



2023 ANNUAL REPORT

Peoples State Bank

TO OUR SHAREHOLDERS, CUSTOMERS, & FRIENDS

I am pleased to share our 2023 Annual Report for Peoples State Bank and reflect on the results of another unique and unforgettable year.

The emergent theme for 2023 became clear early in the year: liquidity. The confluence of rising rates and competition – combined with evaporating left-over stimulus deposits – created a deposit landscape which many active bankers had not experienced in their career. In early Spring of 2023, the extremity of this landscape was made clear, literally overnight, with the collapse of Silicon Valley Bank – which was followed by a few more casualties that shared a similarly risky balance sheet. We assured depositors that the nature of Peoples State Bank, as a relationship-oriented community bank, was quite different than those which failed on our nation's coasts. Our strong core deposit base is evidenced by our deposit growth in 2023, attributed to the continued confidence that our deposit customers placed in us during this uneasy period.

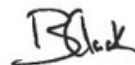
Our relatively strong liquidity position afforded us the ability to consider numerous quality loan opportunities throughout last year. Accordingly, our total loan volume (net of Allowance for Credit Losses – or Allowance) grew nearly \$54 million over 2023, to end the year just over \$515 million. Importantly, our asset quality improved simultaneously over the course of last year which resulted in a lower Allowance amount to end 2023. We remain overallocated relative to our calculated Allowance figure as a matter of prudence and caution.

As was expected following the Fed's aggressive rate hikes, which began in 2022, our net interest margin and subsequent earnings were considerably impacted in early 2023 – as the rising costs of deposits were more immediate than increased earnings from loans. To illustrate the profound effect that the Fed's rate hikes had on our funding costs, our interest expense was \$9.372 million in 2023, compared to just \$2.021 million in 2022. While margin compression and reduced earnings were trends almost universally shared by our industry peers in 2023, we were pleased to diverge from our peer-group in seeing these measures begin to trend upward in the second-half of the year. Outside of the financial statements, we were thrilled to open our Waukon branch in April of 2023. Waukon has much in common with the great communities we have historically served and, therefore, was a very natural extension of our branch network. We thank the Waukon community for their warm reception, as our results there have been strong.

Additionally, we have announced formally that Peoples State Bank has signed an agreement to acquire Interstate Federal Savings & Loan (IFS&L) in McGregor, IA. We are very eager to bring our great brand, products, and services to McGregor and the surrounding community – while preserving and carrying forward the legacy of community support established by IFS&L. We expect to close this transaction in the first quarter of 2024.

I would like to thank our tremendous team here at Peoples State Bank for their continued resilience in 2023. I am inspired by our employees daily; they are sincerely dedicated to serving our customers and will go to great lengths to do so. Our continued success is owed to this mentality.

Finally, thank you to all of you – our stakeholders – for your continued support of Peoples State Bank. We are very proud of our communities and the customers that we serve – big and small. We are literally and figuratively invested in your success and stand ready to assist you in 2024 and beyond.



Brennen Clark
President & CEO
Peoples State Bank

STATEMENT OF CONDITION

All figures stated are in thousands

ASSETS

Dec. 31, 2023 Dec. 31, 2022

CASH & DUE FROM BANKS			
NON-INTEREST BEARING	\$	4,648	4,468
INTEREST BEARING		12,128	10,131
SECURITIES		307,112	346,223
FED FUNDS SOLD		22,138	-
LOANS & LEASE RECEIVABLES (NET)		515,325	461,771
PREMISES & FIXED ASSETS		8,270	8,630
INTANGIBLE ASSETS		5,687	6,079
OTHER ASSETS		31,222	25,237

TOTAL ASSETS	\$	906,530	862,539
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LIABILITIES & EQUITY CAPITAL

LIABILITIES

DEPOSITS			
NON-INTEREST BEARING	\$	237,261	234,882
INTEREST BEARING		538,685	516,950
TOTAL DEPOSITS	\$	755,946	751,832
OTHER BORROWED MONEY	\$	50,518	44,532
OTHER LIABILITIES		5,017	2,372

TOTAL LIABILITIES	\$	831,481	798,736
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EQUITY CAPITAL

COMMON STOCK	\$	750	750
SURPLUS		17,940	17,940
UNDIVIDED PROFITS		90,632	86,862
UNREALIZED SECURITIES GAINS/(LOSSES)		(34,273)	(41,749)

TOTAL EQUITY CAPITAL	\$	75,049	63,803
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TOTAL LIABILITIES & EQUITY CAPITAL	\$	906,530	862,539
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CHANGES IN ALLOWANCE FOR LOAN & LEASE LOSSES

All figures stated are in thousands

ALLOWANCE FOR CREDIT LOSSES		2023	2022
BEGINNING BALANCE	\$	11,289	11,294
RECOVERIES OF PREVIOUS CHARGE-OFFS		57	78
PROVISION FOR LOSSES AND OTHER		(1,609)	(79)
ACTUAL CHARGE OFFS		(351)	(4)
BALANCE AT END OF PERIOD	\$	9,386	11,289

DETAIL OF AMOUNT CHARGED OFF

REAL ESTATE LOANS	\$	61	-
INSTALLMENT LOANS		5	1
COMMERCIAL & ALL OTHER LOANS		285	3
TOTAL AMOUNT CHARGED OFF	\$	351	4

DETAIL OF AMOUNT RECOVERED

REAL ESTATE LOANS	\$	49	55
INSTALLMENT LOANS		8	3
COMMERCIAL & ALL OTHER LOANS		-	20
TOTAL AMOUNT RECOVERED	\$	57	78

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

LOANS PAST DUE 30-89 DAYS & STILL ACCRUING

		2023	2022
REAL ESTATE LOANS	\$	1,524	859
INSTALLMENT LOANS		14	9
COMMERCIAL & ALL OTHERS		252	342

TOTAL PAST DUE	\$	1,790	1,210
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AGRICULTURAL PRODUCTION LOANS INCLUDED ABOVE		10	151
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LOANS IN NON-ACCRUAL STATUS

		2023	2022
REAL ESTATE LOANS	\$	394	10,207
INSTALLMENT LOANS		11	7
COMMERCIAL & ALL OTHERS		158	437

TOTAL NON-ACCRUAL	\$	563	10,651
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AGRICULTURAL PRODUCTION LOANS INCLUDED ABOVE		64	59
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CHANGES IN EQUITY CAPITAL

All figures stated are in thousands

		2023	2022
TOTAL EQUITY AT BEGINNING OF PERIOD	\$	63,803	102,777
NET INCOME		5,582	6,543
CASH DIVIDENDS DECLARED		(1,812)	(1,810)
OTHER COMPREHENSIVE INCOME		7,475	(43,707)
TOTAL EQUITY AT END OF PERIOD	\$	75,048	63,803

INCOME STATEMENT

All figures stated are in thousands

INTEREST INCOME		2023	2022
<i>INTEREST & FEE INCOME ON LOANS</i>			
REAL ESTATE LOANS	\$	17,178	15,055
COMMERCIAL & INDUSTRIAL LOANS		3,086	1,794
TO INDIVIDUALS		451	287
ALL OTHER LOANS		4,628	3,171
TOTAL INTEREST & FEE INCOME ON LOANS	\$	25,343	20,307
<i>INTEREST & DIVIDEND INCOME ON SECURITIES</i>			
U.S. GOVT. & AGENCY OBLIGATIONS	\$	735	642
MORTGAGE-BACKED SECURITIES		2,734	2,494
ALL OTHER SECURITIES		2,869	3,104
INTEREST INCOME ON FED FUNDS SOLD		385	221
OTHER INTEREST INCOME		168	104
TOTAL INTEREST & DIVIDEND INCOME ON SECURITIES	\$	6,891	6,565
TOTAL INTEREST INCOME	\$	32,234	26,872
INTEREST EXPENSE			
TRANSACTION ACCOUNTS	\$	1,452	223
SAVING DEPOSITS		1,227	436
TIME DEPOSITS		5,095	936
FED FUNDS PURCHASED		59	55
REPURCHASE AGREEMENTS		34	65
OTHER INTEREST EXPENSE		1,505	306
TOTAL INTEREST EXPENSE	\$	9,372	2,021
NET INTEREST INCOME	\$	22,862	24,851

INCOME STATEMENT

All figures stated are in thousands

		2023	2022
PROVISION FOR LOAN LOSSES	\$	(1,221)	(79)
NON-INTEREST INCOME			
SERVICE CHARGES ON DEPOSIT ACCOUNTS	\$	524	533
INVESTMENT FEES & COMMISSIONS		63	73
NET SERVICING FEES		528	484
INCOME FROM OTHER INSURANCE ACTIVITIES		56	45
OTHER NON-INTEREST INCOME		1,807	1,786
TOTAL NON-INTEREST INCOME	\$	2,978	2,921
REALIZED GAINS/(LOSSES) ON AVAILABLE-FOR-SALE SECURITIES	\$	(55)	(98)
NON-INTEREST EXPENSE			
SALARIES & EMPLOYEE BENEFITS	\$	13,758	13,327
OCCUPANCY & FIXED ASSETS		1,517	1,592
AMORTIZATION EXPENSE		390	390
OTHER NON-INTEREST EXPENSE		5,826	5,806
TOTAL NON-INTEREST EXPENSE	\$	21,491	21,115
UNREALIZED GAINS/(LOSSES) ON EQUITY SECURITIES	\$	79	(20)
INCOME BEFORE TAXES	\$	5,594	6,618
INCOME TAXES	\$	12	75
NET INCOME	\$	5,582	6,543

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