PSB Holdings Inc. (PSBQ)

Updated November 17th, 2025, by Josh Arnold

Key Metrics

Current Price:	$25	**5 Year CAGR Estimate:**	9.0%	**Market Cap:**	$103 M
Fair Value Price:	$32	**5 Year Growth Estimate:**	2.0%	**Ex-Dividend Date:**	01/11/26[1]
% Fair Value:	79%	**5 Year Valuation Multiple Estimate:**	4.7%	**Dividend Payment Date:**	01/28/26
Dividend Yield:	2.7%	**5 Year Price Target**	$35	**Years Of Dividend Growth:**	32
Dividend Risk Score:	B	**Sector:**	Financials	**Rating:**	Hold

Overview & Current Events

PSB Holdings is the parent company of Peoples State Bank, or PSB, which opened its doors in 1962 in Wausau, Wisconsin. The company has paid dividends to shareholders continuously since 1965 and has increased its payment for 32 consecutive years. The bank has ten branches, and assets totaling about $1.5 billion. The stock trades with a $103 million market cap, making it one of the smallest companies we cover.

PSB posted third quarter earnings on October 27th, 2025, and results were good once again. The bank noted strong net interest margin as asset yields rose and funding costs declined. There was also lower noninterest income from lower mortgage banking income and debit interchange fees, and finally, higher noninterest expense due to higher health insurance costs.

Net interest income was up $617k to $11.3 million from the second quarter. This was in part due to higher yields on loans, lower deposit and borrowing costs, and one additional operating day in the quarter. Noninterest income was down $171k to $1.9 million on lower mortgage banking income. Noninterest expenses rose $613k to $8.8 million on higher salary and benefit costs.

Net loans were up $5.8 million to $1.12 billion, while allowances for credit losses remained at 1.12% of gross loans. Nonperforming assets were up $1.3 million to $17 million, or 1.13% of total assets.

Total deposits were up $11.6 million to $1.19 billion from Q2. Tangible book value was up 10% over the past year to $29.05 per share, in addition to 66 cents per share of declared dividends.

We see $3.00 in earnings-per-share for this year with one quarter remaining, up from $2.80 prior.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.61	$1.83	$1.58	$2.29	$2.51	$2.40	$2.88	$3.07	$2.16	$2.37	***$3.00***	***$3.31***
DPS	$0.28	$0.30	$0.32	$0.34	$0.38	$0.41	$0.44	$0.48	$0.55	$0.62	***$0.68***	***$0.75***
Shares[2]	4.8	4.6	4.6	4.5	4.5	4.4	4.4	4.3	4.2	4.1	***4.0***	***3.7***

PSB has an impressive track record of growth; it managed to remain profitable during the Great Recession, which is a testament to its lending standards. Since 2014, PSB has managed to grow earnings-per-share by more than 5% annually, on average. We don't see that sort of growth in the future, however, and instead estimate 2% annual expansion, primarily because asset growth has been very slow, and higher interest rates haven't necessarily translated to growth from an earnings-per-share perspective. We continue to think that PSB is going to struggle to grow earnings anytime soon, even on low current earnings. We also note that provisions for credit losses ended 2024 at an elevated rate, noting that credit quality could become an issue.

This lack of strong projected growth is primarily because the bank's spreads had previously expanded widely, and because its loan-to-deposit ratio is stretched at or near the limit, although that is coming down with deposit growth and loan paydowns, both of which reduce the loan-to-deposit ratio. Both levers allow banks to boost profitability of the

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[1] Estimated date

[2] Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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existing asset base by improving margins, and producing leverage, respectively. PSB has done these things well in recent years but given that its net interest margin is still near 3%, and that its loan-to-deposit ratio is still elevated, we see limited catalysts for outsized growth.

PSB almost certainly won't be able to produce anything like the growth it has for the past decade in the current environment with lending margins still in question.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	8.7	8.6	13.8	10.7	9.7	8.8	8.7	7.1	10.2	11.2	***8.3***	***10.5***
Avg. Yld.	2.0%	1.9%	1.5%	1.5%	1.5%	1.1%	1.8%	2.2%	2.5%	2.3%	***2.7%***	***2.2%***

PSB's valuation has remained very low for much of the past decade despite its profitability and growth. The average P/E ratio for the past decade is just 9. However, we see fair value at 10.5 times earnings given the bank's track record of profitability. We also believe this multiple accounts for slower growth moving forward. At 8.3 times earnings today, the stock is quite undervalued in our view.

The yield stands at 2.7%, which is high compared to historical standards. We see the yield potentially drifting lower from today's level over time as the valuation improves.

Safety, Quality, Competitive Advantage, & Recession Resiliency

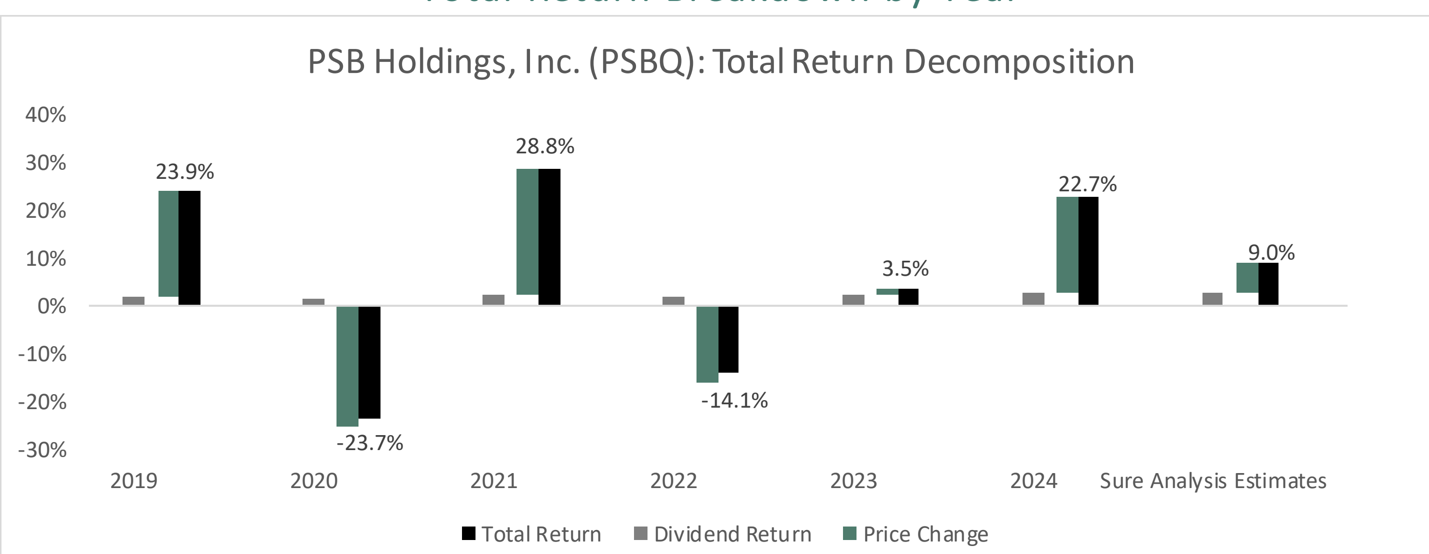
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	17%	16%	20%	16%	15%	10%	15%	16%	25%	26%	***23%***	***23%***

Competitive advantages are tough to come by in banking, but PSB does have a strong brand in parts of Wisconsin. In addition, its lending standards are helping, as they did during the last downturn. The dividend is also very safe at just 23% of earnings, and there is plenty of room for future raises, as well as plenty of margin of safety if a prolonged recession were to strike.

Final Thoughts & Recommendation

We see PSB's total return outlook as having moved higher to 9%, which is based on the 2.7% yield, 2% growth, and a tailwind from the valuation. We still see a tough road for growth ahead from this year's base of earnings. With total returns of 9% projected, we are leaving the stock at a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	30	32	33	35	39	43	48	47	45	79
SG&A Exp.	14	15	15	16	17	17	21	19	19	---
D&A Exp.	2	2	2	2	2	3	1	3	3	3
Net Profit	8	8	7	10	11	11	13	14	10	10
Net Margin	26.2%	26.4%	21.7%	29.2%	28.9%	24.7%	27.1%	29.8%	22.2%	13.1%
Free Cash Flow	8	9	10	11	12	16	12	17	12	12
Income Tax	4	4	5	3	4	3	4	4	5	0

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	784	828	848	916	975	1,132	1,299	1,338	1,424	1,466
Cash & Equivalents	24	29	22	22	29	8	24	29	22	21
Accounts Receivable	2	2	2	3	3	4	3	4	5	---
Goodwill & Int. Ass.	2	2	2	2	2	2	5	5	4	3
Total Liabilities	719	758	774	835	882	1,028	1,187	1,236	1,315	1,350
Long-Term Debt	33	48	60	91	84	72	62	61	152	180
Shareholder's Equity	65	69	74	81	93	104	111	95	102	109
LTD/E Ratio	0.51	0.70	0.81	1.13	0.90	0.69	0.56	0.60	1.39	1.61

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.0%	1.0%	0.9%	1.2%	1.2%	1.0%	1.1%	1.0%	0.7%	0.7%
Return on Equity	12.2%	12.6%	10.1%	13.3%	13.0%	10.8%	11.9%	13.2%	9.1%	9.1%
ROIC	8.1%	7.8%	5.7%	6.7%	6.5%	6.1%	7.3%	8.1%	4.5%	3.6%
Shares Out.	4.8	4.6	4.6	4.5	4.5	4.4	4.5	4.4	4.2	4.1
Revenue/Share	6.16	6.91	7.27	7.86	8.69	9.72	10.82	4.42	10.79	19.03
FCF/Share	1.72	1.87	2.30	2.35	2.61	3.61	2.76	10.74	2.82	2.97

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.