



annual report

2013

PSB Holdings, Inc.

At Peoples, our employees make a difference every day with their attention to detail and high service standard. They also make a difference by giving back to the community with their time and talent.



6,917

the number
of employee
volunteer hours

100%

the percentage of
employees that
volunteered

Peoples State Bank Recognized with the LIVE UNITED Award

United Way of Marathon County honored Peoples with their annual "LIVE UNITED" award. Peoples is only the third company to receive the award.

“The LIVE UNITED award was created to recognize companies that embrace the idea that it takes more than giving to create lasting change. Peoples’ is a wonderful example of a company that not only runs a great campaign, but also supports employee’s efforts to volunteer, to speak out, to really make a difference. We are fortunate to have you in our community.”

Sue Haupt
Communications Director
United Way of Marathon County



\$100,000+

the amount donated
to help support
community projects

6,461

the number of training
and continuing
education hours
employees completed

president's letter | 2013

Dear Shareholders,

Financial strength. Stability. Careful growth.

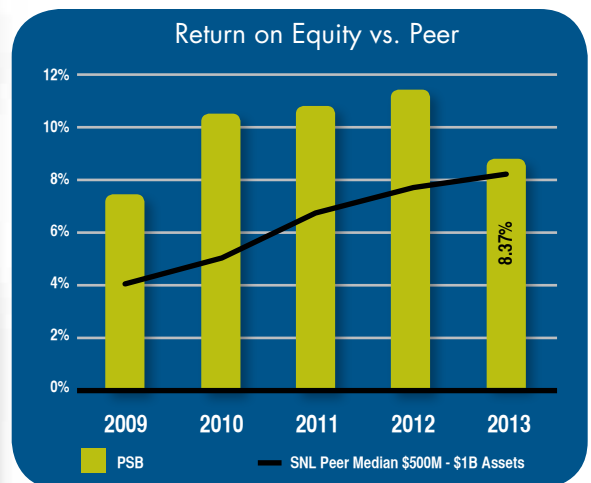
These inseparable attributes remain the hallmark of Peoples State Bank as we take on new challenges in the marketplace.

Where some see challenges, we see opportunities. Citing data that shows fewer banks headquartered in the state, the head of the Wisconsin Bankers Association recently said: "There continues to be a great deal of talk among the industry about mergers and acquisitions, and I would expect to see another 3-5 percent decline (in Wisconsin banks) over the next couple years."

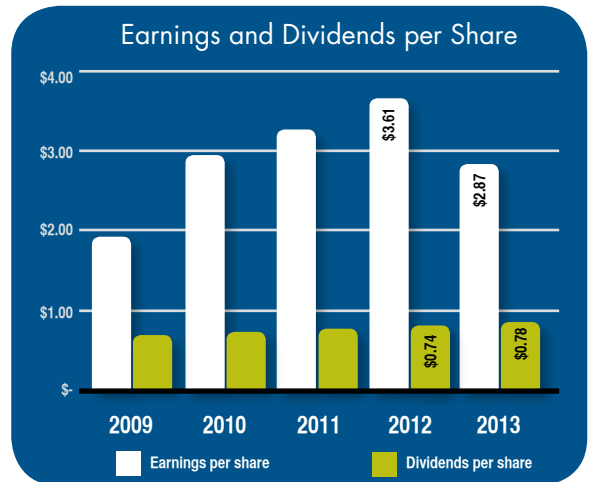
We see this trend as a continuing opportunity. In 2012, we proudly announced the acquisition of Marathon State Bank and in early 2014 we announced the acquisition of the Northwoods National Bank's Rhinelander office.

To ensure strong returns for our shareholders, we'll continue to carefully and selectively look for the right acquisitions to strengthen our regional position in the marketplace.

Why? Because we believe growth and market expansion to be a fundamental part of continuing our above average record of profit and growth, as evidenced by our return on equity over several years compared to similar sized banks.



- PSB earned \$4.7 million in net income in 2013, after posting a \$6.0 million gain in 2012. As previously reported, we hit a “speed bump” this past year when we recorded a \$3.3 million loan write-down after identifying an apparent customer fraud impacting multiple banks. After careful review, we believe this is an isolated incident, and we regained much of our income momentum in late 2013 by returning to historic profit levels. Excluding the large write-down from 2013 and non-recurring Marathon income and expense items from the 2012 purchase, net income would have been \$6.5 million in 2013 compared to \$5.8 million in 2012, a 12% increase.



- Total assets held strong at \$712 million, the same year-end level as 2012, as short-term cash and investments were reinvested in loan growth during 2013. PSB grew loans by \$32 million in 2013, up 7%. Local non-maturity deposits, including demand deposits and money market accounts, also increased \$16 million, or 4% during 2013.
- PSB continued our 49-year tradition of cash dividends to shareholders, including 20 consecutive years of increased dividends per share with \$0.78 in cash dividends paid per share, up 5% from last year.
- Net book value per share increased to \$34.36 at December 31, 2013 and has produced a 7% annual growth rate during the past 5 years and 10 years.

Meanwhile, we’re continuing to make smart investments in our people, technology and facilities to help us stay ahead of the competition and prepare for additional growth. Along the way, we’re drawing a lot of positive attention at the local and national level. For example, for the second straight year, Peoples was voted the “best bank” in the Wausau Daily Herald “Reader’s Choice” Awards. The Daily Herald also honored our Chief Operations Officer Leif Christianson and one of our board directors, Kevin Kraft, on the prestigious “20 Under Forty” list of up-and-coming local leaders. And, for the fourth consecutive year, American Banker Magazine listed Peoples among the Top 200 Community Banks and Thrifts in the U.S. Peoples continued as the only community bank in central Wisconsin included on the list, and held the highest rank among five Wisconsin banks. The list included all publicly traded and owned banks and thrifts with less than \$2 billion in assets, based on a three-year average return on equity.

While such public accolades are gratifying, our primary focus remains on our fundamental strengths: our customers, employees and shareholders.

In 2014, look for Peoples State Bank to strive for success in several areas, including:

- Accelerate the strong growth of Wealth Management services and capabilities;
- Expand local checking and saving deposit accounts;
- Refine fraud prevention and detection systems, especially for deposit accounts, to address growing public concerns about identity theft;
- Leverage existing capital and 2014 earnings to support merger and acquisition activities, pay down subordinated debt, or repurchase common stock on the open market;
- Engage the communities we serve as good corporate citizens. In 2013, our employees donated 6,917 hours of volunteer time, and Peoples made donations over \$100,000 to community organizations.

I want to take a moment to note the passing of Eugene “Gene” Witter on May 1, 2013. Gene was a founding director of our Board of Directors, serving from 1962 to 2002. He was a remarkably successful farmer and leader in our community, and the impact he had on Peoples State Bank will remain for many years into the future.

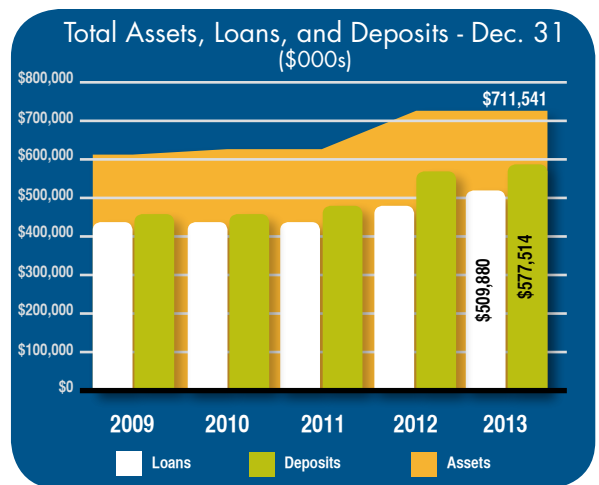
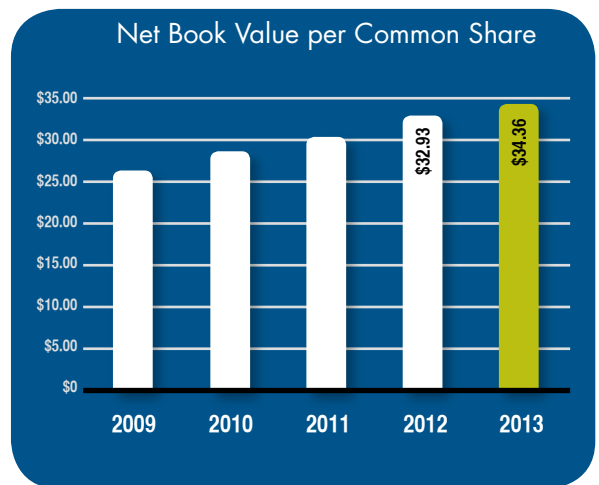
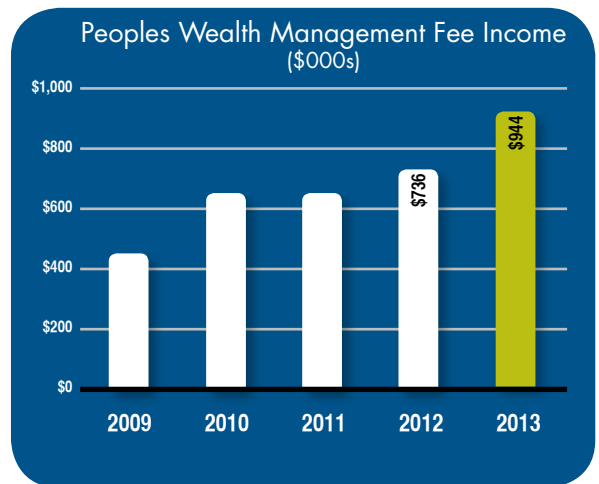
On behalf of the Peoples team, we thank you for the confidence you’ve invested in our organization. Our success is the product of a great team of employees, customers and shareholders. Together, we will continue to forge a strong foundation for the future of Peoples State Bank!

Sincerely,



Peter W. Knitt
President & CEO

PSB Holdings Inc. & Peoples State Bank

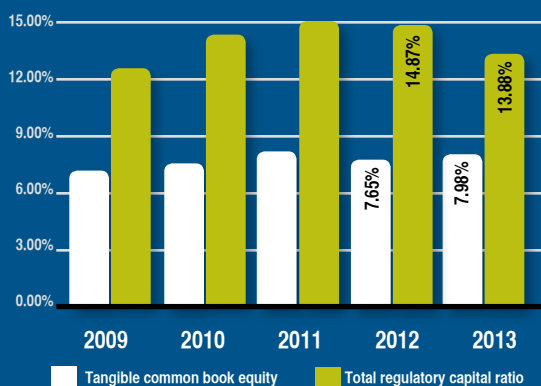


summary balance sheets

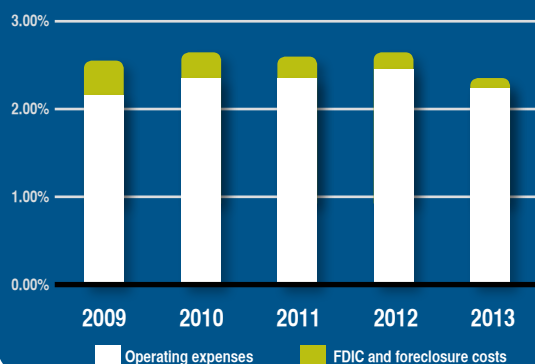
(\$000s except per share data)

	2013	2012	2011	2010	2009
Cash and cash equivalents	\$31,522	\$48,847	\$38,205	\$40,331	\$26,337
Securities	133,279	145,209	108,677	108,379	106,185
Loans receivable, net	509,880	477,991	437,557	431,801	437,633
Premises and equipment	9,669	10,240	9,928	10,464	10,283
Other assets	27,191	29,679	28,500	30,118	26,416
Total assets	\$711,541	\$711,966	\$622,867	\$621,093	\$606,854
Deposits	\$577,514	\$565,442	\$481,509	\$465,257	\$458,731
FHLB advances	38,049	50,124	50,124	57,434	58,159
Other borrowings	20,441	20,728	19,691	31,511	28,410
Senior subordinated notes	4,000	7,000	7,000	7,000	7,000
Junior subordinated debentures	7,732	7,732	7,732	7,732	7,732
Other liabilities	7,052	6,493	6,449	5,469	4,552
Stockholders' equity	56,753	54,447	50,362	46,690	42,270
Total liabilities and stockholders' equity	\$711,541	\$711,966	\$622,867	\$621,093	\$606,854
Tangible net book value per share	\$34.36	\$32.93	\$30.44	\$28.43	\$25.82

Total Capital to Assets - Dec. 31



Operating Expense to Average Assets

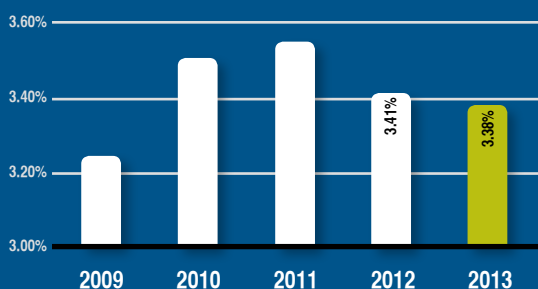


summary statements of income

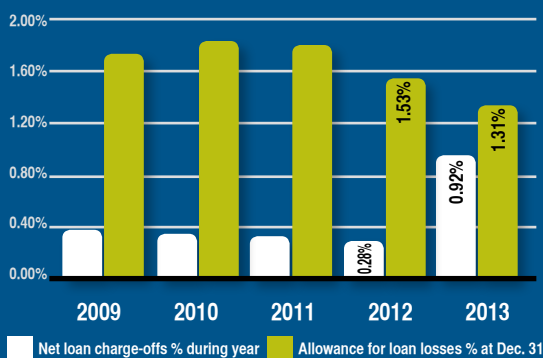
(\$'000s except per share data)

	2013	2012	2011	2010	2009
Net interest income	\$21,305	\$20,153	\$19,557	\$19,099	\$16,951
Provision for loan losses	4,015	785	1,390	1,795	3,700
Net interest income after loan loss provision	17,290	19,368	18,167	17,304	13,251
Noninterest income	5,623	6,568	5,337	5,363	5,576
Operating expenses	16,506	17,392	15,778	15,925	14,829
Net income before income taxes	6,407	8,544	7,726	6,742	3,998
Provision for income taxes	1,663	2,535	2,421	1,988	882
Net income	\$4,744	\$6,009	\$5,305	\$4,754	\$3,116
Diluted earnings per share	\$2.87	\$3.61	\$3.21	\$2.89	\$1.90
Cash dividends per share	\$0.78	\$0.74	\$0.71	\$0.69	\$0.67
Average common shares outstanding	1,652,700	1,663,147	1,652,861	1,642,469	1,637,249
Return on average assets	0.68%	0.91%	0.87%	0.79%	0.54%
Return on average equity	8.37%	11.33%	10.78%	10.59%	7.38%

Net Interest Margin
(Tax Adjusted)



Allowance for Loan Losses & Charge-offs to Gross Loans





FRONT ROW: William Fish, Peter Knitt, Karla Kieffer, Timothy Sonnentag
BACK ROW: Lee Guenther, David Kopperud, Kevin Kraft, Thomas Polzer, Charles Ghidorzi, William Reif

board of directors

William J. Fish

Chairman of PSB Holdings, Inc.
and Peoples State Bank
President BILCO, Inc.
(McDonald's Franchisee)

Charles A. Ghidorzi

Managing Member
Ghidorzi Construction
Company, LLC

Lee A. Guenther

CEO
T.A. Solberg Co., Inc.

Karla M. Kieffer

Co-owner and VP Sales
SUN Printing

Peter W. Knitt

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

David K. Kopperud

Retired President
Peoples State Bank

Kevin J. Kraft

CEO
JARP Industries, Inc.

Thomas R. Polzer

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

William M. Reif

CEO
Wausau Coated Products, Inc.

Timothy J. Sonnentag

President & CEO
County Materials Corporation

Customer Service



LEFT TO RIGHT: Keith Baars, Peter Knitt, Donna Staples, Leif Christianson, Tom Knudsen, Maureen Jorgensen, Chris Pfender, Scott Cattanach, Pat Heier

senior management

Keith Baars

Vice President
Commercial Banking

Scott Cattanach

Senior Vice President
Chief Financial Officer

Leif Christianson

Vice President
Chief Operating Officer

Pat Heier

Senior Vice President
Group Leader
Commercial Banking

Maureen Jorgensen

Senior Vice President
Retail Sales & Service

Peter Knitt

President
Chief Executive Officer

Tom Knudsen

Senior Vice President
Northern Market President

Chris Pfender

Vice President
Risk Management

Donna Staples

Senior Vice President
Human Resources Director

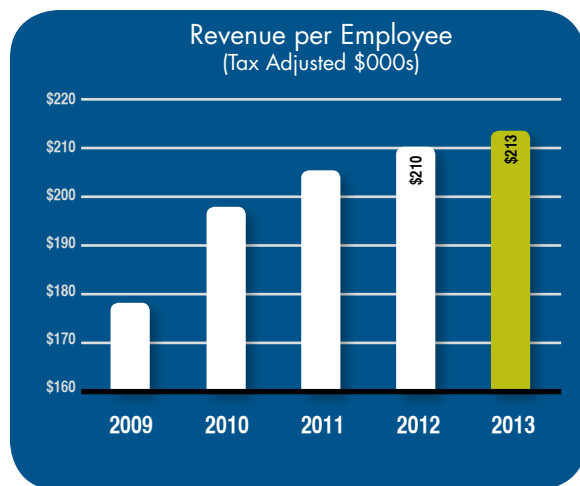
our employees

Curtis Aderholdt
 Ron Aderholdt
 Tina Andrasek
 Dan Augustine
 Keith Baars
 Bev Bauman
 Pam Bautsch
 Karen Bieszk
 Georgine Blume
 Gayle Boettcher
 Dawn Borchardt
 Gary Brainard
 Meagan Braun
 Tony Braun
 Lenore Breit
 Scott Cattanaach
 Kathy Chavez
 Leif Christianson
 Paula Denfeld
 Connie DeVoe
 Sandy Dreger
 Val Dreger
 Lisa DuPree
 Karen Eckert
 Loni Eyer
 Tom Feck
 Heidi Fleurant
 Gao Nou Foreman
 Greg Framke
 Mary Gesicki
 Terry Geurink
 Jan Hegy
 Pat Heier
 Kaitlin Heil
 Mai Her
 Julie Hernandez
 Connie Higgins
 Sara Hill
 Sara Holtz
 Brody Honkanen
 Andrea Howell
 Jeff Isaacson
 Denise Jantzen
 Casey Jensen
 Maureen Jorgensen

Chris Kalk
 Brandon Karaba
 Jennifer Kasmarek
 Lois Kegel
 Jaci Kell
 Karen Kindelberger
 Lynn Klein
 Kathy Klockziem
 Pete Knitt
 Tom Knudsen
 Kathy Koppa
 Lynn Kosina
 Peter Kramer
 Mary Kranz
 Lisa Krause
 Stu Krause
 Anita Krautkramer
 Laura Kuckkahn
 Kristine LaCrosse
 Sheri Langsdorf
 Danielle Laszewski
 Craig Lau
 Emmy Lawrence
 Choua Lee
 Michelle Lewens
 Amanda Lind
 Tina Lis
 Sarah Londerville
 Jane Loos
 Charlotte Ludkey
 Kaycie Ludkey
 Dawn Lynch
 Shari Lyon
 Susan Mathwich
 Vicki Mauritz
 Barb Miller
 Jared Morris
 Dan Mortensen
 Kayeng Moua
 Jan Mueller
 Jennifer Mulder
 Tiffany Neiter
 Bob Olszewski
 Darren Parker
 Debra Patek

Amy Peek
 Shanon Peel
 Debi Perry
 Jessica Perry
 Chris Pfender
 Alice Piehl
 Jason Preu
 John Proulx
 Kathy Rein
 Kristin Reinicke
 Michelle Roland
 Dennis Rosenau
 Paige Rueth
 Nancy Rutta
 Tim Sanderson
 Linda Schara
 Trevor Scheiderer
 Christine Schlichte
 Lyndsay Schmeltzer
 Mary Schneider
 Christine Schreiner
 Ken Schultz
 Heather Schulz
 Kaci Sessions
 Stephanie Seyfert
 Kari Solomonson
 Karl Spaay
 Shelly Spaay

Alan Stafford
 Donna Staples
 Scott Staszak
 Ken Stengl
 Peggy Swanson
 Cindy Swendrzynski
 Paula Szydel
 Anna Tessmer
 Kathleen Tom
 Mark Tushkowski
 Zer Vaj
 Craig Van Der Leest
 Sarah Verber
 Terri Vrolijk
 SuzAnne Werner
 Jaime Weyneth
 Dee Wiernasz
 Terry Winchell
 Terri Woellner
 Katie Wojciechowski
 Pam Wojtasiak
 Cody Wozniczka
 Cindy Wright
 Julie Xiong
 Ka Youa Xiong
 Kao Yer Xiong
 Nou Xiong
 Amy Young



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