Cattanach

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

Understanding You to Support You Better

Growing banks are rewarded by investors with higher stock prices and lower costs of capital. Our strategy is focused on above-average growth, which we achieved during 2023 with loan growth 23% greater than the average for Wisconsin community banks (those with less than \$10 billion in assets). Because growth goes to banks that meet customer needs best, we focused on listening to our customers better in 2023. We responded with consistent delivery and a better customer experience providing solid results for our shareholders.

Financial Focus

We earned \$9.1 million in net income available to common shareholders during 2023, or \$2.16 earnings per share, compared to \$13.6 million of net income and \$3.07 earnings per share during 2022. Earnings per share declined primarily from lower net interest margins, which were 2.98% in 2023 compared to 3.28% last year, and initial impacts of a Wisconsin tax law change.

As market interest rates continued to rise during the year, many banks chose to limit growth as their deposit costs rose and balances declined. We chose to continue investment in business owners with solid financial plans when their opportunities arose and experienced record loan growth during 2023. Net loans receivable increased \$116.8 million, up 12.1% over last year. Although the banking industry was shaken in March 2023 with the failure of several large banks, our customers continue to trust the strength of Peoples.



"I like Peoples State Bank very much because their customer service is very nice and pleasant. I would recommend Peoples State Bank to others as well."



"I have several accounts with them, and they treat me pleasantly and professionally. Overall, I am satisfied with banking at Peoples State Bank."

Excluding a paydown of brokered deposits, our local deposits increased during 2023 compared to 2022. Total assets reached a record \$1.4 billion on December 31, 2023.

During July 2023, the state budget signed by Governor Tony Evers included a provision offering an income tax exclusion on income earned from commercial loans of \$5 million or less, originated for business or agricultural purposes to borrowers who reside or are located in the state of Wisconsin. While this change reduced our current year tax payments by \$900,000, we did have to write off \$2.8 million, representing the value of previously recorded future tax deductions no longer needed. Taken together, 2023 net income was reduced \$1.9 million, or \$0.45 per share by this tax change. We expect it will reduce or eliminate our state tax expense in future years, which had been approximately 6.4% of pre-tax net income.

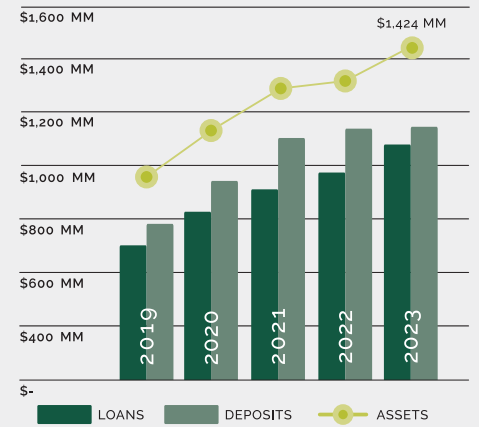
Return on shareholder average tangible common equity was 9.65% in 2023 compared to 14.08% in 2022. Strong results again permitted the company to increase cash dividends declared to shareholders during 2023, which rose 20% to \$0.60 per share. The Company continued to support liquidity for shareholders looking to sell their stock by repurchasing \$3 million of stock in 2023, compared to \$3.3 million in 2022, at prices that increased book value and earnings per share for our remaining shareholders.

Understanding Your Wants

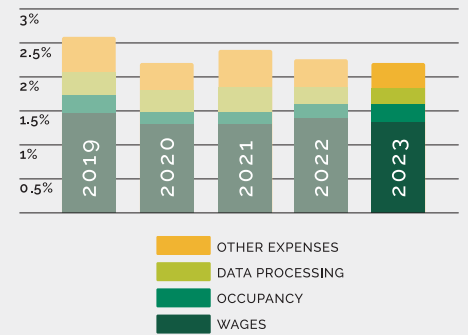
In 2023, we initiated a customer survey program designed around individual customer experiences or transactions to help us know what we do well and what we could do better. The initial results are encouragingly strong, and we achieved an overall customer satisfaction score of 90% at year end. We exceed our peers in many categories such as in teller and customer service center interactions, mobile and online banking, and new account openings online and in-person.

Guided by the knowledge we've obtained from our customers, we are aligning our technology investments with customer preferences. Our customers can open deposit accounts online with our Open Now platform, and in 2023, we added an online option to open certificates of deposit.

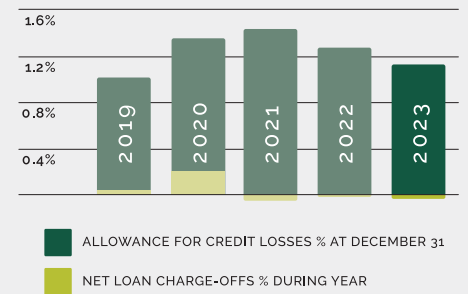
Total Assets, Loans, and Deposits - December 31



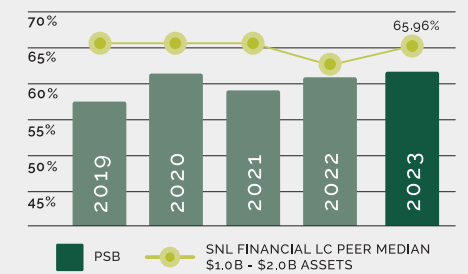
Operating Expenses to Average Assets



Allowance for Credit Losses & Charge-offs to Gross Loans



Efficiency Ratio* vs. Peer



*Operating expenses as a % of revenue

Drive-up customers in Stevens Point (our new branch opened in 2023) and Waukesha can utilize our Smart ATMs to do more transactions than the typical ATM cash withdrawal. Smart ATMs include a video screen that customers can use to talk to a Peoples staff member for assistance with their transactions, including making deposits, transferring funds, making Peoples' loan or credit card payments, or with questions on their account activity.

To provide more opportunities for personal interaction, we began to install new teller equipment that allows staff to quickly process cash transactions. The technology provides staff members more time to listen to customers needs and discuss possible solutions to fit those needs.

Along with faster and more efficient customer service delivery, these new technologies allow Peoples to open new, smaller footprint locations more quickly and at lower operating cost, such as our new Stevens Point location.

Peoples Wealth Management

In September, we announced two crucial enhancements for Peoples Wealth Management, our financial planning and investment services division. Peoples Wealth Management aligned with Raymond James Financial Services, member FINRA/SIPC, as our broker/dealer through which we offer financial planning and investment resources. Concurrently, we added

new senior advisor Scott Wildman and assistant Dana Kolbe, joining Connie Higgins and Bryan Nill on the Peoples Wealth Management team. You can learn more about this transition on page 5 of this report.

Banking With a Winner

When you bank with Peoples, you're banking with a winner. American Banker Magazine includes Peoples in the Top 200 Community Banks in the nation, now for the 14th year in a row. The honor is based on the above-average return on equity results over the most recent three-year period. American Banker also honored Peoples as one of the nation's Best Banks to Work For, our fifth year in a row! I'm incredibly proud of the honor based on an anonymous survey of our employees. In our home market, Wausau Daily Herald readers voted us the Best Bank of Marathon County for the 12th year in a row. We take pride in these honors, affirming our commitment to providing excellent customer service and value for each stakeholder.

Looking Ahead

As the economy transitions to a potential Federal Reserve interest rate "pause," we expect slower asset growth in the coming year, allowing us to build capital levels after a year of fast growth. We continue to have many tools to meet customer needs even in a slowing economy, including SBA guaranteed loans under their

7a program and our continued origination of SBA 504 loans.

We are wrapping up a remodel of our Stewart Avenue Wausau home office lobby and retail banking area, which is designed to serve customers better based on customer feedback and changing preferences. Building our brand in the Milwaukee area, we also plan to open a downtown location in 2024 for increased contact and exposure with local business leaders.

Lastly, your proxy statement includes a request to approve the addition of new bank directors, Tim Kilgore and Jeff Wickersham, as director Lee Guenther retires, and we add an additional member to the Board of Directors. Please refer to page 5 to learn about our proposed directors and their experience to help move Peoples forward.

We are listening to our customers, investing in technology to improve our digital and personal interactions, and focusing on products and people that deliver value to retail and commercial customers daily. Peoples and our staff provided another outstanding year for our shareholders, customers, and each other. Thank you for your trust and ongoing support.



Scott M. Cattanaach
President and CEO
PSB Holdings, Inc.



From left - Lyn Falk, Corey Vanderpoel, Bill Fish, Karla Kieffer, Scott Cattanaach, George Fahr, Kevin Kraft, Lee Guenther, Patty Hanz

Board of Directors

Our highly qualified board members ensure Peoples State Bank’s financial security and dedication to our customers’ best interests for greater shareholder value.

BOARD RETIREMENTS

A special “thank you” to Pete Knitt and Lee Guenther on their retirements from the PSB Holdings, Inc. board of directors.



Pete Knitt



Lee Guenther

Pete served independently on the PSB Holdings, Inc. board of directors from early 2018 until the end of 2023. He was a long-time Peoples employee, joining the bank in 2003 and promoted in 2006 to president and CEO until December 2017.

Lee served on the PSB holdings, Inc. board of directors for 12 years, retiring in April 2024. Most recently, he served as the chair of the Investment & Asset Liability Management and Compensation committees. His career spanned 55 years, including 25 years at T.A. Solberg Co., Inc.

William J. Fish

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

Scott M. Cattanaach

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

Kevin J. Kraft

Managing Director
Wisconsin River Partners, LLC

Karla M. Kieffer

VP Sales & Marketing
SUN Printing

Corey B. Vanderpoel

Managing Director & Owner
Taureau Group, LLC

Patricia M. Hanz

Retired
Briggs & Stratton
U.S. Consumer Product
Safety Commission

Lyn M. Falk

President & Founder
Retailworks, Inc.

George E. Fahr

President & Owner
Digicorp, Inc.



Lyn Falk



George Fahr

Board Additions

Welcome new board members Lyn Falk and George Fahr.

Lyn joined in April 2023. She is the president and founder of Retailworks, Inc., an award-winning commercial interior design, display, branding, and consulting firm.

George was selected in January 2024 to fill the remaining term of Pete Knitt. He is the majority shareholder and president of Digicorp, a Milwaukee-based IT, computer, telephony, and video solutions provider.

We also welcome prospective board members Tim Kilgore and Jeff Wickersham.



Tim Kilgore



Jeff Wickersham

Tim has been with Greenheck Fan of Schofield for 19 years, currently serving as president of sales. His experience in sales and growth at a large company will be beneficial to PSB Holdings, Inc.

Jeff owns Wickersham Jewelers, a family business started in 1959, now with three locations in central Wisconsin. He joined Wickersham in 1994. He also serves as vice president of the Retail Jewelers Organization, a \$350 million buying organization with nearly 1,200 nationwide members.

Peoples Wealth Management

Peoples State Bank announced in 2023 two important enhancements for Peoples Wealth Management, its financial planning and investment services division.

Peoples Wealth Management aligned with Raymond James Financial Services, member FINRA/SIPC, offering financial planning and investment resources. Additionally, Peoples added new advisor **Scott Wildman** and assistant **Dana Kolbe** to join advisor **Bryan Nill** and assistant **Connie Higgins** on the Peoples Wealth Management team.

“Peoples State Bank is fully committed to our wealth management customers, and these new advisors and platform are providing real benefits to our clients,” said Scott Cattanach, Peoples State Bank president and CEO. “Raymond James is among the world’s largest and most respected investment firms. Together with the addition of Scott and Dana to the team, we have in place an experienced and knowledgeable team to help our wealth management customers on the road to financial success.”

Wildman joined Peoples Wealth Management with more than 20 years of experience as a financial advisor and another 15 years of experience in the financial sector. As a financial advisor, he consults with clients to help them determine their financial goals and then provides tailored advice on investments, estate planning, taxation, and retirement. Scott is a certified financial planner.

Working closely with Wildman for the past 14 years, Kolbe also joined Peoples at the same time. She is committed to developing client relationships and plays a crucial role in helping clients achieve their financial and personal goals.

Securities offered through Raymond James Financial Services, Inc., member FINRA/SIPC, and are not insured by bank insurance, the FDIC or any other government agency, are not deposits or obligations of the bank, are not guaranteed by the bank, and are subject to risks, including the possible loss of principal. Peoples Wealth Management and Peoples State Bank are not registered broker/dealers, and are independent of Raymond James Financial Services. Investment Advisory Services offered through Raymond James Financial Services Advisors, Inc.



Scott Wildman



Dana Kolbe



Bryan Nill



Connie Higgins

Peoples



From left – Jeffrey Saxton, Jessica Barnes, Robert McPherson, Scott Cattanaach, Tina Seidl, Erik Rajek, Katie Tolokken, Pat Heier

Executive Management Team

Scott Cattanaach

President | Chief Executive Officer

Jessica Barnes

Senior Vice President | Chief Financial Officer

Pat Heier

Senior Vice President | Commercial Group Leader

Erik Rajek

Senior Vice President | Chief Credit Officer

Robert McPherson

Vice President | Risk Management

Jeffrey Saxton

Vice President | Retail Group Leader

Tina Seidl

Vice President | Human Resources Director

Katie Tolokken

Vice President | Chief Operating Officer

Bank Awards



Best Banks to Work For

American Banker magazine named Peoples one of the Best Banks to Work For in 2023. It's the fifth year in a row Peoples has been honored.



Top 200 Community Banks

American Banker magazine ranked PSB Holdings, Inc. as a Top 200 Community Bank for 14 straight years. In 2023, we're ranked as the 123rd top-performing community bank in the nation.



Best of Marathon County

Wausau Daily Herald readers rated Peoples as the "Best Bank" in Marathon County in 2023. The honor marks the 12th year in a row that Peoples has been voted best bank.



Retirements

Community banking is a people business, and we recognize our long-time colleague, Ingrid, who retired in 2023. Thank you, and we wish you all the best!

Ingrid Wenzel – Retail Loan Closing & Funding Specialist
Peoples State Bank Waukesha – 20 years of service

Giving Back to Our Communities

We support the communities and people we serve.



Women's Leadership Conference

Peoples State Bank served as the presenting sponsor of the Greater Wausau Chamber of Commerce's Women's Leadership Conference. The conference provides attendees with a powerful framework and tools to grow professionally and personally, and become more effective leaders and the best version of themselves.



Employer Support of the Guard & Reserve

Peoples is proud of Meredith Otte for her work supporting her employee, Tou Ger Xiong, and his membership in the Guard. Meredith, who is a vice president, commercial banker, and lead of Peoples private banking team, was honored by the Employee Support of the Guard & Reserves with a Patriot Award.



Volunteer Fundraising

Peoples State Bank employees regularly volunteer in their communities. Our Eagle River employees held a brat fry at the neighboring Trig's grocery store, providing all funds to the Vilas County Foster Care Closet.



Peoples Opens Stevens Point Branch

Peoples opened a full-service branch at 138 McDill Avenue in Stevens Point on July 12. Peoples executives, employees, and board members were joined by the Portage County Business Council for a ribbon-cutting to celebrate the opening.

FROM OUR CUSTOMERS



"I am very satisfied with the service, which is convenient and very professional. I have never had a problem with the bank, and I would recommend the bank to my family and friends."

SUMMARY STATEMENTS OF INCOME

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

	2023	2022	2021	2020	2019
Net interest income	\$38,692	\$40,003	\$38,601	\$31,879	\$31,283
Provision for credit losses	450	-	1,000	5,575	850
Net interest income after provision for credit loss	38,242	40,003	37,601	26,304	30,433
Noninterest income	6,720	7,444	9,418	11,413	7,661
Operating expenses	30,548	29,516	30,110	23,744	23,296
Net income before income taxes	14,414	17,931	16,909	13,973	14,798
Provision for income taxes	4,845	4,294	4,092	3,284	3,551
NET INCOME	\$9,569	\$13,637	\$12,817	\$10,689	\$11,247
Preferred stock dividends declared	\$486	\$81	-	-	-
Net income available to common shareholders	\$9,083	\$13,556	\$12,817	\$10,689	\$11,247
Diluted earnings per share	\$2.16	\$3.07	\$2.88	\$2.40	\$2.51
Cash dividends per share	\$0.60	\$0.50	\$0.46	\$0.42	\$0.40
Return on average assets	0.69%	1.05%	1.03%	1.01%	1.22%
Return on average tangible common equity	9.65%	14.08%	11.94%	10.85%	12.79%



We are listening to our customers, investing in technology to improve our digital and personal interactions, and focusing on products and people that deliver value to retail and commercial customers daily.

~ Scott M. Cattanach

We are a community bank that's proud of our legacy and keeping an eye on the future. Bank mobile or in person – we'll be here for you when you need us.



SUMMARY BALANCE SHEETS

As of December 31 (dollars in thousands, except per share data)

ASSETS	2023	2022	2021	2020	2019
Cash and cash equivalents	\$27,780	\$29,409	\$53,543	\$38,528	\$49,028
Securities and certificates of deposit	252,579	282,045	310,690	229,527	179,431
Loans receivable, net	1,078,705	961,865	876,337	820,956	707,651
Premises and equipment	13,098	13,164	12,695	10,920	10,457
Other assets	51,938	51,206	45,446	32,024	28,326
TOTAL ASSETS	\$1,424,100	\$1,337,689	\$1,298,711	\$1,131,955	\$974,893
LIABILITIES	2023	2022	2021	2020	2019
Deposits	\$1,141,802	\$1,148,755	\$1,105,240	\$932,137	\$781,790
Federal Home Loan Bank advances	134,000	43,000	47,000	62,000	73,496
Other borrowings	8,058	12,985	6,677	12,239	6,131
Senior subordinated notes	4,774	5,549	2,500	2,500	2,500
Junior subordinated debentures	12,921	12,819	12,717	7,732	7,732
Other liabilities	13,258	12,639	13,315	10,920	10,553
Stockholders' equity	109,287	101,942	111,262	104,427	92,691
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$1,424,100	\$1,337,689	\$1,298,711	\$1,131,955	\$974,893
Common shares outstanding at year end	\$4,164,735	4,297,279	4,440,329	4,452,287	4,467,217
Tangible net book value per share	\$23.84	\$21.37	\$24.36	\$23.43	\$20.72



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