



2022
ANNUAL
REPORT
Peoples State Bank



Member
FDIC | 
EQUAL HOUSING
LENDER

TO OUR SHAREHOLDERS, CUSTOMERS, & FRIENDS

Following the Pandemic's unprecedented economic response, many of us were left wondering how the economy would digest the impact of several trillion dollars injected over a few short years – what would the impact be and when would it rear its head? 2022 gave us many answers to these questions.

In the Spring of 2022 our Federal Reserve, deciding to act on several months of trailing inflationary trends, raised the Federal Funds Rate 0.25% – the first such hike since 2018. This kicked off what would become the most aggressive rate hiking campaign that our nation has experienced. For our industry, this undoubtedly became the biggest story of the year as interest rates drive the majority of line-items on our financial statements.

Prime Rate, a rate directly tied to the Federal Funds Rate and used by banks as a benchmark for lending, began the year at 3.25% and ended it at 7.50% - illustrating how dramatically rates moved in a short period of time. The busy home mortgage market of the last few years promptly cooled, and consumers became appropriately cautious on concerns that inflation would eat into their wallet. Our farmers and businesses experienced similar discomfort as rising costs of inputs and labor challenged their bottom lines and necessitated increased efficiencies.

As for deposits, our industry understood that the unprecedented liquidity held on the balance sheet would eventually run-off as stimulus programs ended and savings were spent down. Moreover, rising rates would intensify this phenomenon as deposit alternatives became attractive again. For savers, however, increasing rates were more than welcomed as depositors have not experienced the same advantage that low rates provided borrowers in the preceding years.

Financially, Peoples State Bank remains conservative in this economy – preserving strong capital ratios, allowance for loan losses, and liquidity. The last few years of unprecedented (and unforeseen) economic circumstances have been a roller coaster. While we cannot elect to sit out the ride, we are also not distracted and remain committed to our core philosophy: understanding that a relationship focus and conservative financial management are the best antidotes to short-term volatility.

We want to thank all our customers, shareholders, communities, and other stakeholders. We thank you for your commitment and loyalty as we navigate this economy together. We take your trust seriously and stand ready to further demonstrate our value by providing guidance and leadership in this dynamic environment. Additionally, I would like to thank all our dedicated and talented employees. Our People, past and present, have been the key to our success. Their resiliency and passion for the customer and communities where they live keep me energized and optimistic for the future.

“ Financially, Peoples State Bank remains conservative in this economy – preserving strong capital ratios, allowance for loan losses, and liquidity. ”



A handwritten signature in black ink that reads "Brennen Clark".

Brennen Clark
President & CEO
Peoples State Bank

STATEMENT OF CONDITION

All figures stated are in thousands

ASSETS		Dec. 31, 2022	Dec. 31, 2021
CASH & DUE FROM BANKS			
NON-INTEREST BEARING	\$	4,468	6,614
INTEREST BEARING		10,131	8,398
SECURITIES		346,223	408,522
FED FUNDS SOLD		-	49,022
LOANS & LEASE RECEIVABLES (NET)		461,771	436,636
PREMISES & FIXED ASSETS		8,630	9,221
OTHER REAL ESTATE OWNED		-	223
INTANGIBLE ASSETS		6,079	6,468
OTHER ASSETS		25,237	24,260
TOTAL ASSETS	\$	862,539	949,364
LIABILITIES & EQUITY CAPITAL			
<u>LIABILITIES</u>			
DEPOSITS			
NON-INTEREST BEARING	\$	234,882	251,129
INTEREST BEARING		516,950	555,402
TOTAL DEPOSITS	\$	751,832	806,531
OTHER BORROWED MONEY	\$	44,532	37,997
OTHER LIABILITIES		2,372	2,059
TOTAL LIABILITIES	\$	798,736	846,587
<u>EQUITY CAPITAL</u>			
COMMON STOCK	\$	750	750
SURPLUS		17,940	17,940
UNDIVIDED PROFITS		86,862	82,129
UNREALIZED SECURITIES GAINS/(LOSSES)		(41,749)	1,958
TOTAL EQUITY CAPITAL	\$	63,803	102,777
TOTAL LIABILITIES & EQUITY CAPITAL	\$	862,539	949,364

CHANGES IN ALLOWANCE FOR LOAN & LEASE LOSSES

All figures stated are in thousands

LOAN LOSS RESERVE		2022	2021
BEGINNING BALANCE	\$	11,294	11,876
RECOVERIES OF PREVIOUS CHARGE-OFFS		78	69
PROVISION FOR LOSSES AND OTHER		(79)	501
ACTUAL CHARGE OFFS		(4)	(1,152)
BALANCE AT END OF PERIOD	\$	11,289	11,294

DETAIL OF AMOUNT CHARGED OFF

REAL ESTATE LOANS	\$	-	720
INSTALLMENT LOANS		1	6
COMMERCIAL & ALL OTHER LOANS		3	426
TOTAL AMOUNT CHARGED OFF	\$	4	1,152

DETAIL OF AMOUNT RECOVERED

REAL ESTATE LOANS	\$	55	-
INSTALLMENT LOANS		3	-
COMMERCIAL & ALL OTHER LOANS		20	69
TOTAL AMOUNT RECOVERED	\$	78	69

I do hereby attest that this annual report and disclosure statement has been prepared in conformance with the instructions issued by the Federal Deposit Insurance Corporation and is true and correct to the best of my knowledge and belief. This statement has not been reviewed or confirmed for accuracy or relevance by the Federal Deposit Insurance Corporation.



Brennen Clark
President & CEO

PAST DUE & NON-ACCRUAL LOANS & LEASES

All figures stated are in thousands

		2022	2021
LOANS PAST DUE 30-89 DAYS & STILL ACCRUING			
REAL ESTATE LOANS	\$	859	1,486
INSTALLMENT LOANS		9	27
COMMERCIAL & ALL OTHERS		342	502
TOTAL PAST DUE	\$	1,210	2,015
AGRICULTURAL PRODUCTION LOANS INCLUDED ABOVE		151	2
LOANS IN NON-ACCRUAL STATUS		2022	2021
REAL ESTATE LOANS	\$	10,207	11,163
INSTALLMENT LOANS		7	3
COMMERCIAL & ALL OTHERS		437	275
TOTAL NON-ACCRUAL	\$	10,651	11,441
AGRICULTURAL PRODUCTION LOANS INCLUDED ABOVE		59	230

CHANGES IN EQUITY CAPITAL

All figures stated are in thousands

		2022	2021
TOTAL EQUITY AT BEGINNING OF PERIOD	\$	102,777	104,396
NET INCOME		6,543	9,689
CASH DIVIDENDS DECLARED		(1,810)	(2,813)
OTHER COMPREHENSIVE INCOME		(43,707)	(8,495)
TOTAL EQUITY AT END OF PERIOD	\$	63,803	102,777

INCOME STATEMENT

All figures stated are in thousands

INTEREST INCOME		2022	2021
<i>INTEREST & FEE INCOME ON LOANS</i>			
REAL ESTATE LOANS	\$	15,055	14,843
COMMERCIAL & INDUSTRIAL LOANS		1,794	2,026
LOANS TO INDIVIDUALS		287	240
ALL OTHER LOANS		3,171	6,349
TOTAL INTEREST & FEE INCOME ON LOANS	\$	20,307	23,458
<i>INTEREST & DIVIDEND INCOME ON SECURITIES</i>			
U.S. GOVT. & AGENCY OBLIGATIONS	\$	642	393
MORTGAGE-BACKED SECURITIES		2,494	1,739
ALL OTHER SECURITIES		3,104	3,135
INTEREST INCOME ON FED FUNDS SOLD		221	25
OTHER INTEREST INCOME		104	105
TOTAL INTEREST & DIVIDEND INCOME ON SECURITIES	\$	6,565	5,397
TOTAL INTEREST INCOME	\$	26,872	28,855
INTEREST EXPENSE			
TRANSACTION ACCOUNTS	\$	223	87
SAVING DEPOSITS		436	207
TIME DEPOSITS		936	1,559
FED FUNDS PURCHASED		55	1
REPURCHASE AGREEMENTS		65	72
OTHER INTEREST EXPENSE		306	618
TOTAL INTEREST EXPENSE	\$	2,021	2,544
NET INTEREST INCOME	\$	24,851	26,311

INCOME STATEMENT

All figures stated are in thousands

		2022	2021
PROVISION FOR LOAN LOSSES	\$	(79)	501
NON-INTEREST INCOME			
SERVICE CHARGES ON DEPOSIT ACCOUNTS	\$	533	480
INVESTMENT FEES & COMMISSIONS		73	115
NET SERVICING FEES		484	364
INCOME FROM OTHER INSURANCE ACTIVITIES		45	11
OTHER NON-INTEREST INCOME		1,786	2,038
TOTAL NON-INTEREST INCOME	\$	2,921	3,008
REALIZED GAINS/(LOSSES) ON AVAILABLE-FOR-SALE SECURITIES	\$	(98)	1,201
NON-INTEREST EXPENSE			
SALARIES & EMPLOYEE BENEFITS	\$	13,327	12,239
OCCUPANCY & FIXED ASSETS		1,592	1,579
AMORTIZATION EXPENSE		390	392
OTHER NON-INTEREST EXPENSE		5,806	6,111
TOTAL NON-INTEREST EXPENSE	\$	21,115	20,321
UNREALIZED GAINS/(LOSSES) ON EQUITY SECURITIES	\$	(20)	57
INCOME BEFORE TAXES	\$	6,618	9,755
INCOME TAXES	\$	75	66
NET INCOME	\$	6,543	9,689

BOARD OF DIRECTORS

Thomas F. Farrell | *Chairman* | Retired President, Peoples State Bank

Mark W. Forsythe | Retired President, Peoples State Bank

Darby D. Suckow | Suckow Dairy Equipment, Inc.

Garith Steiner | Retired Healthcare CEO

H. Brooke Grinde | Owner, Grinde Farms, LLC. | Animal Nutritionist

James Hutchison | Retired CEO, Prairie Industries, Inc. | Director, TruVant, Inc.

Brennen Clark | President & CEO, Peoples State Bank

Franklin A. Weeks | *Director Emeritus* | Chairman & CEO, Design Homes, Inc.



Pictured (L to R): Franklin A. Weeks, H. Brooke Grinde, James Hutchison, Darby D. Suckow, Mark W. Forsythe, Garith Steiner, Thomas F. Farrell, Brennen Clark

LOCATIONS

Wisconsin: Bagley • Bloomington • Boscobel • Dickeyville • Eastman • Fennimore • Glen Haven • Lancaster • Mount Hope • Patch Grove • Potosi • Prairie du Chien (Downtown & Riverside Square) • Seneca • Soldiers Grove • Viroqua (Downtown & Vernon Square) • Wauzeka • **Iowa:** Guttenberg • Harpers Ferry

800-280-1074

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