

ANNUAL
REPORT
2025



Bank | Insurance | Private Advisory

In banking, the years that matter most are often the ones where you do the right things consistently. 2025 was that kind of year for STAR. We stayed disciplined, stayed focused, and continued to earn trust the same way this institution always has, through steady work, strong relationships, and a commitment to doing things the right way.

Our new headquarters played an important role in that momentum. After its first full year in operation, the value is evident. It has strengthened collaboration, improved how teams work together, and helped us move faster on the priorities that matter to customers and to the organization. It also stands as a visible sign of STAR's commitment to Fort Wayne and to the communities we call home. For a company built on relationships, bringing people together in the same space has helped us serve with even greater consistency.

The broader banking landscape continues to change. Consolidation and merger activity are increasing, and the regulatory environment remains active and shifting under the current administration in Washington. In environments like this, banks must be nimble, responsive, and flexible without losing sight of strong fundamentals. STAR has always operated with that mindset, and 2025 was no exception. We added outstanding talent across the organization, continued to modernize our technology, and made significant investments in artificial intelligence. We are approaching AI the same way we approach every major decision, with thoughtful planning, strong governance, and a clear focus on practical value for customers and our teams. We also made substantial progress advancing the Bank's strategic plan and continued extensive planning efforts at the holding company level to support long-term strength.

Our values remain unchanged. STAR's community impact grew again in 2025 through expanded giving and meaningful volunteer work across Indiana. What stood out this year was not only the extent of our involvement but the personal way our employees engaged with the people and organizations we support. Their willingness to give their time, energy, and presence reflects the heart of this company. At the same time, our internal culture feels stronger than ever. Engagement and satisfaction across the organization reaffirm something I have believed for a long time. When you invest in people, communicate clearly, and stay aligned around purpose, good things follow for customers, communities, and shareholders.

2025 also brought a loss that was deeply felt across the STAR family. We said goodbye to Bob Wright; a second-generation leader whose presence shaped this institution in lasting ways. Bob was the kind of person who did not seek attention, but earned respect through character, humility, and a genuine commitment to others. What a man, and what a legacy. His influence will remain part of STAR's story for generations, and we honor him by continuing to build an institution worthy of what he helped create.

As Chairman, and as someone who has had the privilege of serving STAR for more than five decades, I want to close with sincere gratitude. To our employees, thank you for the care you bring to your work and the way you represent STAR every day. To our customers, thank you for choosing us and allowing us to be part of the financial decisions that matter most. To our shareholders, thank you for your continued confidence and long-term commitment to this institution. And to the communities we serve, thank you for the partnerships, the trust, and the shared pride that make community banking meaningful. You are the reason STAR is who we are, and you are the reason we continue to build for the next generation.

Sincerely,



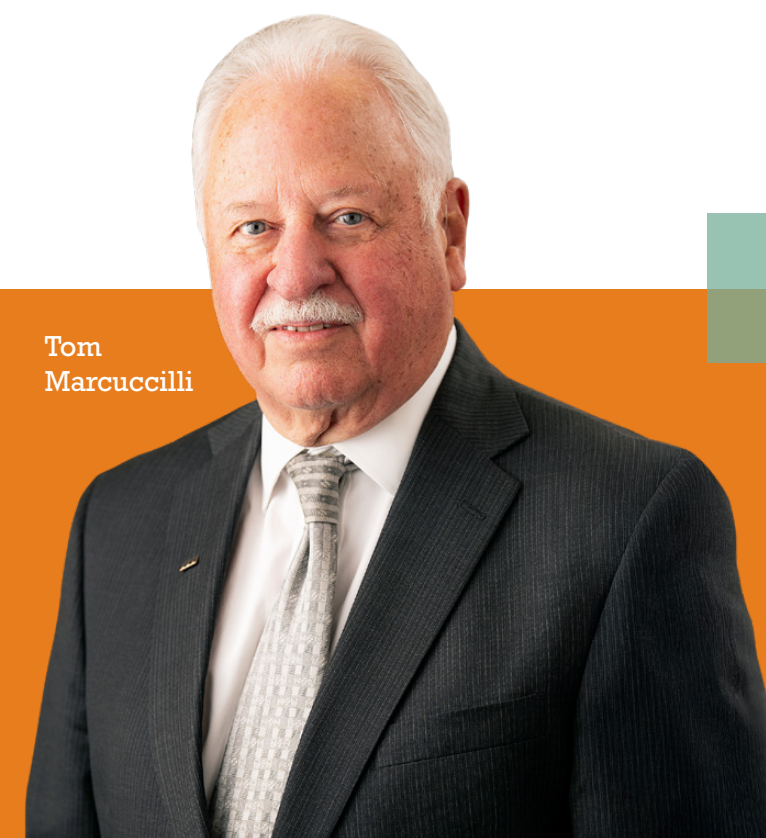
THOMAS M. MARCUCCILLI
Chairman, STAR Financial Group, Inc.

A Year of Steady Progress

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Tom
Marcuccilli

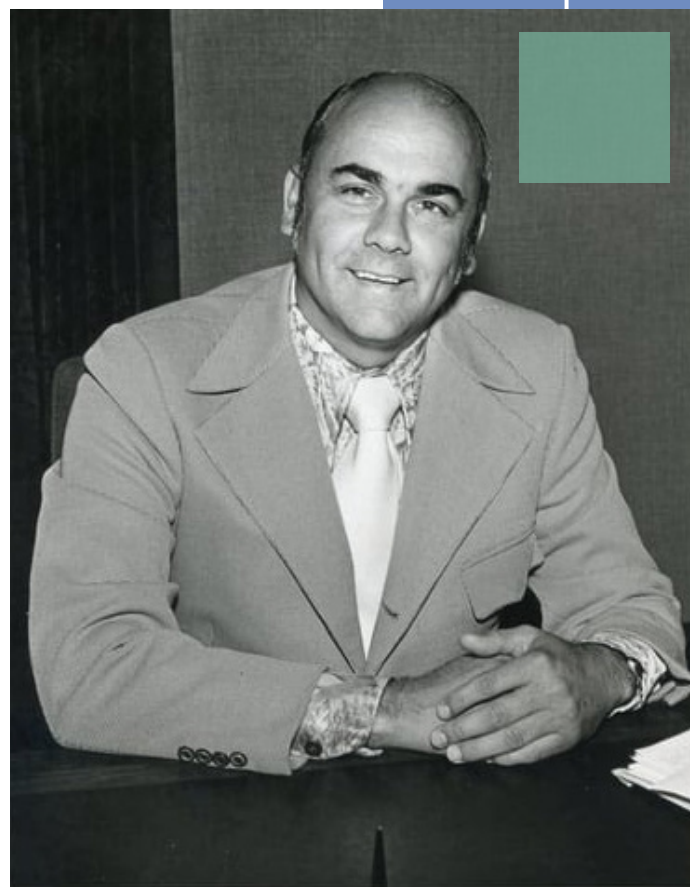


A Celebration of Legacy: Bob Wright

At STAR, legacy is not measured only by years of service or titles held. It is measured by character, by the way people are treated, and by the values that endure long after a leader's work is done. Few individuals embody that legacy more fully than Robert L. "Bob" Wright.

Bob helped shape STAR for more than five decades, guiding the organization with humility, sound judgment and an unwavering belief that banking is, at its heart, a people business. During that time, he helped transform a small community bank into the strong regional financial institution known today as STAR Financial Bank.

Founded in 1943 in Upland, Indiana, STAR began when Selah G. Wright, Thomas Marcuccilli, Arthur Hodson and Ralph Marcuccilli purchased the Upland branch of Citizens State Bank of Fairmount with a simple but powerful vision: create a bank rooted in relationships, dedicated to serving communities, and focused on helping individuals and businesses succeed.



Robert L. "Bob" Wright
December 1993 – December 2025



Bob Wright and Carl Erskine

Bob Wright carried that vision forward and helped lead the bank into a new phase of growth. He expanded the organization through strategic acquisitions, strengthened its operational foundation, and introduced modern lending practices that positioned the bank for long-term success. He also helped establish loan committees, shaped the annual budgeting process, and recruited talented bankers who shared his commitment to thoughtful, relationship-driven banking.

But Bob's greatest contribution was not simply in what he built. It was in how he built it. Bob believed deeply in what STAR still calls character-first banking. He understood that trust is earned through consistency, fairness, and genuine care for others.

Within STAR, Bob's legacy lives on in the leaders who continue to carry its mission forward. Bob's son, Tom Wright, served as President and now serves as Vice Chairman, while his grandson, Kevin Wright, currently serves as President of STAR Financial Bank.

"Some of the stories people share about him are big and memorable, but many are the small moments that meant the world to someone. He made it a point to know people personally and always took the time to ask about their lives," says Kevin Wright.

"For Grandpa, banking was never just about transactions. It was about relationships and standing beside customers through the moments that shape their financial lives."

–Kevin Wright



Tom Wright, Bob Wright, and Kevin Wright

“Dad was consistent in his core beliefs and applied them in every situation, whether one-on-one or in a large group, and in both major deals and small transactions.”

–Tom Wright

Bob also believed strongly in the responsibility of community banking. He understood that a bank should be more than a financial institution; it should be an active participant in the life of the communities it serves. That philosophy helped shape STAR into the Indiana-focused, community-driven institution it remains today.

Today, STAR Financial Bank manages more than \$3 billion in assets and serves customers through 36 banking centers across central and northeast Indiana. While the bank has grown significantly since its early days in Upland, its identity as an independently owned Indiana community bank remains unchanged. That continuity reflects the long-term thinking and stewardship that leaders like Bob championed throughout his career.

Those who worked with Bob often speak not only about his accomplishments, but about his humility. Whether mentoring a colleague, encouraging a teammate or remembering a detail about someone’s family, Bob had a way of making people feel seen and valued.

That same humility shaped his leadership style. In many ways, Bob’s approach was ahead of its time, reflecting a collaborative leadership style that was uncommon among his peers but that many organizations strive for today.

As STAR enters its ninth decade of service, the values that defined Bob Wright’s leadership remain firmly in place. STAR continues to invest in communities across Indiana, support local businesses and walk alongside customers throughout their financial journeys.

Bob Wright’s life reminds us that real leadership leaves more than results. It leaves an example.



STAR Headquarters Ribbon Cutting 2024

“He believed the best outcomes came from collaboration. By listening first and inviting others into the conversation, Grandpa helped people feel valued and empowered to contribute.”

–Kevin Wright

Kevin Wright
President, STAR
Financial Bank



Economic Outlook: Momentum Returns in a Stabilizing Economy

The economic story of 2025 was one of balance returning to the market. After several years defined by disruption, volatility, and rapid change, the environment began to stabilize. Conditions were not without challenge, particularly in the first half of the year, but over time, momentum improved and confidence followed.

For STAR, the year reflected that same pattern. Activity across our markets was measured early, as businesses and consumers adjusted to higher interest rates, competitive deposit pricing, and continued uncertainty. As the year progressed, those conditions began to normalize. Expectations became clearer, activity picked up, and the foundation for growth strengthened. By year-end, that steady progress translated into meaningful results across the organization.

In our Retail Banking division, those dynamics were especially evident in the housing market. While elevated rates and limited inventory continued to shape buyer behavior, demand remained resilient. Our mortgage team delivered a strong performance, with loan balances increasing 13.5% and production rising 36% over the prior year. These results underscore a broader trend: even in a constrained market, individuals and families continue to invest in homeownership, supported by trusted local partnerships.

At the same time, competition for deposits remained intense across the industry. Despite that pressure, our retail team successfully generated nearly \$50 million in new deposits during the year.

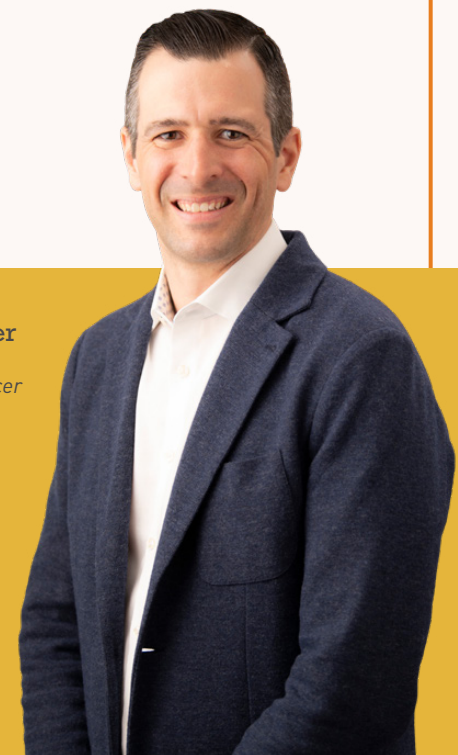
On the Commercial Banking side, the year began with cautious expectations. Early pipeline activity suggested a slower environment, and many businesses took a measured approach to investment. However, through disciplined outreach and consistent engagement with clients, that trajectory shifted. As the year progressed, opportunity followed effort. Businesses adapted, confidence improved, and activity accelerated, resulting in a strong finish to the year.

Within Private Advisory Services, broader demographic and market trends continued to shape demand. Clients are engaging in financial planning earlier and with greater frequency, while the need for trust services, estate planning, and wealth management continues to grow.

Throughout the year, one theme remained consistent across every line of business: progress came through discipline and relationships. Growth was not driven by a single moment or market shift, but by steady execution over time. Financial results rarely happen overnight. They develop through consistent effort, thoughtful decision-making and a long-term approach to building both balance sheet strength and client trust.



Brian Miller
SVP, Chief
Financial Officer



Growing by Serving: STAR's Commitment to Community

At STAR Financial Bank, community banking has always meant more than providing financial services. It means showing up for the communities where our customers and employees live, work and raise their families. And it means investing in the organizations that help people learn, grow and build stable futures.

For more than 80 years, STAR has believed that strong communities and strong banks grow together. That belief shaped our impact throughout 2025, and continues to guide how the bank gives back across central and northeast Indiana.

A Culture of Service

In 2025, the bank continued refining its approach to community partnerships, focusing on initiatives that make a real difference in people's lives. That focus on impact shaped several standout partnerships and initiatives across the state.

"For STAR, it's about showing up for the communities we serve and partnering with organizations that are doing meaningful work," says Kristin Marcuccilli Green, President of STAR Financial Group. "When you're aligned on values and purpose, the partnership is easy."

In 2025, STAR's community investment strategy remained focused on three core areas where support can make a lasting difference: in education, arts and economic development. These pillars reflect STAR's belief that thriving communities depend on education, cultural vitality, and economic security, and they continue to guide decisions about where STAR's resources could create the greatest long-term impact.

"At STAR, growing by serving the community isn't just a strategy," says Marcuccilli Green. "It's a reflection of our values and our commitment to the people and places we call home."

Connecting with Communities

Over the last several years, STAR has strengthened its commitment to building a community outreach strategy that ensures its financial support reflects and improves the real, tangible needs of the communities it serves.

"We believe the best way to support our communities is to dig deeper, identify real needs and focus our resources where they can help solve meaningful problems," says Thomas Marcuccilli, Director of Marketing and Communication at STAR Financial Bank. "Rather than applying a one-size-fits-all model, we work to build meaningful partnerships with organizations that are creating measurable impact. When we put our dollars to work, the question is always: what impact are we having?"

Through an open and accessible donation request process, nonprofit organizations are encouraged to share detailed information about their missions, programs and priorities. This approach allows STAR to understand where resources can make the greatest difference and ensures that support aligns with community-identified needs.



2025 STAR Service Day



United Way Day of Caring

Investing for Impact

Over the past year alone, the bank contributed more than \$450,000 in charitable donations, supported over 80 nonprofit organizations, and sponsored more than 100 community events throughout its footprint.



Fort Wayne International Airport Gateway Lounge
STAR partnered with Fort Wayne International Airport to launch the Gateway Lounge, creating a premium space designed for business travelers and entrepreneurs on the move. The lounge quickly exceeded expectations, with more than 1,400 visits and strong early membership adoption, demonstrating the value of investing in community infrastructure that supports regional economic activity.

Indiana Repertory Theatre Season Sponsorship
Through its season partnership with the Indiana Repertory Theatre, STAR supported professional productions and arts education while hosting clients and community partners for A Christmas Carol, one of the region's most anticipated holiday performances.



Cookin' Fort Wayne with the Do it Best Foundation
STAR supported Cookin' Fort Wayne, the signature fundraising event hosted by the Do it Best Foundation, which brings together local restaurants, businesses and community leaders to raise funds for Ronald McDonald House Charities of Northeast Indiana.

Tipton Main Street Association: Legacy Sponsorship
STAR's partnership with Tipton Main Street supported a full calendar of downtown events, including seasonal celebrations and community gatherings. By sponsoring multiple events throughout the year, STAR reinforced its commitment to small-town vitality and local economic development.

LC Nature Park – Camp Trillium
STAR supported Camp Trillium at LC Nature Park, helping fund transportation so more children could attend the summer program. The camp provides hands-on environmental education experiences for youth, introducing them to conservation, wildlife and Indiana's natural landscape.



Regional Community Events and Celebrations
STAR continued supporting high-profile regional traditions such as the NCAA Tournament events, the 500 Festival, and holiday celebrations at its Indianapolis headquarters, creating opportunities for clients, employees and community members to connect and celebrate together.



Community Transportation Network (CTN) Vehicle Sponsorship
STAR partnered with CTN to sponsor a new transportation vehicle that helps provide essential rides for residents across Fort Wayne. The initiative supports thousands of riders who rely on transportation to access healthcare, employment and everyday necessities.

Greater Fort Wayne Inc. Small Business Exclusives
STAR sponsored the Small Business Exclusives series, hosting workshops and networking events at its downtown Fort Wayne event space. The program provides local entrepreneurs with practical resources, connections, and education to support business growth.



Kristin Marcuccilli Green
President, STAR Financial Group



Thomas Marcuccilli
Director of Marketing and Communication

Smart Solutions for Personalized Customer Service

Banking should work around people, not the other way around. In 2025, that expectation shaped changes to the banking experience at STAR Financial Bank, as STAR looked for ways that technology could serve people better.

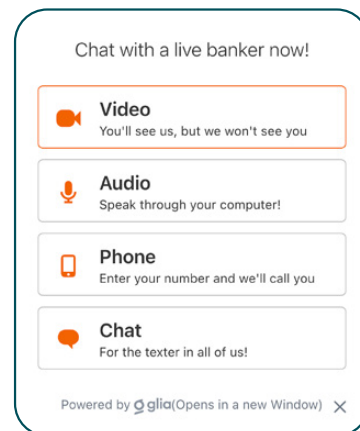
“Technology is a multiplier to the way we serve customers, it’s not a replacement,” says Chief Technology Officer Brian Avery. “By streamlining routine work, it gives our bankers more time to focus on what matters most: building relationships and serving people.”

Whether someone is checking a balance late at night, planning a major purchase, or simply trying to solve a quick question during a busy day, STAR’s technology goal is to make support easy to access and simple to navigate.

Banking That’s Built Around You

Every customer’s financial journey looks different. Over the last several years, STAR has been focused on evaluating its technology and evolving its support tools to meet customers wherever they are.

“Some customers prefer visiting a branch and speaking directly with a banker they know and trust. Others value the ability to manage everyday banking tasks from their phone or computer whenever it fits their schedule,” says Avery. “The goal is moving the things that need to be fast and efficient into technology, while making room for the more personal conversations customers want with their banker.”



“AI helps level the playing field for community banks. AI tools like Penny help handle routine questions and simple requests instantly. That means customers can resolve everyday needs faster, without waiting on hold or navigating complex processes.”

–Brian Avery

In 2025, STAR introduced Penny, a virtual phone assistant that uses artificial intelligence to help telephone customers get the information they need, without the need to interact with a live call center. With Penny, STAR is able to provide quick answers and guide customers through common requests, from checking balances and reviewing transactions to locating branches and accessing services.

Penny represents the future of technology at STAR. By using AI-driven technology to simplify daily interactions, the STAR team has more time to work one-on-one with customers to handle complex banking needs. By giving customer access to both streamlined technology and personal relationships, STAR creates a banking experience that is simple, responsive and always within reach.



People-Centric Banking, Powered by AI

Artificial intelligence is transforming many industries, including banking. And while STAR has used AI-powered tools for several years, 2025 offered opportunities to use the technology to augment the customer experience. Throughout 2025 and in the years ahead, the goal is straightforward: to make banking easier for customers while giving bankers more time to serve people.

By automating routine interactions, AI allows STAR’s bankers to spend more time on the conversations that matter most, like helping families buy homes, supporting entrepreneurs growing their businesses, and guiding customers through important financial decisions.

Banking in a Digital-First Age

For STAR, technology is never the destination. It’s a tool that supports the bank’s long-standing philosophy of relationship banking. And the modernization of STAR’s delivery channels reflects a broader vision for the future.

Digital tools like Penny help extend that commitment into the future. They allow customers to interact with the bank on their terms while ensuring that when guidance is needed, knowledgeable bankers are ready to step in.

By combining AI-powered support with personal relationships, STAR is building a model of banking that delivers both. The balance is intentional: technology provides convenience, while people provide understanding, judgment and trust.

Because at STAR, the future of banking isn’t about replacing relationships. It’s about strengthening them.

Brian Avery
Chief Technology
Officer, STAR
Financial Bank



Commercial Banking: Expanding Our Capacity for Growth

Strong communities depend on strong businesses. And for generations, STAR Financial Bank has partnered with entrepreneurs, family-owned companies, nonprofit organizations, and growing enterprises across Indiana to help them navigate opportunity, manage challenges and plan for the future.

In 2025, the team delivered one of its strongest years, driven by relationship-based banking, strong teamwork across the organization, and a renewed investment in leadership and structure designed to support the future of the business.

At the center of that momentum is a clear philosophy: building lasting relationships and consistently doing what is right for clients.

Finishing Strong After an Uncertain Start

The year began with economic uncertainty. Early pipeline activity suggested that 2025 might be a difficult year for commercial lending. But through disciplined outreach, strong client relationships and the dedication of STAR's bankers, the momentum quickly shifted.

What followed was one of the most successful years the Commercial Banking team has experienced.

“Rather than being driven by a single large deal, the success came from a series of consistent wins with both new and existing clients,” said Jim Cook, President of Commercial Banking at STAR Financial Bank. “Commercial bankers stayed active in their markets, building relationships and identifying opportunities to help businesses grow and invest in their communities.”

As opportunities began to build, the momentum accelerated, creating new partnerships and expanding relationships throughout the bank's footprint.

Restructuring Today for Tomorrow's Success

To support continued growth, STAR implemented a strategic restructuring of its Commercial Banking division in 2025. The changes were designed to sharpen the bank's focus, strengthen collaboration across teams and position the organization for long-term success.

The new structure created greater clarity across key areas of the business while aligning leadership roles with the strengths and experience of the bank's commercial bankers.

“One important step was establishing a more defined leadership structure for specialized areas such as commercial real estate and treasury management, allowing teams to work more closely together and ensuring clients benefit from coordinated expertise across multiple financial disciplines,” said Scott Bove, EVP, Capital Markets & Commercial Banking.

Just as importantly, the restructuring created new opportunities for professional growth within the division. Experienced bankers stepped into expanded leadership roles, mentoring younger team members and helping develop the next generation of commercial banking talent.

“By investing in its people today, STAR is building a leadership pipeline that will continue to support businesses and communities for years to come.”

—Scott Bove

Scott Bove
EVP, Capital Markets
& Commercial Banking



Collaborating Throughout the Customer Journey

Another key driver of success has been collaboration across STAR's lines of business.

In 2025, commercial banking relationships often extended into other areas of the bank, including private advisory, treasury management and wealth management. In many cases, clients initially came to STAR for business banking needs and were able to turn to other STAR lines of business for investment guidance or financial planning.

“Being able to share information across business lines and see a full picture of our clients is extremely important,” said Kate Miller, President of Private Advisory. “It allows us to understand what matters most to them and provide better solutions over time.”

Taking a collaborative approach allows STAR to serve clients more holistically, ensuring that organizations and businesses receive thoughtful financial guidance at every stage of their growth. This level of cross-department collaboration reflects one of the key advantages of STAR's role as a community bank, where teams work together to do what is right for the client rather than focusing narrowly on individual products or services.

That collaborative culture helped drive the momentum of 2025. By investing in people, strengthening teamwork across business lines and preparing the next generation of commercial bankers, STAR is building the capacity to serve businesses and communities even more effectively in the years ahead.



“Commercial bankers stayed active in their markets, building relationships and identifying opportunities to help businesses grow and invest in their communities.”

–Jim Cook



Private Advisory: Evolution Leads to Expansion

In 2025, the Private Advisory team saw continued client growth alongside increasing demand for more complex financial planning, trust services, and investment guidance. In response, the team refined its processes, established best practices, expanded its capabilities, and worked collaboratively to position STAR Private Advisory for long-term success.

Serving Clients in Every Walk of Life

It's a misconception that Private Advisory services are reserved only for the ultra-wealthy. Increasingly, individuals and families across a wide range of financial situations are seeking professional guidance to help them build, protect and transfer wealth.

In 2025, the STAR team began planning strategic messaging and communication initiatives that will reiterate their role as a financial partner for every walk of life. This communication strategy is targeted at prospective clients of varying income levels, at every phase of their financial journey. The goal of these initiatives is to drive home a single, unifying message: that the STAR Private Advisory team is here to help you build financial stability and make thoughtful decisions about your future.

“It's not just about high-net-worth individuals. More families are seeking professional advice to help them make thoughtful financial decisions,” says Kate Miller, President of Private Advisory at STAR Financial Bank. “Clients want someone they trust who can help them think through the bigger picture of their financial lives.”

That perspective, along with the Private Advisory team's uniquely personal approach, reflects STAR's commitment to putting relationships, trust and long-term guidance at the center of every financial conversation.

“As a community bank, our ability to build long-term relationships is what truly differentiates us. Our role is to help clients make thoughtful decisions that support their goals, their families and the legacy they want to create.”

—Kate Miller

Kate Miller
President,
Private Advisory



Meeting Customer and Community Needs

In 2025, several trends contributed to the growth of STAR's Private Advisory services. One is that people are turning to financial planning services earlier and more often than in past generations.

“The needs of clients today are more complex than they were even ten years ago,” Miller says. “People are realizing earlier in life that they need guidance around investing, financial planning and preparing for the future.”

At the same time, demand for trust services, estate planning and wealth management continued to rise across Indiana. Changes in the competitive landscape and the addition of specialized expertise within the STAR team also expanded the bank's ability to serve clients in these areas.

In 2025, one of those fast-growing segments was institutional investment management, in which STAR works with nonprofits and community organizations to manage endowments, foundations and general funds that support their missions.

“We're seeing increasing demand from nonprofits that need professional management of their funds,” Miller says. “Those investments ultimately help strengthen the communities those organizations serve.”



Alec Smith, Associate Financial Advisor and
Janna Henny, Program Manager & Financial Advisor

A Community Bank Approach to Wealth Management

While many institutions offer wealth and advisory services, STAR's greatest differentiator is its people and its community banking roots. STAR's relationship-driven approach emphasizes listening, trust and long-term partnership. And that approach has been especially valuable throughout the last year, as many new clients and local nonprofit organizations turned to STAR Private Advisory for support.

As businesses grow, families plan ahead and organizations expand their impact, the Private Advisory team remains committed to supporting those journeys through thoughtful financial guidance. Because at its core, character-first banking means helping people build a future they can believe in.



Kate Miller, President, Private Advisory
and Medina Habibic, Investment Officer

Retail Banking: Renewed Strength from a Reorganized Team

For many customers, their first experience with STAR Financial Bank begins in retail banking, either by opening a checking account, financing a home or seeking guidance through a major financial milestone. These everyday interactions are where relationships begin and trust is built.

In 2025, STAR's Retail Banking team delivered strong performance while simultaneously reshaping its organizational structure to better support customers and position the team for growth.

The result was a year defined by record mortgage activity, strong deposit growth and a strategic realignment of team roles and responsibilities.

Building Trust to Build Mortgage Momentum

One of the most notable successes for the retail team in 2025 was the performance of STAR's mortgage business. Despite a housing market defined by higher interest rates and limited inventory, the mortgage team delivered a standout year. Mortgage loan balances grew 13.5%, and overall mortgage production increased 36%, exceeding expectations for the year.

“Even in a high-rate environment with low housing inventory, the team was able to significantly increase production,” says Mike Wallace, President of Retail Banking.”

Much of that production came from home purchases rather than refinancing, an indicator of STAR's strong relationships within local markets. Additionally, approximately \$90 million of STAR's \$109 million in mortgage production came from purchase transactions, demonstrating the strength of the bank's partnerships with real estate professionals and community networks.

Those numbers prove that in today's competitive housing market, relationships are essential. And STAR's commitment to character-first banking puts it ahead of the pack.

“For us to have a record purchase year was a testament to our team building strong relationships and earning the trust of referral partners across our markets.”

–Mike Wallace



Growing Relationships to Grow Deposits

Retail banking also played a key role in strengthening STAR's balance sheet through continued deposit growth. This growth was driven by a combination of customer relationships, targeted marketing campaigns and relevant financial products designed to meet the evolving needs of households and small businesses.

STAR's commitment to prioritizing relationships over transactions continues to give them a competitive edge. During 2025, the retail team helped bring in nearly \$50 million in new deposits, even as competition for deposits intensified across the banking industry.

Expanding the Team to Expand Opportunities

While performance remained strong, 2025 was also a year of important structural changes designed to support the next phase of retail banking growth. STAR introduced a Market Manager leadership model across its branch network, a structure first piloted in the bank's central region before expanding company-wide.

“Under this model, market managers oversee several branches within a specific region, providing closer leadership and support for branch teams,” says Wallace. “This structure allows branch managers greater autonomy while enabling senior retail leaders to focus on broader strategic priorities such as product development, network planning and customer experience.”

Together, these achievements reflect the strength of STAR's retail banking foundation. By combining trusted relationships, strong local leadership and a forward-thinking structure, the retail team is well-positioned to continue serving customers and supporting community growth in the years ahead.

“For STAR, success in retail banking is never simply about transactions. It's about building long-term relationships with individuals and families who trust the bank with their financial lives.” – Mike Wallace.

Mike Wallace
President,
Retail Banking



STAR Financial Group, Inc.

Independent Auditor's Report and
Consolidated Financial Statements

December 31, 2025 and 2024

STAR Financial Group, Inc.

Financial Highlights

Years Ended December 31, 2025, 2024 and 2023

(In Thousands Except Share Data)

	2025	2024	2023
For the Year			
Net income	\$ 25,352	\$ 23,708	\$ 23,863
Dividends declared	4,066	3,866	3,658
Weighted average shares	2,765,872	2,779,945	2,792,246
Per Basic Common Share			
Net income	\$ 9.17	\$ 8.53	\$ 8.55
Dividends declared	1.47	1.39	1.31
Book value at December 31	93.97	75.45	67.08
At December 31			
Total assets	\$ 3,227,987	\$ 2,975,885	\$ 2,998,676
Earning assets	2,981,506	2,719,070	2,737,004
Loans and leases	1,857,415	1,713,337	1,639,546
Deposits	2,828,525	2,603,176	2,546,014
Total parent company stockholders' equity	259,913	208,886	187,308
Capital Ratios (Bank only)			
Risk-based capital ratios			
Tier I	13.64%	13.52%	12.32%
Total (Tier I plus Tier II)	14.57	14.41	13.18
Leverage ratio	10.26	10.17	9.73
Common Equity Tier I	13.64	13.52	12.32

See Notes to Consolidated Financial Statements

Independent Auditor's Report

Audit Committee
STAR Financial Group, Inc.
Fort Wayne, Indiana

Opinion

We have audited the consolidated financial statements of STAR Financial Group, Inc. (Company) and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of STAR Financial Group, Inc. as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of STAR Financial Group, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about STAR Financial Group, Inc.'s ability to continue as a going concern within one year after the date that these consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about STAR Financial Group, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Forvis Mazars, LLP

**Fort Wayne, Indiana
March 18, 2026**

STAR Financial Group, Inc.
Consolidated Balance Sheets
Years Ended December 31, 2025 and 2024
(In Thousands Except Share Data)

	2025	2024
Assets		
Cash and cash equivalents		
Cash and due from banks	\$ 63,623	\$ 59,341
Interest-bearing demand deposits	217,061	13,670
Total cash and cash equivalents	280,684	73,011
Investment securities available-for-sale	927,069	1,010,565
Loans held for sale	558	-
Loans and leases	1,857,415	1,713,337
Less: Allowance for credit losses	(20,597)	(18,502)
Net loans and leases	1,836,818	1,694,835
Bank owned life insurance	46,675	47,272
Premises and equipment, net	75,930	81,112
Interest receivable	12,109	12,183
Goodwill	2,636	2,636
Other assets, net	45,508	54,271
Total assets	<u>\$ 3,227,987</u>	<u>\$ 2,975,885</u>
Liabilities and Equity		
Liabilities		
Deposits		
Demand, noninterest bearing	\$ 806,602	\$ 825,776
Interest bearing		
Demand	1,665,799	1,415,519
Time deposits	356,124	361,881
Total deposits	2,828,525	2,603,176
Long-term borrowings	50,000	75,000
Junior subordinated debt	10,310	10,310
Subordinated debt	50,000	50,000
Other liabilities, net	29,239	25,748
Total liabilities	2,968,074	2,764,234
Equity		
Common Stock		
No par value, 5,000,000 shares authorized, 4,854,380 shares issued	7,359	7,359
Capital surplus	7,302	7,280
Retained earnings	408,424	387,138
Accumulated other comprehensive loss	(48,209)	(78,385)
Treasury stock at cost, 2,092,471 and 2,085,832 shares as of December 31, 2025 and 2024, respectively	(114,963)	(114,506)
Total Parent Company Stockholders' Equity	259,913	208,886
Noncontrolling Interest	-	2,765
Total equity	259,913	211,651
Total liabilities and equity	<u>\$ 3,227,987</u>	<u>\$ 2,975,885</u>

See Notes to Consolidated Financial Statements

STAR Financial Group, Inc.
Consolidated Statements of Income
Years Ended December 31, 2025 and 2024
(In Thousands Except Share Data)

	2025	2024
Interest Income		
Interest on loans	\$ 105,981	\$ 99,368
Interest on investment securities		
Taxable	35,245	40,504
Tax exempt	1,677	1,225
Total interest income	142,903	141,097
Interest Expense		
Interest on deposits	50,929	51,087
Interest on borrowings	5,560	6,332
Total interest expense	56,489	57,419
Net Interest Income	86,414	83,678
Credit Loss Recovery	(6,241)	-
Net Interest Income After Credit Loss Recovery	92,655	83,678
Noninterest Income		
Service charges and fees	7,202	7,114
Bank card processing	8,577	8,836
Mortgage sales and servicing fees	1,214	1,241
Trust and brokerage fee income	4,928	4,686
Gain on sale of premises and equipment	-	2,736
Other fees and commissions	1,560	1,416
Loss on sales of securities	(780)	-
Other	3,045	4,383
Total noninterest income	25,746	30,412
Noninterest Expense		
Salaries and employee benefits	47,206	44,878
Occupancy expense	8,146	6,319
Equipment expense	12,523	12,931
Bank card processing fees	4,098	3,662
Loan and collection expense	1,195	1,010
Deposit insurance premiums	1,422	1,387
Advertising and promotional	1,731	1,695
Professional services	2,733	2,872
Other	8,082	11,057
Total noninterest expense	87,136	85,811
Income Before Income Taxes	31,265	28,279
Provision for Income Taxes	5,913	4,571
Net Income	<u>\$ 25,352</u>	<u>\$ 23,708</u>
Income Per Share		
Basic	\$ 9.17	\$ 8.53
Diluted	\$ 9.08	\$ 8.46
Weighted Average Shares Outstanding		
Basic	2,765,872	2,779,945
Diluted	2,791,821	2,801,962

See Notes to Consolidated Financial Statements

STAR Financial Group, Inc.
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2025 and 2024
(In Thousands)

	<u>2025</u>	<u>2024</u>
Net Income	\$ 25,352	\$ 23,708
Other Comprehensive Income		
Unrealized appreciation on available-for-sale securities, net of taxes of \$8,895 and \$1,021, for 2025 and 2024, respectively	29,560	3,583
Reclassification adjustment for realized losses included in net income, net of taxes of \$164 and \$0, for 2025 and 2024, respectively	616	-
	<u>30,176</u>	<u>3,583</u>
Comprehensive Income	<u>\$ 55,528</u>	<u>\$ 27,291</u>

STAR Financial Group, Inc.
Consolidated Statements of Changes in Equity
Years Ended December 31, 2025 and 2024
(In Thousands Except Share Data)

	<u>Common Stock</u>	<u>Capital Surplus</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Treasury Stock</u>	<u>Total Parent Company Stockholders' Equity</u>	<u>Noncontrolling Interest</u>	<u>Total Equity</u>
Balance, January 1, 2024	\$ 7,359	\$ 7,454	\$ 367,296	\$ (81,968)	\$ (112,833)	\$ 187,308	\$ 2,606	\$ 189,914
Net income	-	-	23,708	-	-	23,708	-	23,708
Other comprehensive income	-	-	-	3,583	-	3,583	-	3,583
Cash dividends (\$1.39 per share)	-	-	(3,866)	-	-	(3,866)	-	(3,866)
Purchase of treasury stock (28,126 shares)	-	-	-	-	(2,110)	(2,110)	-	(2,110)
Share based compensation expense	-	263	-	-	-	263	-	263
Issuance of treasury stock for restricted stock awards (5,676 shares)	-	(437)	-	-	437	-	-	-
Contributions from noncontrolling interests	-	-	-	-	-	-	159	159
Balance, December 31, 2024	<u>7,359</u>	<u>7,280</u>	<u>387,138</u>	<u>(78,385)</u>	<u>(114,506)</u>	<u>208,886</u>	<u>2,765</u>	<u>211,651</u>
Net income	-	-	25,352	-	-	25,352	-	25,352
Other comprehensive income	-	-	-	30,176	-	30,176	-	30,176
Cash dividends (\$1.47 per share)	-	-	(4,066)	-	-	(4,066)	-	(4,066)
Purchase of treasury stock (11,358 shares)	-	-	-	-	(851)	(851)	-	(851)
Share based compensation expense	-	416	-	-	-	416	-	416
Issuance of treasury stock for restricted stock awards (4,719 shares)	-	(394)	-	-	394	-	-	-
Purchase of shares from noncontrolling interests	-	-	-	-	-	-	(2,765)	(2,765)
Balance, December 31, 2025	<u>\$ 7,359</u>	<u>\$ 7,302</u>	<u>\$ 408,424</u>	<u>\$ (48,209)</u>	<u>\$ (114,963)</u>	<u>\$ 259,913</u>	<u>\$ -</u>	<u>\$ 259,913</u>

See Notes to Consolidated Financial Statements

STAR Financial Group, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024
(In Thousands)

	2025	2024
Operating Activities		
Net income	\$ 25,352	\$ 23,708
Items not requiring (providing) cash		
Credit loss recovery	(6,241)	-
Net gain from sale of loans	(492)	(435)
Origination of loans for sale	(15,180)	(11,853)
Proceeds from sale of loans	15,114	12,537
Increase in value of bank-owned life insurance	(936)	(1,267)
Gain on settlement of bank-owned life insurance	(295)	-
Depreciation and amortization on premises and equipment	6,485	5,927
Net amortization of securities	3,635	4,166
Deferred income tax expense (benefit)	3,352	(1,420)
Loss on sale of securities	780	-
Gain on sale of premises and equipment	-	(2,736)
Amortization of right of use asset	2,782	1,852
Share based compensation expense	416	263
Change in interest receivable	74	(855)
Change in other assets	(4,288)	1,943
Change in other liabilities	2,198	(1,690)
Net cash provided by operating activities	32,756	30,140
Investing Activities		
Proceeds from sales of investment securities available-for-sale	55,654	-
Proceeds from maturities and calls of investment securities available-for-sale	87,736	57,645
Proceeds from sale of premises and equipment	72	4,607
Proceeds from bank-owned life insurance policy	1,828	833
Purchases of premises and equipment	(1,375)	(8,179)
Purchases of investment securities available-for-sale	(25,923)	(2,605)
Net change in loans	(135,742)	(74,491)
Net cash used in investing activities	(17,750)	(22,190)
Financing Activities		
Net change in deposits	225,349	57,162
Proceeds from long-term borrowings	40,000	20,000
Repayment of long-term borrowings	(65,000)	(120,000)
Cash dividends	(4,066)	(3,866)
Purchase of treasury stock	(851)	(2,110)
Contributions from noncontrolling interests	-	160
Purchase of shares from noncontrolling interests	(2,765)	-
Net cash provided (used) by financing activities	192,667	(48,654)
Net Change in Cash and Cash Equivalents	207,673	(40,704)
Cash and Cash Equivalents, Beginning of Year	73,011	113,715
Cash and Cash Equivalents, End of Year	\$ 280,684	\$ 73,011

See Notes to Consolidated Financial Statements

STAR Financial Group, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024
(In Thousands)

	2025	2024
Supplemental Cash Flows Information		
Interest paid	\$ 57,353	\$ 56,628
Income taxes paid	3,224	2,682

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

STAR Financial Group, Inc.
December 31, 2025 and 2024
(Table Dollars in Thousands Except Share Data)

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

STAR Financial Group, Inc. (STAR or the Company) is a bank holding company whose principal activity is the ownership and management of its wholly owned subsidiary, STAR Financial Bank (Bank). The Bank has one wholly owned subsidiary, Titan, Inc. (Titan). In 2020, the Company owned 100% of the newly formed entity, 215 W Main, LLC, which was established to acquire and hold real estate. A new construction project, incorporated as Berry Maiden Main, LLC, began in 2021 for STAR's new headquarters. Berry Maiden Main was majority owned by 215 W Main until 2025, when 215 W Main became the sole owner. The Bank is primarily engaged in providing a full range of banking and financial services to individual and corporate customers throughout Central and Northeastern Indiana. The Bank is subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities. The Bank also provides trust and investment advisory services through a separate division titled STAR Wealth Management (Wealth). Titan is primarily engaged in managing the Bank's investment securities.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents. Cash and cash equivalents are defined to include the Company's cash on hand and demand deposits with other institutions (including money market mutual funds).

At December 31, 2025, the Company's cash accounts exceeded federally insured limits by approximately \$16,991,000.

Investment Securities

Available-for-sale securities, which include any debt security for which the Company has no immediate plan to sell but which may be sold in the future, are carried at fair value. Unrealized gains and losses for those with no allowance for credit losses are recorded, net of related income tax effects, in other comprehensive income (loss). Changes in the fair value of equity securities is recorded in non-interest income. Amortization of premiums and accretion of discounts are recorded as interest income from securities. Realized gains and losses are recorded as net security gains (losses). Gains and losses on sales of securities are determined on the specific-identification method.

For debt securities with fair value below amortized cost when the Company does not intend to sell a debt security, and it is more likely than not, the Company will not have to sell the security before recovery of its cost basis, it recognizes the credit component in earnings as an allowance for credit losses and the remaining portion is recognized in other comprehensive income (loss). The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected based on cash flow projections.

Notes to Consolidated Financial Statements

STAR Financial Group, Inc.
December 31, 2025 and 2024
(Table Dollars in Thousands Except Share Data)

Allowance for Credit Losses – Available-For-Sale Securities

For available-for-sale securities in an unrealized loss position, the Company first assesses whether the security meets certain criteria. The criteria is whether the Company intends to sell the security, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirements to sell is met, the security's amortized cost basis is written down to fair value through income.

For debt securities available-for-sale that do not meet the above criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Changes in the allowance for credit losses are recorded as credit loss expense (or recovery). Losses are charged against the allowance when management believes the uncollectability of an available-for-sale security is confirmed or when either of the criteria regarding intent to requirement to sell is met.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to noninterest income. Gains and losses on loan sales are recorded in noninterest income, and direct loan origination costs and fees are deferred at origination of the loan and are recognized in noninterest income upon sale of the loan.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balances adjusted for unearned income, charge-offs, the allowance for credit losses, any unamortized deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized as a level yield adjustment over the respective term of the loan.

For all loan classes, the accrual of interest is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. For all loan classes, the entire balance of the loan is considered past due if the minimum payment contractually required to be paid is not received by the contractual due date. For all loan classes, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

Management's general practice is to proactively charge down loans individually evaluated to the fair value of the underlying collateral. Consistent with regulatory guidance, charge-offs on all loan segments are taken when specific loans, or portions thereof, are considered uncollectible. The Company's policy is to promptly charge these loans off in the period the uncollectible loss is reasonably determined.

For all loan portfolio segments except residential and consumer loans, the Company promptly charges-off loans, or portions thereof, when available information confirms that specific loans are uncollectible based on information that includes, but is not limited to, (1) the deteriorating financial condition of the borrower, (2) declining collateral values, and/or (3) legal action, including bankruptcy, that impairs the borrower's ability to adequately meet its obligations. For loans that are considered to be solely collateral dependent, a partial charge-off is recorded when a loss has been confirmed by an updated appraisal or other appropriate valuation of the collateral.

The Company charges-off residential and consumer loans, or portions thereof, when the Company reasonably determines the amount of the loss. The Company adheres to timeframes established by applicable regulatory guidance which provides for the charge-down of 1-4 family first mortgages, junior lien mortgages and other secured consumer loans at 90 days past due. Unsecured retail loans are wholly charged off when the loan is 90 days past due.

Notes to Consolidated Financial Statements

STAR Financial Group, Inc.

December 31, 2025 and 2024

(Table Dollars in Thousands Except Share Data)

For all loan classes, all interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Nonaccrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collection of interest or principal. The Company requires a period of satisfactory performance of not less than six months before returning a nonaccrual loan to accrual status.

When cash payments are received on individually evaluated loans in each loan class, the Company records the payment as interest income unless collection of the remaining recorded principal amount is doubtful, at which time payments are used to reduce the principal balance of the loan. Troubled debt modification loans recognize interest income on an accrual basis at the renegotiated rate if the loan is in compliance with the modified terms, no principal reduction has been granted and the loan has demonstrated the ability to perform in accordance with the renegotiated terms for a period of at least six months.

Allowance for Credit Losses - Loans

The allowance for credit losses is established as losses are estimated to have occurred through a provision for credit losses charged to income. Credit losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for credit losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance for credit losses contains general and allocated components. The general component covers loans with similar risk characteristics. The allocated component covers loans that do not share risk characteristics and are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. For those loans that are individually evaluated, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the loan is lower than the carrying value of that loan.

The methodology for calculating the general component of the allowance for credit loss contains four elements: the average charge-off method, qualitative elements, a forward look consideration, and a prepayment analysis. The average charge-off method calculates an estimate of losses primarily based on past experience by segment. The historical loss experience is determined by portfolio segment and is based on the actual loss history on a weighted average basis experienced by the Company. Management believes the weighted average historical loss experience methodology is appropriate in the current economic environment. The qualitative elements utilized in the allowance for credit loss calculation utilizes both objective and subjective indicators. The qualitative elements include nine categories: ability of staff, changes in collateral values, changes in loan concentration levels, economic conditions, external factors such as regulatory, level and trends in non-accrual or adversely classified loans, loan review results, nature and volume of the portfolio and loan terms, and changes in lending policies and procedures. Items within these categories are ranked as baseline, low, medium, or high levels of risk, and the related risk level per categories dictates the level of qualitative factor that is used depending on the standard deviation level from historical loss. The forward look consideration consists of leveraging a regression analysis based on forward looking economic forecasts. Forecast data for GDP and unemployment from the Federal Reserve are used in conjunction with third-party providers to complete a forward look consideration in the allowance for credit loss calculation. The prepayment analysis relates to anticipated prepayment speeds which will adjust anticipated loan losses. The prepayment calculation considers the interest rate environment and whether any economic incentives exist that would affect the average life of the loan portfolio.

Notes to Consolidated Financial Statements

STAR Financial Group, Inc.

December 31, 2025 and 2024

(Table Dollars in Thousands Except Share Data)

A loan is considered collateral dependent when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in identifying a collateral dependent loan include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due based on the loan's current payment status and the borrower's financial condition including available sources of cash flows. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as collateral dependent. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Collateral dependency is measured on a loan-by-loan basis for non-homogenous type loans such as commercial, non-owner residential and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent. For collateral dependent loans where the Company utilizes the discounted cash flows method, the Company includes the entire change in the present value of cash flows as provision for credit losses.

The fair values of collateral dependent loans are based on independent appraisals of the collateral. In general, the Company acquires an updated appraisal upon identification of individual evaluation and annually thereafter for commercial, commercial real estate and multi-family loans. It is the Company's practice to obtain annual appraisals on collateral dependent loans. The Company applies a discount rate to the appraisal based upon the collateral type. In the case of commercial real estate, the discount rate is 25%. After determining the collateral value as described, the fair value is calculated based on the determined collateral value less selling expenses. The potential for outdated appraisal values is considered in the Company's determination of the allowance for credit losses through the analysis of various trends and conditions including the local economy, trends in charge-offs and delinquencies, etc. and the related qualitative adjustments assigned by the Company.

Segments of loans with similar risk characteristics are collectively evaluated based on the segment's historical loss experience adjusted for changes in trends, conditions and other relevant factors that affect repayment of the loans. Accordingly, the Company does not separately identify individual consumer and residential loans for the allocated component of the allowance for credit loss calculation, unless such loans are the subject of a restructuring agreement due to financial difficulties of the borrower.

In the course of working with borrowers, the Company may choose to restructure the contractual terms of certain loans. In this scenario, the Company attempts to work-out an alternative payment schedule with the borrower in order to optimize collectability of the loan. Any loans that are modified are reviewed by the Company to identify if a troubled debt modification (TDM) has occurred, which is when, for economic or legal reasons related to a borrower's financial difficulties, the Company grants a concession to the borrower that it would not otherwise consider. Terms may be modified to fit the ability of the borrower to repay in line with its current financial status and the restructuring of the loan may include the transfer of assets from the borrower to satisfy the debt, a modification of loan terms, or a combination of the two. If such efforts by the Company do not result in a satisfactory arrangement, the loan is referred to legal counsel, at which time foreclosure proceedings are initiated. At any time prior to a sale of the property at foreclosure, the Company may terminate foreclosure proceedings if the borrower is able to work-out a satisfactory payment plan.

It is the Company's policy to have any restructured loans which are on nonaccrual status prior to being restructured remain on nonaccrual status until six months of satisfactory borrower performance at which time management would consider its return to accrual status. If a loan was accruing at the time of restructuring, the Company reviews the loan to determine if it is appropriate to continue the accrual of interest on the restructured loan.

Allowance for Credit Losses – Off-Balance Sheet Exposure

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet exposures is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

Notes to Consolidated Financial Statements

STAR Financial Group, Inc.

December 31, 2025 and 2024

(Table Dollars in Thousands Except Share Data)

Bank Owned Life Insurance

Bank owned life insurance consists of investments in life insurance policies on certain key executives and other members of the Bank's management. The policies are carried at their net cash surrender value. Changes in the policy value are recorded as an adjustment to the carrying value with the corresponding amount recognized as non-interest income or expense. Earnings on these policies are based on the net earnings on the cash surrender value of the policies.

Premises and Equipment

Premises and equipment are recorded at cost less accumulated depreciation. The provision for depreciation is computed on the straight-line method over the estimated useful lives of the assets generally ranging from three to 25 years. Leasehold improvements are capitalized and depreciated using the straight-line method over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter. Maintenance and repairs are expensed as incurred, while major additions and improvements are capitalized. Gains and losses on disposition are included in the consolidated statements of income.

FHLB Stock

Federal Home Loan Bank (FHLB) stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in the common stock is based on a predetermined formula, carried at cost and evaluated for impairment. Included in other assets on the consolidated balance sheets is FHLB stock totaling \$7,740,200 and \$11,070,600 at December 31, 2025 and 2024, respectively.

Goodwill

Goodwill is evaluated annually for impairment – or more frequently if impairment indicators are present. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recorded in the consolidated financial statements. There was no impairment as of December 31, 2025.

Intangible Assets

Intangible assets with finite lives are being amortized on the straight-line basis over periods ranging from five to seven years. Such assets are periodically evaluated as to the recoverability of their carrying values.

Other Real Estate Owned

Other real estate owned represents properties acquired through foreclosures or deeds in lieu of foreclosure or former branches held for sale. The properties acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure establishing a new cost basis. Any excess of the loan amount over the net realizable value of such property when acquired is charged to the allowance for loan and lease losses, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. In the case of former branches, any excess of net book value over the net realizable value of such property is charged to impairment of premises and equipment. Subsequent write-downs and gains or losses on sales are recorded in the income statement. Costs of maintaining the properties are recorded in the consolidated income statement as incurred. Included in other assets on the consolidated balance sheets is other real estate owned totaling \$200,763 at December 31, 2025 and 2024.

Mortgage Servicing Rights

Mortgage servicing assets are recognized when rights are acquired through the sale of financial assets. Under the servicing assets and liabilities accounting guidance (ASC 860-50), servicing rights resulting from the sale of loans originated by the Company are initially measured at fair value at the date of transfer. The Company subsequently measures each class of servicing asset using the amortization method. Under the amortization method, servicing rights are amortized in proportion to and over the period of estimated net servicing income. The amortized assets are assessed for impairment based on fair value at each reporting date.

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Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. These variables change from quarter to quarter as market conditions and projected interest rates change, and may have an adverse impact on the value of the mortgage servicing right and may result in a reduction to noninterest income.

Each class of separately recognized servicing assets subsequently measured using the amortization method are evaluated and measured for impairment. Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the carrying amount of the servicing assets for that tranche. The valuation allowance is adjusted to reflect changes in the measurement of impairment after the initial measurement of impairment. Changes in valuation allowances are reported with mortgage sales and servicing fees on the income statement. Fair value in excess of the carrying amount of servicing assets for that stratum is not recognized.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company—put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Lease Commitments

The Company leases certain banking center locations, office space, land and billboards. In determining whether a contract contains a lease, the Company examines the contract to ensure an asset was specifically identified and that the Company has control of use over the asset. To determine whether a lease is classified as operating or finance, the Company performs an economic life test on all building leases with greater than a twenty years term. Further, the Company performs a fair value test to identify any leases that have a present value of future lease payments over the lease term that is greater than 90% of the fair value of the building.

At lease inception, the Company determines the lease term by adding together the minimum lease term and all optional renewal periods that it is reasonably certain to renew. The Company determines this on each lease by considering all relevant contract based, asset-based, market-based, and entity-based economic factors. Generally, the exercise of lease renewal options is at the Company's sole discretion. The lease term is used to determine whether a lease is operating or finance and is used to calculate straight-line rent expense. Additionally, the depreciable life of leasehold improvements is limited by the expected lease term.

Operating lease rentals are expensed on a straight-line basis over the life of the lease beginning on the date the Company takes possession of the property. Rent expense and variable lease costs are included in occupancy expense on the Company's consolidated statements of income. Included in variable lease costs are leases with rent escalations based on recent financial indices, such as the Consumer Price Index, where the Company estimates future rent increases and records the actual difference to variable costs. Certain leases require the Company to pay common area maintenance, real estate taxes, insurance and other operating expenses associated with the leases premises. These expenses are classified in occupancy expense, consistent with similar costs for owned locations. There are no residual value guarantees, restrictions or covenants imposed by leases.

The Company accounts for lease and non-lease components together as a single lease component by class of underlying asset. Operating lease obligations with an initial term longer than 12 months are recorded with a right of use asset and a lease liability in the consolidated balance sheet.

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The discount rate used in determining the lease liability and related right of use asset is based upon what would be obtained by the Company for similar loans as an incremental rate as of the date of origination or renewal.

Treasury Stock

Common stock shares repurchased are recorded at cost. Cost of shares retired or reissued is determined using the first-in, first-out method.

Earnings Per Share

Basic earnings per share are based on the weighted average number of common shares outstanding. Dilutive earnings per share includes the dilutive effect of additional potential common shares issuable under restricted stock awards.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenue. The Company determines deferred income taxes using the liability method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized. Uncertain tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50% the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment.

The Company files consolidated income tax returns with its subsidiaries. The Company recognizes interest and penalties, if any, as income tax expense.

Adoption of New Accounting Standards

The Company adopted the disclosure requirements in ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, on a retrospective basis as of January 1, 2025. The ASU enhances the transparency and usefulness of income tax information through improvements to disclosures primarily related to the rate reconciliation and income taxes paid information. The ASU requires disclosure of specific categories in the rate reconciliation and additional information for reconciling items that meet a quantitative threshold. The amendments also require disclosure on an annual basis of income taxes paid disaggregated by federal, state, and foreign taxes as well as the amount of income taxes paid by individual jurisdiction. In addition, the amendments require disclosures of disaggregated pretax income and income tax expense and remove the requirement to disclose certain items that are no longer considered cost beneficial or relevant. The adoption primarily impacted the presentation and disaggregation of the Company's income tax disclosures and did not affect the Company's consolidated financial position, results of operations, or cash flows. Comparative income tax disclosures have been updated to conform to the new standard.

Subsequent Events

Subsequent events have been evaluated through March 18, 2026, which is the date the consolidated financial statements were issued.

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Note 2: Investment Securities

The amortized cost and approximate fair values, together with gross unrealized gains and losses, of securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2025				
U.S. Treasury and agency securities	\$ 60,056	\$ -	\$ 1,679	\$ 58,377
Obligations of states and political subdivisions	182,020	1,129	22,017	161,132
Mortgage-backed Government Sponsored				
Enterprise (GSE) residential	723,574	486	38,074	685,986
Pooled trust preferred securities	22,038	207	671	21,574
	<u>\$ 987,688</u>	<u>\$ 1,822</u>	<u>\$ 62,441</u>	<u>\$ 927,069</u>
December 31, 2024				
U.S. Treasury and agency securities	\$ 105,020	\$ -	\$ 5,294	\$ 99,726
Obligations of states and political subdivisions	158,936	1	29,938	128,999
Mortgage-backed Government Sponsored				
Enterprise (GSE) residential	822,499	662	63,629	759,532
Pooled trust preferred securities	23,184	-	876	22,308
	<u>\$ 1,109,639</u>	<u>\$ 663</u>	<u>\$ 99,737</u>	<u>\$ 1,010,565</u>

Securities with a carrying value of approximately \$159,146,445 and \$199,383,000 at December 31, 2025 and 2024, respectively, were pledged to secure public and trust deposits, securities sold under agreements to repurchase and for other purposes as required by law.

The amortized cost and fair value of securities at December 31, 2025, by contractual maturity are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale	
	Amortized Cost	Fair Value
Due within one year	\$ 27,474	\$ 27,125
Due after one year through five years	34,564	33,062
Due after five years through ten years	87,567	73,465
Due after ten years	114,509	107,431
Total investment securities with a contractual maturity	264,114	241,083
Mortgage-backed GSE residential	723,574	685,986
Total investment securities	<u>\$ 987,688</u>	<u>\$ 927,069</u>

There were no gross gains on available-for-sale securities during 2025 and 2024. Gross losses of \$780,000 and \$0 resulting from sales of AFS securities were realized in 2025 and 2024.

Certain investments in debt and equity securities are reported in the consolidated financial statements at an amount less than their historical cost. Total fair value of these investments at December 31, 2025 and 2024, was \$832,308,000 and \$972,358,000 respectively, which is approximately 90% and 96%, respectively, of the available-for-sale investment portfolio. These declines primarily resulted from changes in market interest rates since the securities were purchased and current depressed market conditions.

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The Company has not recorded an allowance for credit losses for available-for-sale securities at December 31, 2025. This is based on evaluation of available evidence, including recent changes in market interest rates, discounted cash flow analysis, and credit rating information, except as discussed below.

The following table shows the Company's investments' gross unrealized losses and fair value, aggregated by investment class and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2025 and 2024.

Description of Securities	December 31, 2025					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and agency securities	\$ -	\$ -	\$ 58,323	\$ 1,679	\$ 58,323	\$ 1,679
Obligations of states and political subdivisions	1,671	342	133,968	21,675	135,639	22,017
Mortgage-backed GSE residential	17,362	124	608,865	37,950	626,227	38,074
Pooled trust preferred securities	-	-	12,119	671	12,119	671
	<u>\$ 19,033</u>	<u>\$ 466</u>	<u>\$ 813,275</u>	<u>\$ 61,975</u>	<u>\$ 832,308</u>	<u>\$ 62,441</u>

Description of Securities	December 31, 2024					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and agency securities	\$ -	\$ -	\$ 99,726	\$ 5,294	\$ 99,726	\$ 5,294
Obligations of states and political subdivisions	-	-	128,673	29,938	128,673	29,938
Mortgage-backed GSE residential	44,824	1,671	686,512	61,958	731,336	63,629
Pooled trust preferred securities	-	-	12,623	876	12,623	876
	<u>\$ 44,824</u>	<u>\$ 1,671</u>	<u>\$ 927,534</u>	<u>\$ 98,066</u>	<u>\$ 972,358</u>	<u>\$ 99,737</u>

U.S. Treasury and Agency Securities

The unrealized losses on the Company's investments in securities of U.S. Treasury and Agency Securities were caused by interest rate changes. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Company has not recorded an allowance for credit losses at December 31, 2025.

Obligations of State and Political Subdivisions

The unrealized losses on the Company's investments in securities of state and political subdivisions were caused by interest rate changes. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Company has not recorded an allowance for credit losses at December 31, 2025.

Mortgage-backed GSE Residential

The unrealized losses on the Company's investment in mortgage-backed GSE residential securities were caused by interest rate changes. The Company expects to recover the amortized cost basis over the term of the securities. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Company has not recorded an allowance for credit losses at December 31, 2025.

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Pooled Trust Preferred Securities

Pooled trust preferred securities within the available-for-sale portfolio include six securities which are collateralized by trust preferred securities principally issued by banks. As of December 31, 2025, there were six pools and one pool was determined to be fully evaluated if a credit loss exists by monitoring to ensure it has adequate credit support. Management believes there is no need for an allowance for credit losses. The remaining five securities rated below investment grade were evaluated for impairment. The Company's unrealized losses on pooled trust preferred securities were primarily caused by deterioration in the financial status of the institutions within the respective pools and sector downgrades by analysts and rating agencies.

Note 3: Loans and Allowance for Loan and Lease Losses

STAR's business activity is primarily with customers located in north central and northeast Indiana. The loan portfolio is diversified by type and industry. Collateral requirements for each loan are based upon the credit evaluation of each transaction.

Classes of loans at December 31, include:

	2025	2024
Commercial and industrial	\$ 564,531	\$ 591,291
Commercial real estate	776,432	673,620
Consumer:		
Consumer, home equity lines of credit	96,849	87,040
Consumer, auto	8,576	9,563
Consumer, other	35,706	18,976
Residential	374,262	331,165
Finance leases	1,059	1,682
Gross loans and leases	1,857,415	1,713,337
Allowance for credit losses	(20,597)	(18,502)
Net loans and leases	<u>\$ 1,836,818</u>	<u>\$ 1,694,835</u>

The components of the Company's direct financing leases as of December 31 are summarized below:

	2025	2024
Future minimum lease payments	\$ 1,081	\$ 1,668
Residual interests	25	63
Unearned income	(47)	(49)
	<u>\$ 1,059</u>	<u>\$ 1,682</u>

Future minimum lease payments are as follows:

2026	\$ 482
2027	295
2028	114
2029	114
2030	76
	<u>\$ 1,081</u>

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The risk characteristics of each loan portfolio segment are as follows:

Commercial and Industrial and Commercial Real Estate

Commercial and industrial loans are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers; however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory, and may include a personal guarantee. Short-term loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially on the ability of the borrower to collect amounts due from its customers.

Commercial real estate loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The characteristics of properties securing the Company's commercial real estate portfolio are diverse, but with geographic location almost entirely in the Company's market area. Management monitors and evaluates commercial real estate loans based on collateral, geography and risk grade criteria. In general, the Company avoids financing single purpose projects unless other underwriting factors are present to help mitigate risk. In addition, management tracks the level of owner-occupied commercial real estate versus nonowner-occupied loans.

Residential, Consumer, Leases and Other

Real estate, consumer, leases and other loans consist of four segments - residential mortgage loans, personal loans, direct financing leases and other loans. For residential mortgage loans that are secured by 1-4 family residences and are generally owner-occupied, the Company generally establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded. Home equity loans are typically secured by a subordinate interest in 1-4 family residences. Consumer personal, leases and other loans are secured by consumer personal assets, such as automobiles or recreational vehicles. Some consumer personal loans are unsecured, such as small installment loans and certain lines of credit. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas, such as unemployment levels. Repayment can also be impacted by changes in property values on residential properties. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

The following tables present the activity in the allowance for credit losses and the recorded investment in loans based on portfolio segment as of December 31, 2025 and 2024:

	2025					
	Commercial and Industrial	Commercial Real Estate	Consumer	Residential	Finance Leases	Total
Allowance for Credit Loss						
Balance, beginning of year	\$ 7,165	\$ 7,778	\$ 950	\$ 2,363	\$ 246	\$ 18,502
Credit loss expense	(7,191)	1,350	-	-	-	(5,841)
Losses charged off	(363)	(20)	(580)	-	-	(963)
Recoveries	8,862	9	21	7	-	8,899
Balance, end of year	\$ 8,473	\$ 9,117	\$ 391	\$ 2,370	\$ 246	\$ 20,597

	2024					
	Commercial and Industrial	Commercial Real Estate	Consumer	Residential	Finance Leases	Total
Allowance for Credit Loss						
Balance, beginning of year	\$ 7,398	\$ 8,285	\$ 917	\$ 2,356	\$ 246	\$ 19,202
Credit loss expense	(461)	(517)	493	-	-	(485)
Losses charged off	(259)	-	(493)	-	-	(752)
Recoveries	487	10	33	7	-	537
Balance, end of year	\$ 7,165	\$ 7,778	\$ 950	\$ 2,363	\$ 246	\$ 18,502

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The following tables present the Company's loan portfolio aging analysis of the recorded investment in loans as of December 31, 2025 and 2024:

	2025					
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans
Commercial and industrial	\$ 2,076	\$ 3,183	\$ 7,454	\$ 12,713	\$ 551,818	\$ 564,531
Commercial real estate	70	-	-	70	776,362	776,432
Consumer						
Consumer, home equity lines of credit	76	57	11	144	96,705	96,849
Consumer, auto	5	41	2	48	8,528	8,576
Consumer, other	35	2	-	37	35,669	35,706
Residential	544	-	155	699	373,563	374,262
Finance leases	-	-	-	-	1,059	1,059
Total	\$ 2,806	\$ 3,283	\$ 7,622	\$ 13,711	\$ 1,843,704	\$ 1,857,415

	2024					
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans
Commercial and industrial	\$ 3,404	\$ 146	\$ 3,420	\$ 6,970	\$ 584,321	\$ 591,291
Commercial real estate	520	-	-	520	673,100	673,620
Consumer						
Consumer, home equity lines of credit	106	21	46	173	86,867	87,040
Consumer, auto	-	-	-	-	9,563	9,563
Consumer, other	64	-	-	64	18,912	18,976
Residential	445	8	57	510	330,655	331,165
Finance leases	-	-	-	-	1,682	1,682
Total	\$ 4,539	\$ 175	\$ 3,523	\$ 8,237	\$ 1,705,100	\$ 1,713,337

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The following tables present the Company's nonaccrual loans as of December 31, 2025 and 2024:

	2025		
	Nonaccrual with No ACL	Nonaccrual	Loan Past Due Over 89 Days and Still Accruing
Commercial and industrial	\$ -	\$ 4,782	\$ 4,444
Commercial real estate	-	-	-
Consumer			
Consumer, home equity lines of credit	-	100	-
Consumer, auto	-	-	2
Consumer, other	-	-	-
Residential	-	231	-
Finance leases	-	-	-
	<u>\$ -</u>	<u>\$ 5,113</u>	<u>\$ 4,446</u>

	2024		
	Nonaccrual with No ACL	Nonaccrual	Loan Past Due Over 89 Days and Still Accruing
Commercial and industrial	\$ -	\$ 3,589	\$ -
Commercial real estate	-	-	-
Consumer			
Consumer, home equity lines of credit	-	78	-
Consumer, auto	-	-	-
Consumer, other	-	-	-
Residential	-	102	57
Finance leases	-	-	-
	<u>\$ -</u>	<u>\$ 3,769</u>	<u>\$ 57</u>

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The following tables present the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2025 and 2024:

	2025			
	Real Estate	General Business Assets	Other	Total
Commercial and industrial	\$ 1,533	\$ 5,201	\$ 2,371	\$ 9,105
Consumer				
Consumer, home equity lines of credit	124	-	-	124
Consumer, other	-	-	-	-
Residential	973	-	-	973
	<u>\$ 2,630</u>	<u>\$ 5,201</u>	<u>\$ 2,371</u>	<u>\$ 10,202</u>

	2024			
	Real Estate	General Business Assets	Other	Total
Commercial and industrial	\$ 1,538	\$ 2,394	\$ 39	\$ 3,971
Consumer				
Consumer, home equity lines of credit	98	-	-	98
Consumer, other	-	-	2	2
Residential	860	-	-	860
	<u>\$ 2,496</u>	<u>\$ 2,394</u>	<u>\$ 41</u>	<u>\$ 4,931</u>

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following tables present the performance of loans that have been modified in the last 12 months:

	2025		
	Current	30-89 Days Past Due	> 90 Days Past Due
Commercial and industrial	\$ 1,784	\$ -	\$ -
Commercial real estate	-	-	-
Consumer			
Consumer, residential	-	-	-
	<u>\$ 1,784</u>	<u>\$ -</u>	<u>\$ -</u>

	2024		
	Current	30-89 Days Past Due	> 90 Days Past Due
Commercial and industrial	\$ -	\$ -	\$ -
Commercial real estate	-	-	-
Consumer			
Consumer, residential	2	-	-
	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>

There was not a material financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the years ended December 31, 2025 and 2024.

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There were no loans that had a payment default during the years ended December 31, 2025 and 2024 and were modified in the twelve months prior to that default to borrowers experiencing financial difficulties.

The Company had no foreclosed residential real estate property obtained by physical possession as of December 31, 2025 and 2024. The Company had no consumer mortgage loans secured by residential real estate properties for which foreclosure proceedings are in process according to local jurisdictions as of December 31, 2025 and 2024.

Internal Risk Categories

Loan grades are numbered 1 through 10. Grades 1 through 6 are considered satisfactory grades. The grade of 7, or Watch, represents loans of lower quality and is considered criticized. The grades of 8, or Substandard, and 9, or Special Mention, and 10, or Loss, refer to assets that are classified. The use and application of these grades by the Bank conform to the Bank's policy.

Prime (1) loans have exceptional credit fundamentals, including stable and predictable income and balance sheet performance; highly regarded with excellent management and management depth.

Good (2) loans have very good credit fundamentals but less predictable income and balance sheet performance than a prime graded credit. Loans have regional exposure in stable industry with seasoned management.

Satisfactory (3) loans are medium size or a local company in a good industry with predictable income and balance sheet performance over time.

Pass (4) all loans with acceptable credit risk but of a moderate to small size for local markets. Credit compares equally or favorably to peers and competitors with a solid balance sheet and profitability with some volatility.

Pass Minus (5) loans are credits where overall risk associated with creditworthiness criteria is considered higher than normal and warrant attention. Startup or less seasoned company within cyclical industry with moderate levels of volatility and deterioration of credit fundamentals.

Risk rated with caution (6) loans are credits where overall risk associated with creditworthiness criteria are less desirable but with potential. High or increasing risk dependence upon collateral or guarantor for protection with weaker or deteriorating financial trends.

Watch (7) all credits where overall credit fundamentals need continued review. Considered higher risk with unfavorable characteristics present. Risk, however, remains reasonable. Borrowings would usually be on a fully secured basis.

Substandard (8) credits have well-defined weaknesses where payment default is possible but not yet probable. Deficiencies are not corrected quickly and financing alternatives are limited. Reliance on collateral and guarantors is increased.

Doubtful (9) loans are credits where the possibility of loss is high, repayment is erratic or nonexistent, and loan is collateral dependent or firm in bankruptcy.

Loss (10) loans are no longer considered bankable assets.

Nonperforming mortgage, home equity and consumer loans on non-accrual or greater than 90 days past due and are internally monitored monthly by management.

Performing all other mortgage, home equity and consumer loans.

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Based on the most recent analysis performed, the risk category of loans by class of loan is as follows:

	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2025	2024	2023	2022	Prior			
Commercial and industrial								
Pass	\$ 72,742	\$ 65,431	\$ 37,142	\$ 63,038	\$ 94,061	\$ 186,136	\$ -	\$ 518,550
Watch	2,221	495	43	4,739	13,068	5,888	-	26,454
Substandard	-	-	8,360	619	3,776	4,349	-	17,104
Doubtful	-	-	-	-	2,048	375	-	2,423
Total Commercial and industrial	\$ 74,963	\$ 65,926	\$ 45,545	\$ 68,396	\$ 112,953	\$ 196,748	\$ -	\$ 564,531
Chargeoffs	-	-	-	-	-	363	-	363
Commercial RE								
Pass	\$ 92,160	\$ 76,378	\$ 63,140	\$ 124,322	\$ 285,104	\$ 87,831	\$ -	\$ 728,935
Watch	157	-	1,356	5,405	35,770	690	-	43,378
Substandard	-	-	3,078	508	393	-	-	3,979
Doubtful	-	-	-	-	140	-	-	140
Total Commercial RE	\$ 92,317	\$ 76,378	\$ 67,574	\$ 130,235	\$ 321,407	\$ 88,521	\$ -	\$ 776,432
Chargeoffs	-	-	-	-	-	20	-	20

	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2024	2023	2022	2021	Prior			
Commercial and industrial								
Pass	\$ 73,487	\$ 62,429	\$ 91,570	\$ 67,261	\$ 70,722	\$ 178,209	\$ -	\$ 543,678
Watch	889	2,840	4,870	6,482	6,780	19,291	-	41,152
Substandard	-	277	-	1,831	890	296	-	3,294
Doubtful	-	-	-	-	2,467	700	-	3,167
Total Commercial and industrial	\$ 74,376	\$ 65,546	\$ 96,440	\$ 75,574	\$ 80,859	\$ 198,496	\$ -	\$ 591,291
Chargeoffs	-	-	69	-	-	190	-	259
Commercial RE								
Pass	\$ 63,311	\$ 56,177	\$ 143,262	\$ 143,979	\$ 175,370	\$ 61,152	\$ -	\$ 643,251
Watch	-	3,282	3,752	1,093	21,920	-	-	30,047
Substandard	-	-	-	-	131	-	-	131
Doubtful	-	-	-	-	165	26	-	191
Total Commercial RE	\$ 63,311	\$ 59,459	\$ 147,014	\$ 145,072	\$ 197,586	\$ 61,178	\$ -	\$ 673,620
Chargeoffs	-	-	-	-	-	-	-	-

Notes to Consolidated Financial Statements

STAR Financial Group, Inc.
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(Table Dollars in Thousands Except Share Data)

	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2025	2024	2023	2022	Prior			
	Consumer - HELOC							
Performing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,749	\$ -	\$ 96,749
Nonperforming	-	-	-	-	-	100	-	\$ 100
Total Consumer - HELOC	-	-	-	-	-	96,849	-	\$ 96,849
Chargeoffs	-	-	-	-	-	-	-	\$ -
Consumer - Auto								
Performing	\$ 3,541	\$ 2,027	\$ 1,494	\$ 1,144	\$ 366	\$ -	\$ -	\$ 8,572
Nonperforming	-	4	-	-	-	-	-	\$ 4
Total Consumer - Auto	3,541	2,031	1,494	1,144	366	-	-	\$ 8,576
Chargeoffs	70	-	-	19	-	-	-	89
Consumer - Other								
Performing	\$ 28,980	\$ 2,352	\$ 1,834	\$ 1,187	\$ 1,351	\$ -	\$ -	\$ 35,704
Nonperforming	-	-	-	-	2	-	-	\$ 2
Total Consumer - Other	28,980	2,352	1,834	1,187	1,353	-	-	\$ 35,706
Chargeoffs	-	8	-	-	-	483	-	491
Residential								
Performing	\$ 71,393	\$ 51,005	\$ 47,561	\$ 35,394	\$ 168,678	\$ -	\$ -	\$ 374,031
Nonperforming	-	-	155	-	76	-	-	\$ 231
Total Residential	71,393	51,005	47,716	35,394	168,754	-	-	\$ 374,262
Chargeoffs	-	-	-	-	-	-	-	-
Finance Leases								
Performing	\$ -	\$ -	\$ -	\$ -	\$ 1,059	\$ -	\$ -	\$ 1,059
Nonperforming	-	-	-	-	-	-	-	\$ -
Total Finance Leases	-	-	-	-	1,059	-	-	\$ 1,059
Chargeoffs	-	-	-	-	-	-	-	-

Notes to Consolidated Financial Statements

STAR Financial Group, Inc.
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(Table Dollars in Thousands Except Share Data)

	Term Loans Amortized Cost Basis by Origination Year					Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2024	2023	2022	2021	Prior			
	Consumer - HELOC							
Performing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,962	\$ -	\$ 86,962
Nonperforming	-	-	-	-	-	78	-	\$ 78
Total Consumer - HELOC	-	-	-	-	-	87,040	-	\$ 87,040
Chargeoffs	-	-	-	-	-	-	-	\$ -
Consumer - Auto								
Performing	\$ 3,230	\$ 2,771	\$ 2,299	\$ 837	\$ 426	\$ -	\$ -	\$ 9,563
Nonperforming	-	-	-	-	-	-	-	\$ -
Total Consumer - Auto	3,230	2,771	2,299	837	426	-	-	\$ 9,563
Chargeoffs	-	-	4	-	-	-	-	4
Consumer - Other								
Performing	\$ 12,153	\$ 2,630	\$ 1,114	\$ 359	\$ 1,185	\$ 1,535	\$ -	\$ 18,976
Nonperforming	-	-	-	-	-	-	-	\$ -
Total Consumer - Other	12,153	2,630	1,114	359	1,185	1,535	-	\$ 18,976
Chargeoffs	-	-	4	-	-	485	-	489
Residential								
Performing	\$ 45,648	\$ 49,840	\$ 37,903	\$ 70,112	\$ 119,165	\$ 8,338	\$ -	\$ 331,006
Nonperforming	-	-	-	-	159	-	-	\$ 159
Total Residential	45,648	49,840	37,903	70,112	119,324	8,338	-	\$ 331,165
Chargeoffs	-	-	-	-	-	-	-	-
Finance Leases								
Performing	\$ -	\$ -	\$ -	\$ -	\$ 1,682	\$ -	\$ -	\$ 1,682
Nonperforming	-	-	-	-	-	-	-	\$ -
Total Finance Leases	-	-	-	-	1,682	-	-	\$ 1,682
Chargeoffs	-	-	-	-	-	-	-	-

Note 4: Premises and Equipment

Premises and equipment as of December 31 are summarized as follows:

	2025	2024
Land	\$ 18,424	\$ 18,370
Buildings and improvements	81,146	79,786
Furniture and equipment	35,792	36,833
	135,362	134,989
Less accumulated depreciation	(59,432)	(53,877)
Net premises and equipment	\$ 75,930	\$ 81,112

Notes to Consolidated Financial Statements

STAR Financial Group, Inc.

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Note 5: Mortgage Servicing

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage loans serviced for others were approximately \$245,607,000 and \$260,564,000 at December 31, 2025 and 2024, respectively.

Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in other liabilities, were approximately \$2,124,000 and \$1,714,000 at December 31, 2025 and 2024, respectively.

Mortgage servicing rights are included in other assets in the accompanying consolidated balance sheets. Comparable market values and a valuation model that calculates the present value of future cash flows were used to estimate fair value.

Activity in the balance of servicing assets was as follows:

	2025	2024
Carrying amount, beginning of year	\$ 1,225	\$ 1,362
Servicing obligations that result from transfers of financial assets	130	125
Amortization	(270)	(264)
Change in valuation allowance	2	2
Carrying amount, end of year	<u>\$ 1,087</u>	<u>\$ 1,225</u>
Valuation allowance, beginning of year	(12)	(14)
Additions	15	35
Reductions	(13)	(33)
Valuation allowance, end of year	<u>\$ (10)</u>	<u>\$ (12)</u>
Fair value, beginning of year	<u>\$ 3,493</u>	<u>\$ 3,916</u>
Fair value, end of year	<u>\$ 2,888</u>	<u>\$ 3,493</u>

Note 6: Time Deposits

At December 31, the scheduled maturities of time deposits are as follows:

2026	\$ 314,923
2027	37,968
2028	1,506
2029	834
2030	343
Thereafter	550
	<u>\$ 356,124</u>

Time deposits with balances of \$250,000 or greater were approximately \$116,609,000 and \$118,576,000 at December 31, 2025 and 2024, respectively.

Notes to Consolidated Financial Statements

STAR Financial Group, Inc.

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(Table Dollars in Thousands Except Share Data)

Included in time deposits at December 31, 2025 and 2024 were approximately \$16,619,000 and \$17,451,000 respectively, of deposits which were obtained through the IntraFi Network. This service allows deposit customers to maintain fully insured balances in excess of the \$250,000 FDIC insurance limit without the inconvenience of having multi-banking relationships. Under the reciprocal program that the Company is currently participating in, customers agree to allow the Company to place their deposits with other participating banks in the IntraFi Network program in insurable amounts under \$250,000. In exchange, other banks in the program agree to place their deposits with the Company also in insurable amounts under \$250,000.

Note 7: Long-Term Borrowings

As of December 31, 2025 and 2024, STAR had Federal Home Loan Bank of Indianapolis advances (advances) outstanding totaling \$50,000,000 and \$75,000,000, respectively. The advances bear interest at rates ranging from 4.35% to 4.47% and mature at various dates through November 1, 2027.

Interest is paid monthly and the weighted average interest rate on the advances was 4.41% and 4.45% as of December 31, 2025 and 2024, respectively. The advances at December 31, 2025, are secured by first-mortgage loans totaling \$304,398,000 and are subject to restrictions or penalties in the event of prepayment.

Maturities of long-term debt are as follows: 2026 - \$25,000,000; and 2027 - \$25,000,000.

The Company has established borrowing capacity of \$1,100,054,000 and \$996,301,500 as of December 31, 2025 and 2024, respectively, with the Federal Home Loan Bank and other financial institutions, of which \$50,000,000 and \$75,000,000 was outstanding at December 31, 2025 and 2024, respectively. In addition to the other borrowings, the Company also had \$1,000,000 and \$1,000,000 letters of credit available as of December 31, 2025 and 2024, respectively.

Note 8: Junior Subordinated Debt and Subordinated Debt

In 2021, the Company privately placed \$50 million in aggregate principal amount of fixed-to-floating rate subordinated notes due 2031 to certain qualified institutional buyers. The Notes will initially bear interest at 3.25% per year, payable semi-annually in arrears. Beginning October 1, 2026 through the maturity date or earlier redemption, the interest rate will reset quarterly based on the then current Three-Month Term SOFR plus 257 basis points, payable quarterly in arrears. Also beginning on October 1, 2026 through maturity, the Notes may be redeemed in whole or in part, at the Company's option. The Notes will mature on October 1, 2031.

In March 2006, the Company formed STAR Capital Trust I (Trust I) and STAR Capital Trust II (Trust II) which are both statutory business trusts. Trust I issued \$5,155,000 of trust preferred capital securities as a participant in a pooled trust preferred securities offering. The Company issued subordinated debentures aggregating \$5,155,000 to Trust I. The subordinated debentures are the sole assets of Trust I. The subordinated debentures and the trust preferred securities pay interest and dividends, respectively, on a quarterly basis. The subordinated debentures and trust preferred capital securities bear interest at a rate of three-month CME Term SOFR (4.26%) plus 1.40% (5.66%) and mature on June 30, 2036, and are non-callable for five years after issuance. The securities may be called at any quarterly interest date at par.

Trust II issued \$5,155,000 of trust preferred capital securities as a participant in a pooled trust preferred securities offering. The Company issued subordinated debentures aggregating \$5,155,000 to Trust II. The subordinated debentures are the sole assets of Trust II. The subordinated debentures and the trust preferred securities pay interest and dividends, respectively, on a quarterly basis. The subordinated debentures and trust preferred capital securities bear interest at a rate of three-month CME Term SOFR (4.26%) plus 1.40% (5.66%) and mature on June 30, 2036. The securities may be called at any quarterly interest date at par.

The trust preferred capital securities, subject to certain limitations, are included in Tier I Capital for regulatory purposes. Trust I and Trust II are not consolidated into the Company and as a result, the Company accounts for the investment in Trust I and Trust II as assets, the subordinated debentures as debt, and the interest paid/received thereon as interest expense/income.

Note 9: Stock Based Compensation

The Company's long-term incentive model was approved in 2020 and agreements are entered into with employees every January 1. Issuance of stock vests over a period of three years. Restricted stock units (RSU) are either time vested or based on performance metrics achieved by the Company. The total compensation expense recognized for the long-term incentive plan was \$416,000 and \$263,000 for the years ended December 31, 2025 and 2024, respectively.

Notes to Consolidated Financial Statements

STAR Financial Group, Inc.

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(Table Dollars in Thousands Except Share Data)

A summary of the status of the Company's nonvested restricted stock units as of December 31, 2025, and 2024, and changes during the periods then ended is presented below:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2024	21,353	\$ 81.49
Granted	11,225	80.75
Vested	(5,676)	76.91
Forfeited	(2,868)	76.75
Nonvested at December 31, 2024	24,034	\$ 82.15
Granted	10,580	88.50
Vested	(4,719)	83.36
Forfeited	(4,239)	85.00
Nonvested at December 31, 2025	25,656	\$ 84.68

The total unrecognized compensation was \$1,511,000 and \$1,201,000 for the years ended December 31, 2025 and 2024, respectively.

Note 10: Income Tax Expense

Income taxes paid were as follows for the years ended December 31:

	2025	2024
Federal	\$ 3,200	\$ 2,600
State & local	24	12
Foreign	-	-
Total net cash taxes paid in the current period	\$ 3,224	\$ 2,612

Pretax income is entirely related to domestic activities, as the Company did not have any foreign operations. The components of income tax (benefit) expense from continuing operations consisted of the following:

	2025	2024
Current tax expense:		
Federal	\$ 2,573	\$ 6,422
State	(12)	(431)
Total	2,561	5,991
Deferred tax expense (benefit):		
Federal	3,427	(1,482)
State	(75)	62
Total	3,352	(1,420)
Total tax expense	\$ 5,913	\$ 4,571

Notes to Consolidated Financial Statements

STAR Financial Group, Inc.

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Effective tax rates differ from federal statutory rates applied to financial statement income for the years ended December 31, due to the following:

	2025		2024	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Tax computed at the statutory federal rate	6,566	21.00%	5,711	20.20%
State and local income taxes, net of federal benefit	(69)	-0.20%	(291)	-1.00%
Nontaxable or nondeductible Items				
Tax exempt interest, net	(801)	-2.60%	(692)	-2.40%
Bank owned life insurance	(228)	-0.70%	(218)	-0.80%
Other nontaxable or nondeductible items	58	0.20%	-	0.00%
Other adjustments				
Tax credits, net of related items	(28)	-1.00%	(65)	-0.20%
Other	415	2.20%	126	0.40%
Total	\$ 5,913	18.90%	\$ 4,571	16.20%

The components of net deferred tax assets included in other assets at December 31, 2025 and 2024 are as follows:

	2025	2024
Deferred tax assets		
Allowance for credit losses	\$ 5,019	\$ 4,670
Other nondeductible accruals	1,625	1,148
Unrealized losses on available-for-sale securities	12,788	20,837
Unrealized losses on derivatives	27	-
State net operating loss	587	-
Other-than-temporary impairment	358	309
Partnership investments	458	328
Deferred income	122	234
Premises and equipment, including equipment leased to others	-	2,607
Other	553	180
	\$ 21,537	\$ 30,313
Deferred tax liabilities		
Mortgage servicing rights	\$ (259)	\$ (303)
Premises and equipment, including equipment leased to others	(1,976)	-
Prepaid expenses	(755)	(677)
Accretion	(3,145)	(2,462)
Deferred loan fees	(508)	(507)
Other	(52)	(148)
	\$ (6,695)	\$ (4,097)
Total net deferred tax asset	\$ 14,842	\$ 26,216

The Company files income tax returns in the U.S. federal jurisdiction and various states and local jurisdictions. With a few exceptions, the Company is no longer subject to U.S. federal, state and local or income tax examinations by tax authorities for years before 2022.

At December 31, 2025, the Company had a state net operating loss of \$15,168,000 which carries forward for twenty years.

Notes to Consolidated Financial Statements

STAR Financial Group, Inc.
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Note 11: Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss, included in stockholders' equity, are as follows:

	2025	2024
Net unrealized loss on available-for-sale securities	\$ (60,619)	\$ (99,074)
Tax effect	12,410	20,689
Net-of-tax amount	<u>\$ (48,209)</u>	<u>\$ (78,385)</u>

Note 12: Employee Retirement and Savings Plans

STAR has a Section 401(k) savings plan for substantially all employees. The savings plan provides that STAR may contribute up to 50% of the amount of compensation deferred by the employee, up to 5%. STAR contributed approximately \$1,149,000 and \$1,110,000 to the plans in 2025 and 2024, respectively.

Note 13: Related Party Transactions

The Bank has loan, deposit and other transactions with its directors and officers, and with organizations and individuals with which they are associated. In management's opinion, such loans and other extensions of credit were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectability or present other unfavorable features. The aggregate dollar amount of loans to directors and executive officers who held office at the end of the year, and organizations and individuals with which they are associated, amounted to approximately \$35,521,000 and \$43,222,000 at December 31, 2025 and 2024, respectively. The aggregate dollar amount of deposits of directors and executive officers who held office at the end of the year, and organizations and individuals with which they are associated, amounted to approximately \$8,576,000 and \$6,318,000 at December 31, 2025 and 2024, respectively.

Note 14: Commitments and Contingencies

The Bank, in the normal course of business, is a party to various financial instruments with off-balance sheet risk to meet the financing needs of customers. These instruments involve elements of credit risk in excess of amounts recognized in the financial statements. The contract amounts of those instruments reflect the extent of involvement STAR has in financial instruments.

Financial instruments whose contract amounts represent credit risk at December 31:

	2025	2024
Commitments to extend credit	\$ 799,465	\$ 831,170
Standby letters of credit	5,590	6,600
Forward sale commitments	1,626	463

STAR's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. STAR follows the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Commitments to extend credit are agreements to loan funds to customers providing there is compliance with terms of the commitment. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Bank upon extension of credit is based on management's credit evaluation of the customer. Collateral held varies but may include accounts receivable, inventory, plant and equipment and real estate.

Letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank holds collateral supporting those commitments when deemed necessary.

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Forward sale commitments are commitments to sell groups of residential mortgage loans that the Bank originates or purchases as part of its mortgage banking activities. The Bank commits to sell the loans at specified prices in a future period, typically within 90 days. These commitments are acquired to reduce market risk on mortgage loans in the process of origination and mortgage loans held for sale since the Bank is exposed to interest rate risk during the period between issuing a loan commitment and the sale of the loan into the secondary market.

Management does not expect any material losses to result from these financial instruments.

The Company and Bank are also subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position of the Company.

Note 15: Regulatory Matters

The Company and Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's and Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and Bank must meet specific capital guidelines that involve quantitative measures of the Company's and Bank's assets, liabilities and certain off-balance sheet items as calculated under U.S. GAAP, regulatory reporting requirements and regulatory capital standards. The Company's and Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulatory capital standards to ensure capital adequacy require the Company and Bank to maintain minimum amounts and ratios (set forth in the following table) of Total and Tier 1 capital (as defined) to risk-weighted assets (as defined), common equity Tier 1 capital (as defined) to total risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined).

As of December 31, 2025, the most recent notification received from federal banking agencies categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based capital, Tier I risk-based capital, common equity Tier I risk-based capital and Tier I leverage ratios as set forth in the following table. There are no conditions or events since that notification that management believes have changed the Bank's category.

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STAR Bank's capital amounts and ratios are presented in the following table:

	Actual		Minimum Capital Requirement		Minimum to be Well Capitalized Under Prompt Corrective Actions Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2025						
Total capital (to risk weighted assets)						
STAR Financial Bank	\$ 358,840	14.57%	\$ 197,009	8.00%	\$ 246,261	10.00%
Tier I capital (to risk weighted assets)						
STAR Financial Bank	335,910	13.64	147,756	6.00	197,009	8.00
Tier I capital (to average assets)						
STAR Financial Bank	335,910	10.26	130,912	4.00	163,640	5.00
Common equity Tier I capital						
STAR Financial Bank	335,910	13.64	110,817	4.50	160,070	6.50
	Actual		Minimum Capital Requirement		Minimum to be Well Capitalized Under Prompt Corrective Actions Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2024						
Total capital (to risk weighted assets)						
STAR Financial Bank	\$ 342,310	14.41%	\$ 190,055	8.00%	\$ 237,568	10.00%
Tier I capital (to risk weighted assets)						
STAR Financial Bank	321,076	13.52	142,541	6.00	190,055	8.00
Tier I capital (to average assets)						
STAR Financial Bank	321,076	10.17	126,232	4.00	157,790	5.00
Common equity Tier I capital						
STAR Financial Bank	321,076	13.52	106,906	4.50	154,419	6.50

Banking regulations limit the amount that the Bank may pay the Company without prior approval of bank regulatory authorities. At December 31, 2025, retained earnings available for dividends to the Company without such approval totaled approximately \$57,420,000.

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Note 16: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2025 and 2024:

	2025			
	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Cash Equivalents				
Money market mutual funds	\$ -	\$ -	\$ -	\$ -
Available-for-Sale Securities				
U.S. Treasury and agency securities	58,377	58,377	-	-
Obligations of states and political subdivisions	161,132	-	161,132	-
Mortgage-backed GSE residential	685,986	-	685,986	-
Pooled trust preferred securities	21,574	-	21,574	-
	2024			
	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Cash Equivalents				
Money market mutual funds	\$ 240	\$ 240	\$ -	\$ -
Available-for-Sale Securities				
U.S. Treasury and agency securities	99,726	99,726	-	-
Obligations of states and political subdivisions	128,999	-	128,999	-
Mortgage-backed GSE residential	759,532	-	759,532	-
Pooled trust preferred securities	22,308	-	22,308	-

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Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2025. For assets and liabilities classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Cash Equivalents

Where quoted market prices are available in an active market, cash equivalents are classified within Level 1 of the valuation hierarchy and include only money market mutual funds. The Company had no cash equivalents classified as Level 2 or Level 3.

Available-for-Sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by a third-party pricing service using pricing models, quoted market prices of securities with similar characteristics or discounted cash flows. The inputs used by the pricing service to determine fair value may include one, or a combination of, observable inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data market research publications and are classified within Level 2 of the valuation hierarchy. These level 2 securities include U.S. Treasury and agency securities, obligations of state and political subdivisions, pooled trust preferred securities, and mortgage-backed GSE residential securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Fair value determinations for Level 3 measurements of securities are the responsibility of the Finance department. The Finance department contracts with a pricing specialist to generate fair value estimates on a monthly or quarterly basis. The Finance department challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

Nonrecurring Measurements

The following table presents the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2025 and 2024.

	2025			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in	Significant Other	Significant
		Active Markets for Identical Assets	Observable Inputs	Unobservable Inputs
	Level 1	Level 2	Level 3	
Collateral Dependent Loans	\$ 10,202	\$ -	\$ -	\$ 10,202

	2024			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in	Significant Other	Significant
		Active Markets for Identical Assets	Observable Inputs	Unobservable Inputs
	Level 1	Level 2	Level 3	
Collateral Dependent Loans	\$ 4,931	\$ -	\$ -	\$ 4,931

Following is a description of the valuation methodologies used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. The Company has no liabilities measured at fair value on a nonrecurring basis.

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Collateral Dependent Loans

Loans for which it is probable that the Company will not collect all principal and interest due according to contractual terms are individually evaluated. An allowable method for determining the amount of expected credit loss includes estimating fair value using the fair value of the collateral for collateral dependent loans. If the individually evaluated loan is identified as collateral dependent, then the fair value method of measuring the amount of expected credit loss is utilized. This method requires obtaining a current independent appraisal of the collateral and applying a discount factor to the value. Loans that are collateral dependent are classified within Level 3 of the fair value hierarchy when the estimated expected credit loss is determined using the fair value method.

The Company considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals of the collateral underlying collateral-dependent loans are obtained when the loan is determined to be collateral-dependent and subsequently as deemed necessary by the Managed Assets department and Asset Quality Committee. Appraisals are reviewed for accuracy and consistency by the Loan Review department. Appraisers are selected from the list of approved appraisers maintained by management. The appraised values are reduced by discounts to consider lack of marketability and estimated cost to sell if repayment or satisfaction of the loan is dependent on the sale of the collateral. These discounts and estimates are developed by the Loan Review department by comparison to historical results.

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements as of December 31, 2025 and 2024.

	Fair Value at December 31, 2025	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Collateral Dependent Loans	\$ 10,202	Market comparable properties	Marketability discount	25.01% - 72.56% (28.25%)

	Fair Value at December 31, 2024	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Collateral Dependent Loans	\$ 4,931	Market comparable properties	Marketability discount	37.23% - 67.59% (17.44%)

Sensitivity of Significant Unobservable Inputs

The following is a discussion of the sensitivity of significant unobservable inputs, the interrelationship between those inputs and other unobservable inputs used in recurring fair value measurement and of how those inputs might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

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Fair Value of Financial Instruments

The following table presents estimated fair values of the Company's financial instruments at December 31, 2025 and 2024.

	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
December 31, 2025					
Financial assets					
Cash and cash equivalents	\$ 280,684	\$ 280,684	\$ 280,684	\$ -	\$ -
Loans held for sale	558	568	-	568	-
Loans and leases, net	1,836,818	1,804,894	-	-	1,804,894
Interest receivable	12,109	12,109	-	12,109	-
Federal Home Loan Bank stock	7,740	7,740	-	7,740	-
Financial liabilities					
Demand deposits	2,472,401	2,472,401	2,472,401	-	-
Time deposits	356,124	343,485	-	343,485	-
Long-term borrowings	50,000	50,681	-	50,681	-
Subordinated debt	60,310	51,108	-	51,108	-
Interest payable	1,377	1,377	-	1,377	-
December 31, 2024					
Financial assets					
Cash and cash equivalents	\$ 73,011	\$ 73,011	\$ 73,011	\$ -	\$ -
Loans and leases, net	1,694,835	1,631,169	-	-	1,631,169
Interest receivable	12,183	12,183	-	12,183	-
Federal Home Loan Bank stock	11,071	11,071	-	11,071	-
Financial liabilities					
Demand deposits	2,241,295	2,241,295	2,241,295	-	-
Time deposits	361,881	346,489	-	346,489	-
Long-term borrowings	75,000	75,511	-	75,511	-
Subordinated debt	60,310	48,123	-	48,123	-
Interest payable	2,241	2,241	-	2,241	-

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated balance sheets at amounts other than fair value.

Cash and Cash Equivalents, Federal Home Loan Bank Stock, Interest Receivable and Interest Payable

The carrying amounts approximate fair value.

Loans Held for Sale

For homogeneous categories of loans, such as mortgage loans held for sale, fair value is estimated using the quoted market prices for securities backed by similar loans, adjusted for differences in loan characteristics.

Loans and Leases, net

Fair value is estimated by discounting the future cash flows using market rates for similar loans to similar borrowers. The market rates reflect a market participant assumption about risks associated with nonperformance, illiquidity, and the structure and term of the loans along with local economic and market conditions.

Notes to Consolidated Financial Statements

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(Table Dollars in Thousands Except Share Data)

Deposit Liabilities

The fair values disclosed for demand deposits (*e.g.*, interest and noninterest checking, savings and money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (*i.e.*, their carrying amounts). The carrying amounts for variable-rate, fixed-term time deposits approximate their fair values at the reporting date. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Long-Term Borrowings

Fair values for Federal Home Loan Bank and other borrowings are estimated using a discounted cash flow calculation that applies interest rates currently being offered for similar maturities.

Subordinated Debt

The fair value for subordinated debt is estimated using a discounted cash flow calculation that applies interest rates currently being offered for similar maturities.

Commitments to Originate Loans, Forward Sale Commitments, Letters of Credit and Lines of Credit

The fair value of commitments to originate loans is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of forward sale commitments is estimated based on current market prices for loans of similar terms and credit quality. The fair values of letters of credit and lines of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate or otherwise settle the obligations with the counterparties at the reporting date. The fair value of these items is not material.

Note 17: Earnings Per Share

The factors used in the Company's earnings per share computation are as follows:

	2025	2024
Net income	\$ 25,352	\$ 23,708
Weighted average shares outstanding	2,765,872	2,779,945
Add: Dilutive effects of restricted stock units	25,949	22,017
Average shares and dilutive potential shares	2,791,821	2,801,962
Basic earnings per share	\$ 9.17	\$ 8.53
Diluted earnings per share	\$ 9.08	\$ 8.46

Note 18: Segment Information

The Company has one reportable operating segment, commercial banking. While chief operating decision makers monitor revenue streams of various products and services, the identifiable segments' operations are managed, and financial performance is evaluated on a company-wide basis. The commercial banking segment provides a broad array of financial products and services including commercial and consumer banking services, trust and wealth advisory services, and insurance to individual and business clients through most of its 37 banking center locations in Indiana.

The accounting policies of the commercial banking segment are the same as those described in Note 1 of the Notes to Consolidated Financial Statements. The chief operating decision makers assess performance for the commercial banking segment and decide how to allocate resources based on net income available to common shareholders which is also reported on the Consolidated Statements of Income as net income available to common shareholders. The measure of segment assets is reported on the Consolidated Balance Sheet as total assets.

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(Table Dollars in Thousands Except Share Data)

The chief operating decision makers use net income available to common shareholders to evaluate income generated from segment assets (return on average total assets) in deciding whether to reinvest profits into the commercial banking segment or to pay dividends. Net income available to common shareholders is also used by the chief operating decision makers to monitor budget versus actual results. Net income available to common shareholders as well as other common company-wide financial performance and credit quality metrics such as earnings per common share and net interest margin, among others, are used for competitive analysis by benchmarking to the Company's competitors as well as used in assessing the performance of the segment and for establishing compensation. See the Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Comprehensive Income, Consolidated Statement of Cash Flows and Consolidated Statements of Changes in Equity.

The Company's chief operating decision makers are the members of the Executive Committee of STAR Financial Bank and the STAR Financial Group, Inc. Board of Directors.

EXECUTIVE COMMITTEE & BOARD MEMBERS

STAR Financial Group BOARD OF DIRECTORS

Kristin Marcuccilli Green
James C. Marcuccilli
Thomas M. Marcuccilli
Kathryn L. Miller
C. Robin Wright
Kevin A. Wright
Thomas W. Wright

2026 Annual Meeting

The 2026 Annual Meeting of the Shareholders of STAR Financial Group occurs on May 27, 2026 at 10:00 a.m. at STAR Financial Group's Corporate Office: 215 W. Main Street, 6th Floor, Fort Wayne, Indiana.

STAR Financial Bank BOARD OF DIRECTORS

J. Douglas Boles, *Indianapolis Motor Speedway*
Ryan H. Drook, *Central Indiana Ethanol*
Jim Kelley, *Kelley Automotive*
James C. Marcuccilli, *Chairman & CEO, STAR Financial Bank*
Edmond C. O'Neal III, *Northeast Indiana Works*
Melissa Proffitt Schmidt, *Ice Miller*
Steven F. Walker, *Walker Research*
Erin M. Whittle, *Whittle Strategic Accounting*
Kevin A. Wright, *President, STAR Financial Bank*
Thomas W. Wright, *Vice Chairman, STAR Financial Bank*

EXECUTIVE COMMITTEE

Brian C. Avery, *Chief Technology Officer*
Scott A. Bove EVP, *Capital Markets & Commercial Banking*
Jim Cook, *President, Commercial Banking*
Casey B. Cox, *General Counsel & Chief Administrative Officer*
Michael A. Goldman, *SVP, Chief Credit Officer*
Kristin Marcuccilli Green, *President, STAR Financial Group*
James C. Marcuccilli, *Chairman & CEO, STAR Financial Bank*
Thomas M. Marcuccilli, *Chairman, STAR Financial Group*
Thomas P. Marcuccilli, *Director of Marketing & Communication*
Kathryn L. Miller, *President, Private Advisory*
Brian M. Miller, *SVP, Chief Financial Officer*
Erin Morris, *Director of Human Resources*
Tim W. Oliver, *Region President, South Region*
Matt Singleton, *SVP, Operations*
Mike Wallace, *President, Retail Banking*
Kevin A. Wright, *President, STAR Financial Bank*
Thomas W. Wright, *Vice Chairman, STAR Financial Bank*

REGIONAL PRESIDENTS

S. Trent Dowling, *Region President, Central Region*
David Leininger, *Region President, North Region*
Tim W. Oliver, *Region President, South Region*



STAR Financial Group, Inc.

CORPORATE OFFICE

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