

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name		2 Issuer's employer identification number (EIN)	
PSB HOLDINGS, INC.		39-1804877	
3 Name of contact for additional information	4 Telephone No. of contact	5 Email address of contact	
SCOTT M. CATTANACH	715-842-2191	scattanach@psbwi.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact		7 City, town, or post office, state, and Zip code of contact	
1905 W. STEWART AVE. PO BOX 1686		WAUSAU, WI 54402-1686	
8 Date of action		9 Classification and description	
JULY 30, 2012 payment date		PSB HOLDINGS, INC. COMMON STOCK	
10 CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)
69360N-108		PSBQ	

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ On June 19, 2012, the Board of Directors of PSB Holdings, Inc. ("PSB") declared a special 5% stock dividend payable in additional shares of PSB Holdings, Inc. common stock on July 30, 2012 to shareholders of record as of July 16, 2012.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ Each PSB shareholder was issued a stock dividend equal to 5% of their PSB total share holdings held as of the July 16, 2012 record date. For example, a shareholder with 1,000 shares of PSB stock on July 16, 2012 was issued an additional 50 shares of PSB common stock on July 30, 2012 (1,000 shares x 5% = 50 shares). If the 5% calculation resulted in a fractional share, the value of the fractional share was paid to the shareholder in cash equal to the fractional share multiplied by \$24.05 per share. For example, if a shareholder held 3,725 PSB shares on July 16, 2012, they would be issued a 5% stock dividend resulting in 186 new PSB common shares and a check equal to \$6.01 representing the value of the .25 fractional share (\$24.05 x .25 = \$6.01).

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ The change in basis is calculated as follows:

Divide the total cumulative basis of the prior stock holdings (prior to the July 30, 2012 stock dividend) by the total number of shares held by the shareholder after receiving the July 30, 2012 stock dividend shares. The result is your new basis for each share of stock. For example:

Total cumulative cost basis in shares held prior to the July 30, 2012 stock dividend - \$10,000

Total number of shares held prior to the July 30, 2012 stock dividend - 500 shares (for basis of \$20.00/share = \$10,000 divided by 500 shares)

Number of new shares received with the July 30, 2012 stock dividend - 25 shares (500 shares x 5% = 25 shares)

New PSB cost basis per share = \$10,000 divided by 525 total shares = \$19.048 per share

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ Code Section 6045B - Requires reporting by the issuer of stock with respect to organizational actions that affect the basis of the stock.
PSB Holdings, Inc. issued a non-taxable 5% common stock distribution (5% stock dividend) payable in shares of PSB Holdings, Inc. to shareholders on July 30, 2012. Per IRS Code 305(a), this 5% stock dividend payment is non-taxable.

18 Can any resulting loss be recognized? ▶ No income or loss is recognized until the stock is sold.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ Cash (if any) received by shareholders in connection with the 5% stock dividend that represents the value of a fractional share is taxable as ordinary qualified PSB Holdings, Inc. cash dividends during 2012.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶ Scott M. Cattanaach Date ▶ July 30, 2012

Print your name ▶ SCOTT M. CATTANACH Title ▶ Secretary and Chief Financial Officer

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶
	Firm's address ▶				Phone no.