Annual Report 2024

As we look back on our 81st year in business, I am proud of the results we delivered for our customers, communities and shareholders. 2024 has been a testament to our stability, strategic vision and unwavering commitment to service excellence. STAR Financial Bank was again named one of America's Top 250 Regional Banks by Newsweek. Additionally, STAR was recognized by the Indiana Chamber of Commerce as one of the "Best Places to Work" in March 2024.

Continuing a Tradition of Excellence and Trust

Our strong financial results are not just numbers; they represent the trust and loyalty of our customers, the strength of our community partnerships and the pursuit of our mission to serve as a pillar of support in the Indiana communities we cherish. The STAR family has always believed that our success is deeply intertwined with the well-being of the communities we serve. As a community bank, our foundation is built on the principles of integrity and stewardship. We are not just a financial institution; we are a trusted advisor, a neighbor, and a friend. Guided by our core values, our decisions aim to foster growth, prosperity, and security for all.

In the following pages, you will find a refreshed approach for how we share STAR's annual story with you. Highlights of our new home, our philanthropic impact and a more in-depth look at the contributions and achievements of the Bank's three primary lines of business. We hope its contents help to reaffirm your connection and commitment to us. As we move into 2025, we remain focused on building the organization with the highest standards and prioritizing the needs of our customers. I would like to extend my heartfelt thanks to our dedicated employees and loyal customers. Your support is the driving force behind our success. Together, we will ensure STAR Financial Group remains a source of trust and reliability for generations to come.

Sincerely,

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

Tom Marcuccilli

CONTENTS

A New Era: A New Home.

> **"STAR Bank's new headquarters is a significant milestone for our city and a testament to the bank's commitment to Fort Wayne and Northeast Indiana. It strengthens our local economy and underscores the importance of collaboration between the public and private sectors. We can do great things as a city when we work together."**
>
> –Mayor Sharon Tucker

This year, STAR Financial Bank reached a major milestone in unveiling the new downtown Fort Wayne headquarters, an investment in innovation, collaboration and community growth. More than a building, this state-of-the-art facility reflects the company's commitment to the region's future. Celebrated by city leaders and a mayoral proclamation, the grand opening reaffirmed STAR's role as a proud partner in Fort Wayne's growth.

STAR Board Members, employees, and city leaders cut the ribbon on the new STAR Bank Fort Wayne Headquarters on Main Street.

Next-Level Collaboration

In STAR's new headquarters, bringing many teams together under one roof has sparked stronger connections, faster communication and seamless cross-functional support. Kevin Wright, President of STAR Financial Bank, says the environment has only strengthened what has always been special about STAR: organic collaboration and a culture of showing up for one another.

> "Relationship building is in our DNA, not just with customers but within the STAR family. When our teams come together, the synergy multiplies, and our 'One Team' mantra becomes a reality. This space really brings together the power of our team."
>
> –Kevin Wright

Kevin Wright
President, STAR Financial Bank

A Dynamic Space Connecting Our Community

The new headquarters was designed with a people-first approach, creating an open, dynamic work environment that breaks down barriers between departments. Gone are the days of isolated offices and segmented teams. At STAR, we have created an atmosphere where teamwork thrives. Including the new gathering rooftop space. Kristin Marcuccilli Green, President, shares: **"It is a unique value-add to our corporate space. This flexible space offers a refreshing break from the office with bright seating, kitchen and grill features, and room to grow and connect."**

STAR Executive Team at the new headquarters.

Investing in the Heart of our City

The STAR headquarters stands as a symbol of progress, contributing to Fort Wayne's revitalization and the broader regional economy. Jim Cook, EVP of Commercial Banking, notes:

"We've really planted our flag in the community, saying, 'Hey, we made a huge investment in downtown Fort Wayne.' With all the momentum in downtown, we're contributing to it."

STAR's commitment to downtown aligns with the city's vision for sustainable economic growth, creating jobs and attracting talent to the region.

A Chapter to Remember

The new headquarters marks a defining moment in STAR's 82-year journey — one rooted in local legacy and propelled by bold vision. As STAR continues to lead as a multi-generational, family-owned institution, it now also stands as the only Indiana-chartered financial institution headquartered in Fort Wayne and Allen County.

Pictured at the Grand Opening of the new STAR Bank Headquarters, left to right: Jim Marcuccilli; Bob Wright, Past Board Chairman; Kristin Green; Thomas Marcuccilli; and Tom Wright, Vice Chairman of STAR Bank.

> "Since 1943, we've grown through consistent investment in people, technology, and community. The 2024 opening of our $45 million headquarters on Main Street marks a new chapter in our legacy of Growing by Serving."
>
> – Jim Marcuccilli

Jim Marcuccilli
Chairman & CEO,
STAR Financial Bank

Indiana Born. For Indiana Banking.

Investing in Communities

STAR is more than a financial institution, it is a dedicated partner in the communities it serves. Our commitment goes beyond banking, reaching into neighborhoods, schools and businesses to create opportunities, build relationships and support meaningful change. The sponsorships, events and initiatives in 2024 demonstrate the ongoing dedication STAR holds to making a difference.

Kristin Marcuccilli Green
President, STAR Financial Group

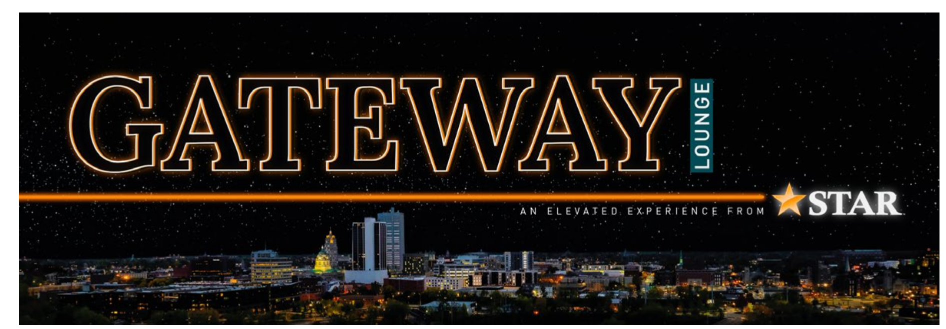
> “Philanthropy isn’t a side effort at STAR, it’s woven into everything we do. When we invest in our communities, we’re investing in people, in progress, and in a future where everyone has the opportunity to thrive.”
>
> –Kristin Marcuccilli Green

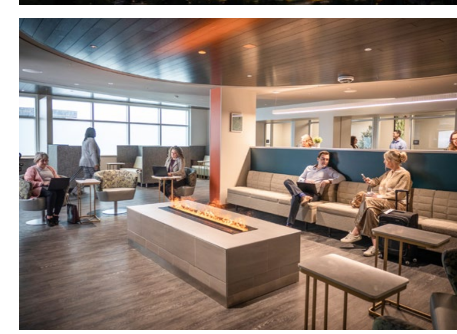
Thomas Marcuccilli
Director of Marketing & Communication

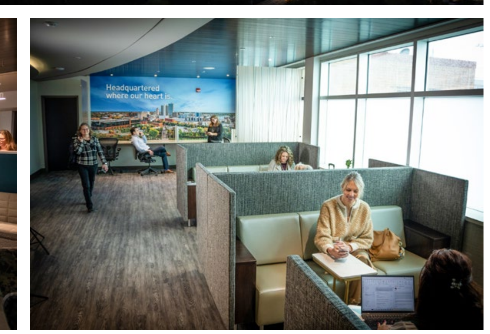
> “In my first year as Director of Marketing, I saw how impactful community sponsorships can be. The right partnerships not only elevate our brand but also uplift others and strengthen local connections.”
>
> –Thomas Marcuccilli

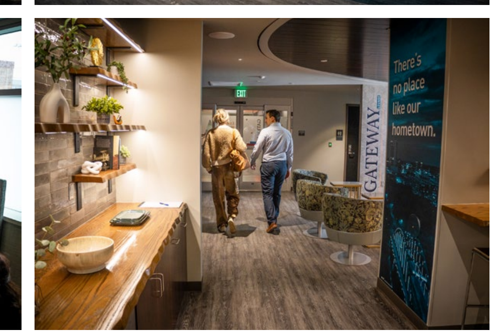
Building Community Through Sponsorships & Events

STAR’s impact was felt across Indiana in 2024 through strategic sponsorships and meaningful community initiatives. Each event and partnership served as an opportunity to give back, strengthen relationships, and leave a lasting impression.









Fort Wayne Airport Lounge – Now open!

STAR partnered with the Fort Wayne International Airport to build a new 2,000-square-foot Gateway Lounge, elevating the travel experience at the Airport for this city’s business travelers.

Notre Dame vs. PFW Exhibition Game

STAR's sponsorship provided 400 tickets for Big Brothers Big Sisters and the Boys & Girls Club, reinforcing a commitment to youth development.

"Seeing the kids light up at the game, knowing we played a role in making that happen, is what community banking is all about."

– Jim Cook
EVP of Commercial Banking

YMCA

As part of its commitment to community investment, STAR made a $250,000 gift to support the new Muncie YMCA and contributed $25,000 to the Madison County Community Foundation, which was matched 2-to-1 to total $75,000 in support for the Foundation. In addition, STAR served as the Presenting Sponsor for the YWCA's annual luncheon, Walk A Mile in Her Heels, an event dedicated to helping abused women and children.

500 Festival, "Kickoff to May"

As a lead sponsor of this exciting event for the third consecutive year, STAR helped bring the community together while awarding two young winners with $500 scholarships.

"This event isn't just about racing; it's about celebrating the community and creating special moments for families."

– Scott Bove
EVP, Commercial Sales and Capital Markets

Zionsville Gravy Chase

STAR began a three-year sponsorship of this Thanksgiving tradition, supporting the Boys & Girls Club of Boone County and engaging families in a meaningful community event.

Fantasy of Lights Sponsorship

STAR was a proud sponsor of the annual Fantasy of Lights in Fort Wayne, one of the city's most beloved holiday traditions. STAR also sponsored Mission Mondays, offering free admission to people in shelters and nursing homes to have the opportunity to visit the light display.

Vincent Village Donation

STAR donated $100,000 to Vincent Village in support of its $15 million capital campaign to improve services for families experiencing homelessness. The donation will directly contribute to constructing a new transitional shelter.

Hussey-Mayfield Memorial Library Everbright Wall

STAR brought an interactive, creative installation to Whitestown's library, inspiring children and families while promoting community learning.

"Seeing my own daughters interact with the Everbright Wall, knowing STAR made that possible, makes this initiative that much more meaningful and personal. I get to connect a professional initiative to a personal activity I share with my kids. I don't think you'd get that at a bigger bank — but that's the STAR community spirit in action."

– Mo Glunt, *Senior Treasury Management Officer*

Daniels Vineyard Concert Series

Through this sponsorship, STAR was a key presence at 18 weeks of community concerts, offering engagement opportunities, branded experiences and local support.

Making Possibilities in Rural Markets

STAR continuously recognizes that banking services are a vital part of thriving rural communities. In 2024, the company expanded its presence in Montpelier, Indiana, by introducing Orbi, a new Interactive Teller Machine (ITM) location. This addition increases access to essential financial services for residents and businesses, ensuring customers in smaller markets receive the same level of service and convenience as those in larger cities. The investment reinforces STAR's commitment to financial accessibility and inclusion.

"What makes me the proudest of how STAR worked with Montpelier is that we listened, came together as a group to come up with a solution and we took a chance. STAR's belief in this community was a breath of fresh air for Montpelier, and they have responded by going all in. It has been a win for both the Montpelier community as well as STAR — and that is something to be proud of."

– Trent Dowling, *Region President, Central*

Investing in Education & Future Leaders

Education is a cornerstone of STAR's community involvement. Through financial literacy programs, mentorship and real-world banking experiences, STAR is equipping students with the tools they need for success.

Zionsville High School Branch

STAR operates a real bank within Zionsville High School, providing students with hands-on banking experience; as well as on-campus internship programs and a network of professionals to learn from as they continue to expand their education.

Junior Achievement (JA) Partnership

STAR continues to sponsor JA BizTown, where over 11,000 students gain insight into financial responsibility. The JA in a Day program allows STAR employees to teach financial literacy lessons, helping shape the next generation.

Scholarship Funding

STAR's commitment to education includes scholarship programs that help students achieve their academic dreams.

Hands-On Community Service & Volunteerism

Giving back is at the heart of STAR's mission. From hands-on volunteer projects to large-scale community engagement efforts, the teams are actively involved in making a difference.

"We have to do all the things every bank does—offer good technology, efficient processes—but that extra step of being present in our communities is what sets STAR apart."

– Scott Bove

United Way Day of Caring

Led by the Employee Action Committee, STAR employees dedicated time to impactful service projects throughout the region.

Greater Fort Wayne Initiatives

STAR leaders played an active role in regional development efforts, advocating for economic growth and community enrichment.

Pictured: Jim Marcuccilli, Chairman & CEO of STAR Financial Bank, at the IU Health Fort Wayne groundbreaking.

Monument Circle Tree Lighting & Holiday Events

Over 120 customers and community members joined STAR to celebrate the holidays with friends, family and the people of the community.

A Seat at the Table:

A Conversation with STAR's Commercial Banking & Treasury Leaders

What drives STAR's Commercial Banking and Treasury teams? We sat down with EVP of Commercial Banking Jim Cook and Senior Treasury Management Officer Mo Glunt for an inside look at how relationship-building, innovation, and strategic vision came together in 2024 to elevate client experience and internal operations alike.

Jim Cook
EVP of Commercial Banking

Mo Glunt
Senior Treasury Management Officer

Q Jim, how would you summarize 2024 for your team?

Jim Cook: It was a year of navigating headwinds. The economy and interest rates created a lot of pause among prospective clients. We didn't hit our loan growth goal. But even so, we made progress in efficiency and client engagement, and our deposit growth remained strong. That speaks volumes about the value our clients see in STAR.

One of the biggest steps forward was rolling out a full-scale digital signature integration software across all commercial documents and loans. That alone has significantly improved both the customer experience and our internal workflows. It's just one example of how STAR continues to make it easier to do business with us by meeting clients where they are and streamlining processes to match how they want to work.

Alan Robinson, CEO of Pizza King and Mike Schmaltz, STAR Senior Commercial Banker. STAR Bank's digital banking tools like digital signature integration help Alan run the business more efficiently.

Q Mo, you stepped into a new leadership role this year. What has that experience been like?

Mo Glunt: It's been both exciting and affirming. My new role was actually created around a vision I pitched to leadership. Leadership supported the creation of a dedicated Treasury Sales Manager position, and I transitioned from Small Business Banker to leading Treasury Sales. It's been empowering and, more importantly, it has been working for our clients.

Q What's unique about STAR's approach to Commercial Banking?

Jim Cook: We thrive with family-owned businesses and municipalities because we're a family-owned bank ourselves. There's mutual respect. We're deeply connected in our communities, and that's not just lip service.

Take our CEO Dinners, five or six times a year, we gather local business leaders with our top leadership. Name one national bank that does that. You won't find that kind of accessibility or intimacy at Chase or Wells Fargo.

We're not aiming to be the biggest, we're aiming to be the most intentional, approachable, and strategic banking partner.

Treasury often operates behind the scenes. What impact did your team have in 2024?

Mo Glunt: Treasury Management is the hub. We touch so many departments and client accounts that our work radiates out. We used to be reactive, now we're proactively solving problems. We launched two new overdraft protection tools for commercial clients, and we've structured our team to do holistic reviews with every client.

We've become true advocates. Our team shows up in rate committee meetings with data and context to support competitive positioning, while still protecting the bank's interests.

How does STAR support talent and internal growth?

Jim Cook: This year, we saw several team members step into new roles and truly make them their own, including Mo, who brought incredible energy and leadership to her position. We also witnessed extraordinary courage from one of our top-performing bankers, Derek Jones, who continued to give his all while battling cancer for six years. Derek's resilience, work ethic, and unwavering dedication deeply moved all of us. His legacy is a powerful reminder of the strength and heart within our team. At STAR, we don't just support professional growth, we walk alongside our people through life's highs and lows.

Mo Glunt: We're not just promoting within, we're nurturing leadership. My career at STAR is proof of that. Outside my main role, I helped launch WISE (Women In Search of Excellence), our first employee resource group, which brings women and supportive men together for professional development and advocacy.

Senior Commercial Banker Chris Stark pictured with Rob and Kim Ternet, owners of Ternet Farms.

What story from this year sticks with you most?

Mo Glunt: One of our public funds clients approved a fraudulent $800,000 check. It was devastating. But our fraud team worked for months and recovered it all. That's the kind of above-and-beyond care STAR is known for.

Where is Commercial and Treasury headed in 2025?

Jim Cook: The focus is on evolving our tech. Not to be trendy but to be useful. The customer journey must be simple, intuitive, and flexible. We want clients to be able to do business with us as easily as they use their phones.

Mo Glunt: We're doubling down on being a center of excellence. More certifications. More collaboration. More proactive service. Treasury is no longer the back office; it's the quarterback of the customer experience.

Mo Glunt pictured with Josh Davidhizar, CFO of Indiana Oxygen Company.

So what is it that sets STAR apart in Commercial and Treasury Banking?

"We lead the community banking sector, not because we're loudest, but because we're the most present."

–Jim Cook

STAR is Always at the Table.

A Trusted Partner in Financial Planning

STAR understands that financial planning is more than just numbers—it's about trust, relationships and personalized service. Through STAR Wealth Management (SWM) and STAR Investment Services (SIS), the organization provides tailored financial strategies that help individuals, families and institutions navigate their financial futures with confidence. In 2024, the Private Advisory team achieved new milestones, expanded its expertise and deepened relationships with clients.

As part of its mission to support individuals at every stage of their financial journey, STAR launched the Financial Planning Roadmap, a user-friendly guide designed to empower people who may not know where to begin. Promoted throughout the year via QR code placements in branches and events, this digital roadmap aimed to increase lead generation while offering a valuable starting point for financial literacy and long-term planning. Whether for retirement readiness, estate planning, education funding or wealth preservation, the roadmap reinforced STAR's belief that accessible, expert guidance can spark meaningful financial progress.

A Multi-Generational Team for Multi-Generational Businesses

As a third- and fourth-generation family-owned institution, STAR Financial Bank uniquely understands the complexities of sustaining a business across generations. This perspective anchored a recent cross-promotional event between STAR's Commercial and Private Advisory Services teams, tailored for an audience of commercial clients leading family-owned enterprises.

The event explored the critical intersection of succession planning and wealth transfer, key considerations for preserving business continuity and family legacies. By sharing STAR's own multi-generational journey and commitment to enduring values, the team reinforced the importance of proactive, strategic partnerships built on trust, service and a shared vision for the future.

Kate Miller
President of Private Advisory

A Culture of Leadership & Growth

STAR's commitment to professional excellence was fully displayed this year, with a team of members achieving remarkable milestones and continued growth in departments and the Licensed Banker program.

Our Private Advisory Leadership Earned Recognition

Kate Miller, President of Private Advisory, was named one of the Most Influential Women and featured in the Journal Gazette's "5 Questions" series for her leadership in Wealth Management. Kate was also honored as a 2024 Leukemia & Lymphoma Society Visionary of the Year for Northeast Indiana, raising over $100,000, supporting a foundation close to her heart as a Leadership Committee Chair.

A proud Notre Dame graduate, Kate received the Alumni of the Year award from the Notre Dame Club of Fort Wayne, recognizing her positive impact and service to the community.

Janna Henney
Investment Services Manager

Janna Henney, Investment Services Manager, led STAR Investment Services through three consecutive record-breaking years, successfully relaunching the Licensed Banker Program. Janna's leadership has fostered a strong team dynamic, with experienced advisors mentoring new licensees to ensure the next generation of financial professionals thrives.

New Talent in Institutional & Nonprofit Advisory

New hire Jeff Coil, Senior Institutional Investment Officer, was added to the Wealth Management division. Jeff brings over 20 years of investment experience to the table. Specializing in institutional and nonprofit clients, Jeff strengthens the team by providing tailored financial solutions and expert guidance in investment and estate planning for clients with complex needs.

Jeff Coil
Senior Institutional Investment Officer

Innovation & Education: Elevating Client Experience

Financial expertise is at the heart of STAR's service. This commitment to lifelong learning continues to drive its team forward. In 2024, Rachael Rice earned her Certified Trust and Financial Advisor (CTFA) designation, and Medina Habibic completed the Certified Financial Planner (CFP) course and is currently preparing for her exam. These accomplishments highlight the dedication of STAR's professionals to offering the highest quality of service to clients.

Rachael Rice, CTFA
Senior Trust Officer

Medina Habibic
Investment Officer

Trust, Relationships and Personalized Service.

Retail Banking:

Flexibility for an Improved Customer Journey

STAR's retail network stood strong in 2024, delivering high-touch service with flexible solutions and a commitment to smart innovation. To improve the customer experience and make banking available anywhere, STAR focused on creating more flexibility with on-the-go or in-person banking needs. Led by President of Retail Banking Mike Wallace, the network encompasses four key sectors: Branch Banking, Residential Mortgage, Private Banking and Small Business Banking.

Branch Banking: Meeting Customers Where They Are

STAR's 37-branch footprint remains a foundational component of customer interaction, always meeting the customer where they are. In 2024, branch teams executed timely deposit strategies, including CD specials that contributed to significant balance sheet growth. By utilizing a loan operating system, the team had faster processing and improved efficiencies across locations.

> "Our ability to remain relevant comes down to having the right products, priced appropriately and marketed effectively."
>
> –Mike Wallace

Mike Wallace
President of Retail Banking

Mortgage Banking: Building a Team to Support Customers in Any Market

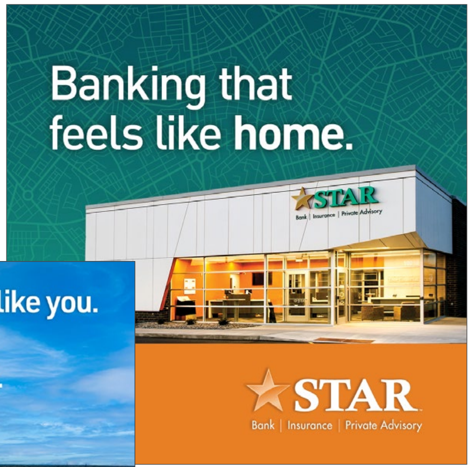
To further enhance the customer experience, STAR welcomed six new team members this year: Jill Daly, Ean Decker, Val Cesljarev, Ray Berger, and Cortlin Simpson, bringing over 100 years of combined experience to communities we serve across Indiana.

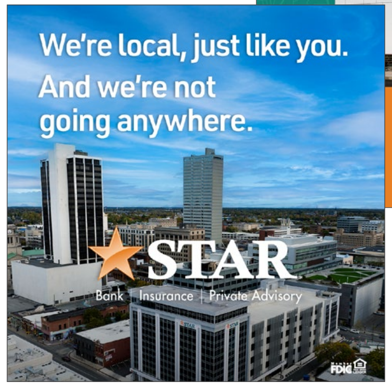
> "These additions reinforce STAR as the mortgage company of choice in our communities."
>
> –James Gucinski, *VP of Mortgage Banking*

Private Banking: An Elevated Banking Experience

STAR's private banking team continued to offer high-touch, relationship-based service tailored to high-net-worth clients. In 2024, STAR strategically added talent to this group, emphasizing long-term thinking and personal accessibility. Clients benefit from local, direct access to their bankers, avoiding toll-free lines and long waits.

This personalized approach enables STAR to remain a trusted partner for individuals seeking tailored financial guidance.





STAR Financial Group, Inc.

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2024 and 2023

STAR Financial Group, Inc.

Financial Highlights

Years Ended December 31, 2024, 2023 and 2022

(In Thousands Except Share Data)

	2024	2023	2022
For the Year			
Net income	$ 23,708	$ 23,863	$ 23,129
Dividends declared	3,866	3,658	3,667
Weighted average shares	2,779,945	2,792,246	2,968,111
Per Basic Common Share			
Net income	$ 8.53	$ 8.55	$ 7.79
Dividends declared	1.39	1.31	1.24
Book value at December 31	75.45	67.08	54.02
At December 31			
Total assets	$ 2,975,885	$ 2,998,676	$ 3,011,251
Earning assets	2,719,070	2,737,004	2,754,128
Loans and leases	1,713,337	1,639,546	1,598,869
Deposits	2,603,176	2,546,014	2,523,807
Total parent company stockholders' equity	208,886	187,308	150,835
Capital Ratios (Bank only)			
Risk-based capital ratios			
Tier I	13.52%	12.32%	13.00%
Total (Tier I plus Tier II)	14.41	13.18	13.89
Leverage ratio	10.17	9.73	9.03
Common Equity Tier I	13.52	12.32	13.00

See Notes to Consolidated Financial Statements

Forvis Mazars, LLP
111 E. Wayne Street, Suite 600
Fort Wayne, IN 46802
P 260.460.4000 | F 260.426.2235
forvismazars.us

Independent Auditor's Report

Board of Directors
STAR Financial Group, Inc.
Fort Wayne, Indiana

Opinion on Internal Control Over Financial Reporting

We have audited STAR Financial Group, Inc.'s internal control over financial reporting as of December 31, 2024, based on criteria established in the *Internal Control – Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, STAR Financial Group, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on COSO.

We also have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the financial statements of STAR Financial Group, Inc., and our report dated March 19, 2025, expressed an unmodified opinion thereon.

Basis for Opinion

We conducted our audit in accordance with GAAS. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the "Audit of Internal Control Over Financial Reporting" 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 audit. 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 Internal Control Over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management's Report.

Auditor's Responsibilities for the Audit of Internal Control Over Financial Reporting

Our objectives are to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects and to issue an auditor's report that includes our opinion on internal control over financial reporting. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material weakness when it exists.

In performing an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Obtain an understanding of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 112 of the *Federal Deposit Insurance Corporation Improvement Act* (FDICIA), our audit of STAR Financial Group, Inc.'s internal control over financial reporting included controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and controls over the preparation of schedules equivalent to basic financial statements in accordance with the Federal Financial Examination Council Instructions for Consolidated Report of Condition and Income (Call Report Instructions). An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Forvis Mazars, LLP

Fort Wayne, Indiana
March 19, 2025

See Notes to Consolidated Financial Statements

STAR Financial Group, Inc.
Consolidated Balance Sheets
Years Ended December 31, 2024 and 2023
(In Thousands Except Share Data)

	2024	2023
Assets		
Cash and cash equivalents		
Cash and due from banks	$ 59,341	$ 62,511
Interest-bearing demand deposits	13,670	51,204
Total cash and cash equivalents	73,011	113,715
Investment securities available-for-sale	1,010,565	1,065,207
Loans held for sale	-	249
Loans and leases	1,713,337	1,639,546
Less: Allowance for credit losses	(18,502)	(19,202)
Net loans and leases	1,694,835	1,620,344
Bank owned life insurance	47,272	46,838
Premises and equipment, net	81,112	80,184
Interest receivable	12,183	11,328
Goodwill	2,636	2,636
Other assets, net	54,271	58,175
Total assets	$ 2,975,885	$ 2,998,676
Liabilities and Equity		
Liabilities		
Deposits		
Demand, noninterest bearing	$ 825,776	$ 908,898
Interest bearing		
Demand	1,415,519	1,358,934
Time deposits	361,881	278,182
Total deposits	2,603,176	2,546,014
Long-term borrowings	75,000	175,000
Junior subordinated debt	10,310	10,310
Subordinated debt	50,000	50,000
Other liabilities, net	25,748	27,438
Total liabilities	2,764,234	2,808,762
Equity		
Common Stock		
No par value, 5,000,000 shares authorized, 4,854,380 shares issued	7,359	7,359
Capital surplus	7,280	7,454
Retained earnings	387,138	367,296
Accumulated other comprehensive loss	(78,385)	(81,968)
Treasury stock at cost, 2,085,832 and 2,063,382 shares as of December 31, 2024 and 2023, respectively	(114,506)	(112,833)
Total Parent Company Stockholders' Equity	208,886	187,308
Noncontrolling Interest	2,765	2,606
Total equity	211,651	189,914
Total liabilities and equity	$ 2,975,885	$ 2,998,676

See Notes to Consolidated Financial Statements

STAR Financial Group, Inc.
Consolidated Statements of Income
Years Ended December 31, 2024 and 2023
(In Thousands Except Share Data)

	2024	2023
Interest Income		
Interest on loans	$ 99,368	$ 88,778
Interest on investment securities		
Taxable	40,504	39,588
Tax exempt	1,225	1,365
Total interest income	141,097	129,731
Interest Expense		
Interest on deposits	51,087	32,265
Interest on borrowings	6,332	11,390
Total interest expense	57,419	43,655
Net Interest Income	83,678	86,076
Credit Loss Expense	-	2,950
Net Interest Income After Credit Loss Expense	83,678	83,126
Noninterest Income		
Service charges and fees	7,114	7,338
Bank card processing	8,836	9,115
Mortgage sales and servicing fees	1,241	1,263
Trust and brokerage fee income	4,686	4,338
Gain (loss) on sale of fixed assets	2,736	(80)
Other fees and commissions	1,416	1,035
Loss on sales of securities	-	(658)
Other	4,383	2,860
Total noninterest income	30,412	25,211
Noninterest Expense		
Salaries and employee benefits	44,878	45,025
Occupancy expense	6,319	5,386
Equipment expense	12,931	11,572
Bank card processing fees	3,662	3,566
Loan and collection expense	1,010	1,126
Deposit insurance premiums	1,387	1,520
Advertising and promotional	1,695	1,742
Professional services	2,872	2,218
Other	11,057	7,849
Total noninterest expense	85,811	80,004
Income Before Income Taxes	28,279	28,333
Provision for Income Taxes	4,571	4,470
Net Income	$ 23,708	$ 23,863
Income Per Share		
Basic	$ 8.53	$ 8.55
Diluted	$ 8.46	$ 8.50
Weighted Average Shares Outstanding		
Basic	2,779,945	2,792,246
Diluted	2,801,962	2,806,099

See Notes to Consolidated Financial Statements

STAR Financial Group, Inc.

Consolidated Statements of Comprehensive Income
Years Ended December 31, 2024 and 2023
(In Thousands)

	2024	2023
Net Income	$ 23,708	$ 23,863
Other Comprehensive Income		
Unrealized appreciation on available-for-sale securities, net of taxes of $1,021 and $4,731, for 2024 and 2023, respectively	3,583	17,797
Reclassification adjustment for realized losses included in net income, net of taxes of $0 and $138, for 2024 and 2023, respectively	-	520
	3,583	18,317
Comprehensive Income	$ 27,291	$ 42,180

See Notes to Consolidated Financial Statements

STAR Financial Group, Inc.

Consolidated Statements of Changes in Equity
Years Ended December 31, 2024 and 2023
(In Thousands Except Share Data)

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Parent Company Stockholders' Equity	Non Controlling Interest	Total Equity
Balance, January 1, 2023	$ 7,359	$ 7,318	$ 347,091	$ (100,285)	$ (112,740)	$ 148,743	$ 2,609	$ 151,352
Net income	-	-	23,863	-	-	23,863	-	23,863
Other comprehensive loss	-	-	-	18,317	-	18,317	-	18,317
Cash dividends ($1.31 per share)	-	-	(3,658)	-	-	(3,658)	-	(3,658)
Purchase of treasury stock (4,218 shares)	-	-	-	-	(317)	(317)	-	(317)
Share based compensation expense	-	360	-	-	-	360	-	360
Issuance of treasury stock for restricted stock awards (2,843 shares)	-	(224)	-	-	224	-	-	-
Distributions to noncontrolling interests	-	-	-	-	-	-	(3)	(3)
Balance, December 31, 2023	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	-	-	-	-	-	-	160	160
Balance, December 31, 2024	$ 7,359	$ 7,280	$ 387,138	$ (78,385)	$ (114,506)	$ 208,886	$ 2,766	$ 211,652

See Notes to Consolidated Financial Statements

STAR Financial Group, Inc.

Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023
(In Thousands)

	2024	2023
Operating Activities		
Net income	$ 23,708	$ 23,863
Items not requiring (providing) cash		
Provision for credit losses	-	2,950
Net gain from sale of loans	(435)	(426)
Origination of loans for sale	(11,853)	(11,064)
Proceeds from sale of loans	12,537	11,663
Increase in value of bank-owned life insurance	(1,267)	(1,123)
Depreciation and amortization on premises and equipment	5,927	5,203
Net amortization of securities	4,166	4,220
Provision for deferred taxes	(1,420)	(420)
Loss on sale of securities	-	658
Loss (gain) on sale of premises and equipment	(2,736)	80
Repayment of operating lease liabilities	1,852	1,197
Share based compensation expense	263	360
Change in interest receivable	(855)	(79)
Change in other assets	1,943	(272)
Change in other liabilities	(1,690)	(3,060)
Net cash provided by operating activities	30,140	33,750
Investing Activities		
Proceeds from sales of investment securities available-for-sale	-	82,177
Proceeds from maturities and calls of investment securities available-for-sale	57,645	68,813
Proceeds from sale of premises and equipment	4,607	-
Proceeds from bank-owned life insurance policy	833	734
Purchases of premises and equipment	(8,179)	(19,426)
Purchases of investment securities available-for-sale	(2,605)	(61,283)
Net change in loans	(74,491)	(44,371)
Net cash provided (used) in investing activities	(22,190)	26,644
Financing Activities		
Net change in deposits	57,162	22,207
Proceeds from long-term borrowings	20,000	210,000
Repayment of long-term borrowings	(120,000)	(280,013)
Cash dividends	(3,866)	(3,658)
Purchase of treasury stock	(2,110)	(317)
Contributions from noncontrolling interests	160	-
Distributions to noncontrolling interests	-	(3)
Net cash used by financing activities	(48,654)	(51,784)
Net Change in Cash and Cash Equivalents	(40,704)	8,610
Cash and Cash Equivalents, Beginning of Year	113,715	105,105
Cash and Cash Equivalents, End of Year	$ 73,011	$ 113,715

See Notes to Consolidated Financial Statements

STAR Financial Group, Inc.

Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023
(In Thousands)

	2024	2023
Supplemental Cash Flows Information		
Interest paid	$ 56,628	$ 43,093
Income taxes paid	2,682	5,381

See Notes to Consolidated Financial Statements

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. 215 W Main is the majority owner in the new construction project, incorporated as Berry Maiden Main, LLC, that began in 2021 for STAR's new headquarters. The project reached substantial completion in 2024. 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 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, 2024, the Company's cash accounts exceeded federally insured limits by approximately $11,476,000.

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.

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 than 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 reversal). Losses are charged against the allowance when management believes the uncollectibility 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.

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.

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.

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 $11,070,600 at December 31, 2024 and 2023.

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, 2024.

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 and $301,343 at December 31, 2024 and 2023, respectively.

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.

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.

(Table Dollars in Thousands Except Share Data)

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

Segment Reporting: In November 2023, the FASB issued ASU 2023-07 "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." These amendments require, among other things, that a public entity that has a single reportable segment provide all the disclosures required by the amendments in this ASU and all existing segment disclosures in Topic 208. The ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. A public entity should apply the amendments retrospectively to all periods presented in the financial statements. The Company adopted ASU 2023-07 on January 1, 2024 and it did not have a material impact on its accounting and disclosures.

Subsequent Events

Subsequent events have been evaluated through March 19, 2025, which is the date the consolidated financial statements were available to be issued.

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, 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
	$ 1,109,639	$ 663	$ 99,737	$ 1,010,565

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2023				
U.S. Treasury and agency securities	$ 106,120	$ -	$ 7,363	$ 98,757
Obligations of states and political subdivisions	159,591	7	28,399	131,199
Mortgage-backed Government Sponsored Enterprise (GSE) residential	879,159	477	67,441	812,195
Pooled trust preferred securities	24,015	139	1,098	23,056
	$ 1,168,885	$ 623	$ 104,301	$ 1,065,207

Securities with a carrying value of approximately $199,383,000 and $212,157,000 at December 31, 2024 and 2023, 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, 2024, 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	$ 19,989	$ 19,934
Due after one year through five years	85,357	80,113
Due after five years through ten years	62,032	49,240
Due after ten years	119,762	101,746
Total investment securities with a contractual maturity	287,140	251,033
Mortgage-backed GSE residential	822,499	759,532
Total investment securities	$ 1,109,639	$ 1,010,565

There were no gross gains on available-for-sale securities during 2024 and 2023. Gross losses of $0 and $658,000 resulting from sales of AFS securities were realized in 2024 and 2023.

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, 2024 and 2023, was $972,358,000 and $1,016,859,000 respectively, which is approximately 96% and 95%, 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.

(Table Dollars in Thousands Except Share Data)

The Company has not recorded an allowance for credit losses for available-for-sale securities at December 31, 2024. 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, 2024 and 2023.

	December 31, 2024					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	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
	$ 44,824	$ 1,671	$ 927,534	$ 98,066	$ 972,358	$ 99,737

	December 31, 2023					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and agency securities	$ 947	$ 3	$ 97,482	$ 7,360	$ 98,429	$ 7,363
Obligations of states and political subdivisions	-	-	130,867	28,399	130,867	28,399
Mortgage-backed GSE residential	31,581	386	743,206	67,055	774,787	67,441
Pooled trust preferred securities	-	-	12,776	1,098	12,776	1,098
	$ 32,528	$ 389	$ 984,331	$ 103,912	$ 1,016,859	$ 104,301

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, 2024.

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, 2024.

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, 2024.

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, 2024, 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 as discussed below and not deemed to be other-than-temporarily impaired. 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:

	2024	2023
Commercial and industrial	$ 591,291	$ 584,054
Commercial real estate	673,620	632,247
Consumer:		
Consumer, home equity lines of credit	87,040	84,083
Consumer, auto	9,563	11,998
Consumer, other	18,976	12,772
Residential	331,165	310,182
Finance leases	1,682	4,210
Gross loans	1,713,337	1,639,546
Allowance for credit losses	(18,502)	(19,202)
Net loans	$ 1,694,835	$ 1,620,344

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

	2024	2023
Future minimum lease payments	$ 1,668	$ 4,393
Residual interests	63	218
Initial direct costs	-	1
Unearned income	(49)	(402)
	$ 1,682	$ 4,210

Future minimum lease payments are as follows:

2025	$ 664
2026	482
2027	295
2028	114
2029	113
Thereafter	-
	$ 1,668

(Table Dollars in Thousands Except Share Data)

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.

Real Estate, 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, 2024 and 2023:

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

2023

	Commercial and Industrial	Commercial Real Estate	Consumer	Residential	Finance Leases	Total
Allowance for Credit Loss						
Balance, beginning of year	$ 8,048	$ 8,275	$ 1,023	$ 2,354	$ 246	$ 19,946
Credit loss expense	2,158	-	366	-	-	2,524
Losses charged off	(2,998)	-	(507)	-	-	(3,505)
Recoveries	190	10	35	2	-	237
Balance, end of year	$ 7,398	$ 8,285	$ 917	$ 2,356	$ 246	$ 19,202

The following tables present the Company's loan portfolio aging analysis of the recorded investment in loans as of December 31, 2024 and 2023:

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

2023	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans
Commercial and industrial	$ 712	$ 163	$ 2,448	$ 3,323	$ 580,731	$ 584,054
Commercial real estate	-	-	-	-	632,247	632,247
Consumer						
Consumer, home equity lines of credit	-	54	70	124	83,959	84,083
Consumer, auto	10	-	4	14	11,984	11,998
Consumer, other	4	-	-	4	12,768	12,772
Residential	256	-	13	269	309,913	310,182
Finance leases	-	-	-	-	4,210	4,210
Total	$ 982	$ 217	$ 2,535	$ 3,734	$ 1,635,812	$ 1,639,546

Notes to Consolidated Financial Statements
STAR Financial Group, Inc.
December 31, 2024 and 2023
(Table Dollars in Thousands Except Share Data)

The following tables present the Company's nonaccrual loans as of December 31, 2024 and 2023:

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	-	-	-
	$ -	$ 3,769	$ 57

2023	Nonaccrual with No ACL	Nonaccrual	Loan Past Due Over 89 Days and Still Accruing
Commercial and industrial	$ -	$ 3,793	$ -
Commercial real estate	-	-	-
Consumer			
Consumer, home equity lines of credit	-	109	-
Consumer, auto	-	-	4
Consumer, other	-	-	-
Residential	-	127	-
Finance leases	-	-	-
	$ -	$ 4,029	$ 4

(Table Dollars in Thousands Except Share Data)

The following tables present the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2024 and 2023:

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
	$ 2,496	$ 2,394	$ 41	$ 4,931

2023	Real Estate	General Business Assets	Other	Total
Commercial and industrial	$ 1,552	$ 2,498	$ 26	$ 4,076
Consumer				
Consumer, home equity lines of credit	63	-	-	63
Consumer, other	5	-	26	31
Residential	896	-	-	896
	$ 2,516	$ 2,498	$ 52	$ 5,066

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:

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

2023	Current	30-89 Days Past Due	> 90 Days Past Due
Commercial and industrial	$ 26	$ -	$ -
Commercial real estate	-	-	-
Consumer			
Consumer, residential	-	-	-
	$ 26	$ -	$ -

There was not a material financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the years ended December 31, 2024 and 2023.

There were no loans that had a payment default during the years ended December 31, 2024 and 2023 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, 2024 and 2023. 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, 2024 and 2023.

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.

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

(Table Dollars in Thousands Except Share Data)

	Term Loans Amortized Cost Basis by Origination Year							
	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
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	-	-	-	-	-	-	-	-

	Term Loans Amortized Cost Basis by Origination Year							
	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
Commercial and industrial								
Pass	$74,610	$110,591	$86,246	$29,666	$68,525	$180,324	-	$549,962
Watch	1,337	653	6,349	648	5,223	14,009	-	28,219
Substandard	-	-	1,775	1,859	1,271	380	-	5,285
Doubtful	-	-	-	26	21	541	-	588
Total Commercial and industrial	$75,947	$111,244	$94,370	$32,199	$75,040	$195,254	-	$584,054
Chargeoffs	-	-	2,947	-	-	51	-	2,998
Commercial RE								
Pass	$38,086	$124,260	$123,245	$30,759	$190,092	$78,797	-	$585,239
Watch	149	8,086	140	-	21,439	-	-	29,814
Substandard	-	-	-	-	17,194	-	-	17,194
Doubtful	-	-	-	-	-	-	-	-
Total Commercial RE	$38,235	$132,346	$123,385	$30,759	$228,725	$78,797	-	$632,247
Chargeoffs	-	-	-	-	-	-	-	-

	Term Loans Amortized Cost Basis by Origination Year							
	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
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	-	-	-	-	-	-	-	-

	Term Loans Amortized Cost Basis by Origination Year							
	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
Consumer - HELOC								
Performing	-	-	-	-	-	$83,974	-	$83,974
Nonperforming	-	-	-	-	-	109	-	109
Total Consumer - HELOC	-	-	-	-	-	$84,083	-	$84,083
Chargeoffs	-	-	-	-	-	-	-	-
Consumer - Auto								
Performing	$4,357	$4,215	$1,845	$1,073	$504	-	-	$11,994
Nonperforming	-	4	-	-	-	-	-	4
Total Consumer - Auto	$4,357	$4,219	$1,845	$1,073	$504	-	-	$11,998
Chargeoffs	-	12	-	-	-	-	-	12
Consumer - Other								
Performing	$4,987	$1,701	$975	$482	$1,796	$2,327	-	$12,268
Nonperforming	-	4	-	-	-	-	-	4
Total Consumer - Other	$4,987	$1,705	$975	$482	$1,796	$2,327	-	$12,272
Chargeoffs	-	-	-	-	-	481	-	481
Residential								
Performing	$43,788	$42,610	$78,675	$88,042	$48,390	$8,550	-	$310,055
Nonperforming	-	-	-	-	127	-	-	127
Total Residential	$43,788	$42,610	$78,675	$88,042	$48,517	$8,550	-	$310,182
Chargeoffs	-	-	-	-	-	-	-	-
Finance Leases								
Performing	-	-	-	-	$4,210	-	-	$4,210
Nonperforming	-	-	-	-	-	-	-	-
Total Finance Leases	-	-	-	-	$4,210	-	-	$4,210
Chargeoffs	-	-	-	-	-	-	-	-

Note 4: Premises and Equipment

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

	2024	2023
Land	$ 18,370	$ 18,986
Buildings and improvements	79,786	37,479
Furniture and equipment	36,833	45,921
Construction in progress	-	34,819
	134,989	137,205

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 $260,564,000 and $279,131,000 at December 31, 2024 and 2023, respectively.

Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in other liabilities, were approximately $1,714,000 and $1,410,000 at December 31, 2024 and 2023, 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:

	2024	2023
Carrying amount, beginning of year	$ 1,362	$ 1,505
Servicing obligations that result from transfers of financial assets	125	120
Amortization	(264)	(271)
Change in valuation allowance	2	8
Carrying amount, end of year	$ 1,225	$ 1,362
Valuation allowance, beginning of year	(14)	(22)
Additions	35	15
Reductions	(33)	(7)
Valuation allowance, end of year	$ (12)	$ (14)
Fair value, beginning of year	$ 3,916	$ 3,999
Fair value, end of year	$ 3,493	$ 3,916

Note 6: Time Deposits

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

2025	$ 335,456
2026	12,573
2027	1,519
2028	949
2029	10,783
Thereafter	601
	$ 361,881

Time deposits with balances of $250,000 or greater were approximately $118,576,000 and $45,373,000 at December 31, 2024 and 2023, respectively.

Included in time deposits at December 31, 2024 and 2023 were approximately $17,451,000 and $18,461,000 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.

(Table Dollars in Thousands Except Share Data)

Note 7: Long-Term Borrowings

As of December 31, 2024 and 2023, STAR had Federal Home Loan Bank of Indianapolis advances (advances) outstanding totaling $75,000,000 and $175,000,000, respectively. The advances bear interest at rates ranging from 4.35% to 4.52% and mature at various dates through November 1, 2027.

Interest is paid monthly and the weighted average interest rate on the advances was 4.45% and 5.12% as of December 31, 2024 and 2023, respectively. The advances at December 31, 2024, are secured by first-mortgage loans totaling $369,431,000 and are subject to restrictions or penalties in the event of prepayment.

Maturities of long-term debt are as follows: 2025 - $25,000,000; 2026 - $25,000,000; and 2027 - $25,000,000.

The Company has established borrowing capacity of $996,301,500 and $999,913,200 as of December 31, 2024 and 2023, respectively, with the Federal Home Loan Bank and other financial institutions, of which $75,000,000 and $175,000,000 was outstanding at December 31, 2024 and 2023, 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, 2024 and 2023, 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 (4.87%) plus 1.40% (6.27%) 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 (4.87%) plus 1.40% (6.27%) 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 $263,000 and $360,000 for the years ended December 31, 2024 and 2023, respectively.

A summary of the status of the Company's nonvested restricted stock units as of December 31, 2024, and 2023, and changes during the periods then ended is presented below:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2023	14,558	$ 74.10
Granted	9,638	84.00
Vested	(2,843)	78.68
Forfeited	-	-
Nonvested at December 31, 2023	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

The total unrecognized compensation was $1,201,000 and $777,000 for the years ended December 31, 2024 and 2023, respectively.

Note 10: Income Tax Expense

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 2021.

Income tax provision is summarized as follows:

	2024	2023
Current		
Federal	$ 6,422	$ 4,861
State	(431)	29
Deferred		
Federal	(1,482)	15
State	62	(435)
Total tax expense	$ 4,571	$ 4,470

(Table Dollars in Thousands Except Share Data)

A net deferred tax asset is included in other assets and is comprised of the following temporary differences at December 31:

	2024	2023
Deferred tax assets		
Allowance for credit losses	$ 4,670	$ 5,413
Other nondeductible accruals	1,148	1,511
Unrealized losses on available-for-sale securities	20,837	21,789
State net operating loss	-	398
Other-than-temporary impairment	309	309
Partnership investments	328	266
Deferred income	234	288
Premises and equipment, including equipment leased to others	2,607	-
Other	180	329
	$ 30,313	$ 30,303
Deferred tax liabilities		
Mortgage servicing rights	$ (303)	$ (339)
Premises and equipment, including equipment leased to others	-	(1,513)
Prepaid expenses	(677)	(793)
Accretion	(2,462)	(1,357)
Deferred loan fees	(507)	(398)
Other	(148)	(155)
	$ (4,097)	$ (4,555)
Total net deferred taxes	$ 26,216	$ 25,748

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is as follows:

	2024	2023
Income taxes at statutory rate	$ 5,711	$ 5,932
State income taxes, net of federal benefit	(291)	(317)
Tax-exempt interest	(692)	(636)
Bank owned life insurance	(218)	(204)
Captive insurance income	-	(357)
Tax credits	(65)	(39)
Other, net	126	91
Net income tax expense	$ 4,571	$ 4,470

At December 31, 2024, the Company had a state net operating loss of $21,953,000 which carries forward for twenty years.

Note 11: Accumulated Other Comprehensive Loss

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

	2024	2023
Net unrealized loss on available-for-sale securities	$ (99,074)	$ (103,678)
Tax effect	20,689	21,710
Net-of-tax amount	$ (78,385)	$ (81,968)

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 $1,110,000 and $1,138,000 to the plans in 2024 and 2023, 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 $43,222,000 and $38,380,000 at December 31, 2024 and 2023, 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 $6,318,000 and $8,456,000 at December 31, 2024 and 2023, 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:

	2024	2023
Commitments to extend credit	$ 831,170	$ 810,729
Standby letters of credit	6,600	9,986
Forward sale commitments	463	805

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.

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.

(Table Dollars in Thousands Except Share Data)

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.

In early 2021, STAR announced plans to begin construction on their new headquarters which will be located in downtown Fort Wayne. Construction began in 2021 and reached substantial completion in 2024. The Company has entered into construction-related contracts in the amount of $37.7 million. The amount outstanding on the contract is $0 and $4,762,000 as of December 31, 2024 and 2023 respectively.

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 I 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, 2024, 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.

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, 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 1 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

	Actual		Minimum Capital Requirement		Minimum to be Well Capitalized Under Prompt Corrective Actions Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2023						
Total capital (to risk weighted assets)						
STAR Financial Bank	$326,123	13.18%	$197,903	8.00%	$247,379	10.00%
Tier I capital (to risk weighted assets)						
STAR Financial Bank	304,674	12.32	148,427	6.00	197,903	8.00
Tier 1 capital (to average assets)						
STAR Financial Bank	304,674	9.73	125,308	4.00	156,635	5.00
Common equity Tier I capital						
STAR Financial Bank	304,674	12.32	111,320	4.50	160,796	6.50

(Table Dollars in Thousands Except Share Data)

Banking regulations limit the amount that the Bank may pay the Company without prior approval of bank regulatory authorities. At December 31, 2024, retained earnings available for dividends to the Company without such approval totaled approximately $67,504,000.

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, 2024 and 2023:

2024	Fair Value	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	-

2023	Fair Value	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	$ 114	$ 114	$ -	$ -
Available-for-Sale Securities				
U.S. Treasury and agency securities	98,757	98,757	-	-
Obligations of states and political subdivisions	131,199	-	131,199	-
Mortgage-backed GSE residential	812,195	-	812,195	-
Pooled trust preferred securities	23,056	-	23,056	-

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, 2024. 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, 2024 and 2023.

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

2023	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Collateral Dependent Loans	$ 5,066	$ -	$ -	$ 5,066

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.

Collateral Dependent Loans

(Table Dollars in Thousands Except Share Data)

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, 2024 and 2023.

	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%)

	Fair Value at December 31, 2023	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Collateral Dependent Loans	$ 5,066	Market comparable properties	Marketability discount	65.43% - 100% (12.08%)

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.

Fair Value of Financial Instruments

The following table presents estimated fair values of the Company's financial instruments at December 31, 2024 and 2023.

	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
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	-
December 31, 2023					
Financial assets					
Cash and cash equivalents	$ 113,715	$ 113,715	$ 113,715	$ -	$ -
Loans held for sale	249	257	-	257	-
Loans and leases, net	1,620,344	1,557,345	-	-	1,557,345
Interest receivable	11,328	11,328	-	11,328	-
Federal Home Loan Bank stock	11,071	11,071	-	11,071	-
Financial liabilities					
Demand deposits	2,267,832	2,267,832	2,267,832	-	-
Time deposits	278,182	260,753	-	260,753	-
Long-term borrowings	175,000	176,479	-	176,479	-
Subordinated debt	60,310	43,720	-	43,720	-
Interest payable	1,449	1,449	-	1,449	-

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.

(Table Dollars in Thousands Except Share Data)

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.

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:

	2024	2023
Net income	$ 23,708	$ 23,863
Weighted average shares outstanding	2,779,945	2,792,246
Add: Dilutive effects of restricted stock units	22,017	13,853
Average shares and dilutive potential shares	2,801,962	2,806,099
Basic earnings per share	$ 8.53	$ 8.55
Diluted earnings per share	$ 8.46	$ 8.50

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.

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

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

2025 Annual Meeting

The 2025 Annual Meeting of the Shareholders of STAR Financial Group occurs on May 28, 2025 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*
Jim Kelley, *Kelley Automotive*
Ryan H. Drook, *Central Indiana Ethanol*
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

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

REGIONAL PRESIDENTS

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

STAR Financial Group, Inc.

CORPORATE OFFICE

215 W. Main Street | Fort Wayne, Indiana 46802 | (260) 428-7000

starfinancial.com

STAR6061

Member FDIC EQUAL HOUSING LENDER

©2025 STAR FINANCIAL GROUP