

ANNUAL REPORT 2024



1870
HOLDINGS

Our Mission

To be the trusted financial partner for our employees, shareholders, customers and communities – the foundation of our success.



About Us

1870 Holdings, Inc. is the holding company for Midwest Bank, Porter-Hay Insurance, MB Wealth, LLC, and Princeville State Bank. Headquartered in Monmouth, Illinois, the company and its Board of Directors are committed to driving financial stability, growth, and community development.

Board of Directors

Augustin S. Hart III, Chairman
Robert A. Riley, Vice Chairman
Christopher J. Gavin, President
Andrew A. Black
Scott T. Champion
Alice J. Defenbaugh
Michael J. Graham
Cristin D. McGrath
James R. Purlee
Mark J. Sexton

Dear Shareholders,

Once again, I must offer my thanks for your support during 2024. Our entire staff, our customers, and the communities we serve also deserve thanks for their efforts on our behalf.

2025 is proving to be a year of change, and while change can be a good thing, it tends to create fears, most of which fail to be realized.

I suspect that all of us recognize that changes need to be made at all levels of government, and while we may differ on the specifics, we all recognize that the ever-increasing government interference in our daily lives is of little or no benefit and comes with great cost.



Saint Patrick, among other things, is credited with driving the snakes out of Ireland. Trump, who certainly is unlikely to attain sainthood, may deserve praise as time goes on for driving the bureaucrats out of Washington.

When I came to Oquawka, I could mail a note to someone in Keithsburg in the morning and receive a response late that afternoon. Today that same response might take a week or more. The costs of mailing have increased dramatically and the level of service has roared downhill. Meanwhile, I can order something over the Internet and have it delivered to my door the next day.

Yesterday at the bank, I opened a new account and was required to show my driver's license, so it could be copied for bank files, before the account could be opened. That requirement comes from state and federal regulators who couldn't care less that I have been a customer for 50 years and chair the holding company that owns the bank, and which, in turn, is owned by us stockholders. Hence, our strategy of offering financial services outside the banking umbrella allows for some relief of these regulations.

It is my hope that this year proves to be profitable for the holding company, the banks and all of you!

A handwritten signature in black ink, appearing to read "A.S. Hart III".

Augustin S. Hart III
Chairman, 1870 Holdings, Inc.

In Memoriam

We honor the memory of two remarkable individuals, Mike Luna and Andrew Gianulis, who passed away suddenly in November.

Mike served on the Midwest Bank board for nearly 25 years and was a dedicated community leader and a previous McDonald's owner-operator. Andrew joined the 1870 Holdings board in 2018 after years on the Andalusia Community Bank board, bringing invaluable insight from his career at John Deere.

We were truly fortunate to have Mike and Andrew as part of our 1870 Holdings family, and their presence will be deeply missed.



President's Statement



“BY EXPANDING **1870 HOLDINGS**, WE ARE GROWING OUR SHAREHOLDER BASE, WHICH WE BELIEVE WILL PROVIDE GREATER LIQUIDITY FOR OUR SHAREHOLDERS.”

Our Strategic Growth Plan – Creating Opportunities

A year ago, we shared our plans for strategic growth and highlighted key organizational changes. Today, we are pleased to reflect on our progress and report on the accomplishments that continue to strengthen our financial services company and differentiate us from the competition.

Over the past year, it has been inspiring to witness the enthusiasm and commitment of our staff. The phrase, “**If you’re not growing, you’re dying**” is often overused and carries negative connotations. A better way to frame this idea is: “**If you are growing, you are creating opportunities.**” We firmly believe our strategy is generating meaningful opportunities for our shareholders, employees, customers, and the communities we serve.

Financial Performance & Growth

1870 Holdings recorded net income of \$3.3 million, down from \$3.8 million in 2023. A significant portion of this decrease is

attributable to one-time costs associated with the Princeville State Bank merger transaction.

Midwest Bank's performance in 2024 aligned with our expectations, with net income slightly below 2023 levels but exceeding budget projections. While our net interest margin remains compressed, all other areas of the bank continue to perform well. Looking ahead to 2025 and beyond, our forecasting models indicate steady improvement in both margin and profitability.

On the insurance side, Porter-Hay achieved a record year, with total revenue increasing by 22.7% and net income rising 44.2% year-over-year. The acquisition of North-And Co. in early 2024 contributed significantly to this success. Porter-Hay's operating profit surpassed \$1.1 million, enhancing our overall performance and cash flow.

In October, we launched our newest company, MB Wealth, LLC, which acquired the accounting practice of Matthew

Anderson, CPA, based in Rock Island, Illinois. This strategic expansion allows us to offer tax and accounting services to our customers, and we look forward to broadening these services across all our markets.

Strategic Expansion – Princeville State Bank

We are especially excited about the recent addition of Princeville State Bank (PSB) as our second banking charter and strategic partner. Thanks to the hard work and collaboration of both teams, we are off to a strong start. Over the coming months, we will continue optimizing our operations and vendor relationships to ensure a seamless transition and long-term success.

We greatly appreciate the support of our shareholders, especially during 2024, when we had to pause stock trades due to the PSB acquisition. By expanding 1870 Holdings, we are growing our shareholder base, which we believe will provide greater liquidity for our

shareholders. While short-term challenges remain, we are well-positioned for improved earnings and increased shareholder value.

Join Us at the Annual Shareholder Meeting

We want to express our appreciation for your continued support by inviting you to our annual shareholder meeting. This event is an opportunity for shareholders to gain valuable insights into our strategic direction and growth initiatives. We hope to see you there!

Best regards,



Christopher J. Gavin
President, 1870 Holdings, Inc.



Communities and Employee Giving

At 1870 Holdings, we believe that a strong community is the foundation of lasting success. Throughout the year, we proudly partner with local organizations, schools, and nonprofits to support initiatives that foster growth, empowerment and well-being in the communities we serve. From financial literacy programs to environmental sustainability efforts, we are committed to making a positive impact where we work and live.



Community First Accelerate Grant

At Midwest Bank, we are proud to partner with the Federal Home Loan Bank of Chicago to provide opportunities that empower our customers and strengthen our communities.

In September, we presented both **Alfano's Pizza in Monmouth** and **The Belted Cow Orchard** with \$15,000 FHLBank Chicago Community First Accelerate Grants. The grant funds supported their businesses and contributed to the growth and success of our local communities.



Our employees are at the heart of our community involvement. Through various volunteer opportunities—including food drives, mentorship programs, and disaster relief efforts—our team members dedicate their time and expertise to causes that align with our values. This commitment to service extends beyond working hours, as employees regularly participate in initiatives that benefit both individuals and organizations in need.

In addition to their volunteer efforts, 1870 Holdings matches employee charitable contributions, amplifying the impact of their generosity. Together, we are building stronger communities and making a difference, one initiative at a time.



18
communities



60+
local organizations



1,349
hours dedicated by our employees



\$169,460
donated back to our communities



Year In Review

GROWING AGRICULTURE



\$12.5MM

In New Ag Real Estate Loans
Helping Our Local Farmers Grow
Their Operations



616

Meals Provided to Our
Customers Through Our
Feed The Farmer Program



\$15MM

In Reduced Interest Rate
Operating Loans Through the State
of Illinois Link Deposit Program

GROWING LOCAL BUSINESS



\$255.2MM

Total Remote Deposit Volume



\$839.5MM

Total Cash Management Volume

GROWING WEALTH



\$152.7MM

Assets Under Management



\$17MM

Average New Assets Since 2018



97.95%

Customer Retention Rate

“

"I would not be able to handle my investments/retirement without Adam and staff! They are so instrumental in decisions and the growth of my accounts. They are all kind, compassionate and very knowledgeable. I appreciate the opportunity to work with such wonderful, caring people."

- LaDonna G.

GROWING HOMEOWNERSHIP



\$21.2MM

Total Mortgage Volume



148

Total Loans Originated



\$122M+

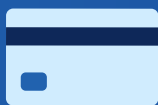
Grant Funds Provided
Through FHLB Down
Payment Plus Program

“

As a first-time homebuyer, I couldn't have asked for a better experience than the one I had with Christy Flynn and Blake Rappenecker. From start to finish, they were not only professional and knowledgeable but also incredibly supportive, making the entire mortgage process seamless and stress-free...

-Amber F.

GROWING CREDIT



\$6.3MM

Transaction Volume



65,923

Total Credit Card Transactions

GROWING DEPOSITS



\$10MM+

Total Dollar Amount of Mobile
Check Deposits



\$2.9B

Total DDA Deposits



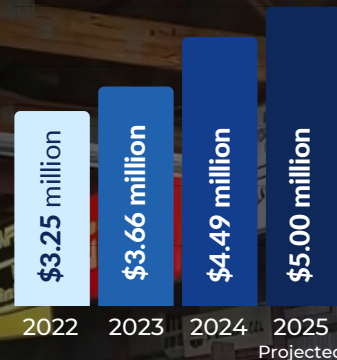
Porter-Hay Insurance

The insurance industry in 2024 remained challenging, with a persistently hard market as carriers continued to face combined loss ratios exceeding 100%. However, in the second half of the year, we began to see signs of progress. New business moratoriums were lifted, and many carriers started to benefit from higher pricing and adjusted wind/hail deductibles, helping to mitigate the record losses from 2023. Despite ongoing difficulties in sectors such as single and multi-family habitational properties and auto liability, we successfully navigated these challenges. Retention required significant effort, but the tough market also presented valuable opportunities to secure new business. Thanks to the hard work and dedication of the PHI team, we achieved a new record in revenue.

The integration of North-And Co. has progressed smoothly, and we are excited to now offer commodities brokerage services to our clients. With strong carrier partnerships in farm and crop insurance, we remain committed to being the premier ag insurance agency in central and west-central Illinois. Additionally, in 2025, we launched PHP Insurance Agency, a subsidiary of Porter-Hay. Through strategic collaboration with our partners in Peoria, PHP is focused on delivering tailored commercial insurance solutions for middle to large market businesses.

We are proud of the progress we have made and look forward to building on this momentum in the year ahead.

TOTAL REVENUE



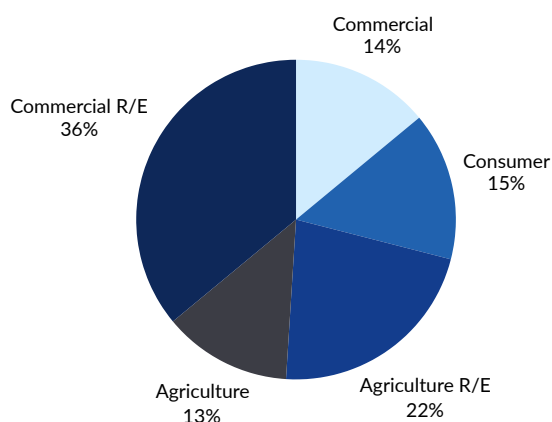
Chad Morse

Chad Morse
President
Porter-Hay Insurance

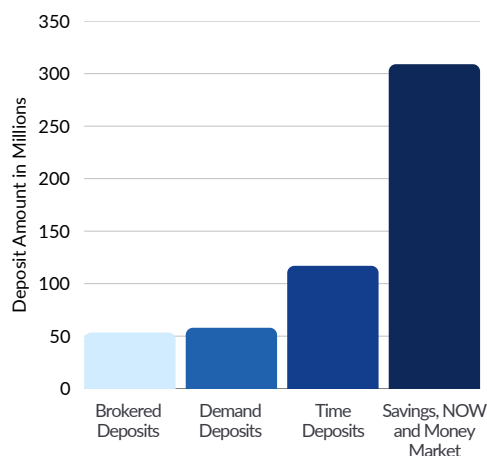
Financial Highlights

Selected Consolidated Financial Data; Year Ended December 31

LOAN PORTFOLIO



DEPOSITS



Income Statement Data

	2024	2023
Interest Income	\$28,387,113	\$25,925,925
Interest Expense	\$13,014,061	\$10,429,219
Net Interest Income	\$15,373,052	\$15,496,706
Provision for Credit Losses	\$722,257	\$369,499
Non-Interest Income	\$7,831,407	\$6,723,081
Non-Interest Expense	\$18,436,575	\$16,964,548
Pre-Tax Earnings	\$4,045,627	\$4,885,740
Income Tax Expense	\$743,620	\$1,109,150
Net Income	\$3,302,007	\$3,776,590

Per Common Share Data

Earnings per Share	\$2.49	\$2.84
Tangible Book Value per Share	\$17.01	\$17.74
Book Value per Share	\$30.60	\$30.41
Shares Outstanding	1,327,555	1,328,455

Balance Sheet Data

Total Assets	\$682,623,440	\$674,610,773
Total Investment Securities	\$205,590,788	\$216,488,068
Total Loans	\$404,098,929	\$385,074,127
Allowance for Credit Losses	\$4,644,909	\$4,350,536
Net Loans	\$399,454,020	\$380,723,591
Total Deposits	\$537,628,866	\$529,219,873
Total Stockholders' Equity	\$40,619,566	\$40,395,177
Loan to Deposit Ratio	74.30%	71.94%

Average Ratios

Return on Average Assets	0.61%	0.64%
Return on Average Stockholder's Equity	7.53%	8.33%
Net Interest Margin	2.87%	2.85%

Asset Quality Ratios

Net Charge-Offs/Total Loans	0.10%	0.05%
Non-Performing Loans/Total Loans	0.25%	0.31%
Allowance for Credit Losses/Total Loans	1.15%	1.13%



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