

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2022

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-10792

**HORIZON BANCORP, INC.**

(Exact name of registrant as specified in its charter)

Indiana  
(State or other jurisdiction of  
incorporation or organization)

35-1562417  
(I.R.S. Employer  
Identification No.)

515 Franklin Street, Michigan City, Indiana 46360  
(Address of principal executive offices)(Zip Code)

Registrant's telephone number, including area code: (219) 879-0211

Former name, former address and former fiscal year, if changed since last report: N/A

**Securities registered pursuant to Section 12(b) of the Act:**

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, no par value	HBNC	The NASDAQ Stock Market, LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input checked="" type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13 (a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 43,934,889 shares of Common Stock, no par value, at November 8, 2022.

**HORIZON BANCORP, INC.**  
**FORM 10-Q**  
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**PART I – FINANCIAL INFORMATION**  
**ITEM 1 – FINANCIAL STATEMENTS**

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Balance Sheets**  
(Dollar Amounts in Thousands)

	September 30, 2022 (Unaudited)	December 31, 2021
<b>Assets</b>		
Cash and due from banks	\$ 109,659	\$ 593,508
Interest earning time deposits	2,814	4,782
Investment securities, available for sale	985,655	1,160,812
Investment securities, held to maturity (fair value of \$1,640,589 and \$1,559,991)	2,031,536	1,552,443
Loans held for sale	1,852	12,579
Loans, net of allowance for credit losses of \$51,369 and \$54,286	3,960,846	3,590,331
Premises and equipment, net	92,356	93,441
Federal Home Loan Bank stock	26,677	24,440
Goodwill	155,211	154,572
Other intangible assets	18,164	20,941
Interest receivable	30,096	26,137
Cash value of life insurance	145,439	97,150
Other assets	158,390	80,753
Total assets	<u>\$ 7,718,695</u>	<u>\$ 7,411,889</u>
<b>Liabilities</b>		
Deposits		
Non–interest bearing	\$ 1,315,155	\$ 1,360,338
Interest bearing	4,515,683	4,442,653
Total deposits	5,830,838	5,802,991
Borrowings		
Subordinated notes	1,048,091	712,739
Junior subordinated debentures issued to capital trusts	58,860	58,750
Interest payable	56,966	56,785
Other liabilities	1,961	2,235
Total liabilities	76,986	55,180
Total liabilities	<u>7,073,702</u>	<u>6,688,680</u>
<b>Commitments and contingent liabilities</b>		
<b>Stockholders' Equity</b>		
Preferred stock, Authorized, 1,000,000 shares, Issued 0 shares	—	—
Common stock, no par value, Authorized 99,000,000 shares		
Issued and Outstanding 43,932,389 and 43,766,931 shares	—	—
Additional paid-in capital	352,837	352,122
Retained earnings	415,277	363,742
Accumulated other comprehensive income (loss)	(123,121)	7,345
Total stockholders' equity	644,993	723,209
Total liabilities and stockholders' equity	<u>\$ 7,718,695</u>	<u>\$ 7,411,889</u>

See notes to condensed consolidated financial statements

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Income**  
**(Unaudited)**  
(Dollar Amounts in Thousands, Except Per Share Data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Interest Income</b>				
Loans receivable	\$ 47,051	\$ 40,392	\$ 126,479	\$ 120,446
Investment securities – taxable	8,501	4,565	24,723	8,641
Investment securities – tax exempt	7,478	5,911	21,482	16,790
Total interest income	<u>63,030</u>	<u>50,868</u>	<u>172,684</u>	<u>145,877</u>
<b>Interest Expense</b>				
Deposits	4,116	1,808	7,289	6,204
Borrowed funds	3,895	1,075	6,425	3,640
Subordinated notes	880	880	2,641	2,641
Junior subordinated debentures issued to capital trusts	744	561	1,755	1,678
Total interest expense	<u>9,635</u>	<u>4,324</u>	<u>18,110</u>	<u>14,163</u>
<b>Net Interest Income</b>	<u>53,395</u>	<u>46,544</u>	<u>154,574</u>	<u>131,714</u>
Credit loss expense (recovery)	(601)	1,112	(1,747)	(13)
<b>Net Interest Income after Credit Loss Expense (Recovery)</b>	<u>53,996</u>	<u>45,432</u>	<u>156,321</u>	<u>131,727</u>
<b>Non-interest Income</b>				
Service charges on deposit accounts	3,023	2,291	8,651	6,682
Wire transfer fees	148	210	477	687
Interchange fees	3,089	2,587	9,451	7,819
Fiduciary activities	1,203	2,124	4,111	5,828
Gains on sale of investment securities (includes \$0 and \$0 for the three months ended September 30, 2022 and 2021, respectively, and \$0 and \$914 for the nine months ended September 30, 2022 and 2021, respectively, related to accumulated other comprehensive earnings reclassifications)	—	—	—	914
Gain on sale of mortgage loans	1,441	4,088	5,969	14,996
Mortgage servicing income, net	355	336	4,163	2,052
Increase in cash value of bank owned life insurance	814	534	1,843	1,547
Death benefit on bank owned life insurance	—	517	644	783
Other income	115	3,357	1,468	3,816
Total non-interest income	<u>10,188</u>	<u>16,044</u>	<u>36,777</u>	<u>45,124</u>
<b>Non-interest Expense</b>				
Salaries and employee benefits	20,613	18,901	60,305	53,502
Net occupancy expenses	3,293	2,935	10,044	9,337
Data processing	2,539	2,526	7,683	7,290
Professional fees	552	522	1,149	1,654
Outside services and consultants	2,855	2,330	7,865	6,252
Loan expense	2,926	2,645	7,968	8,574
FDIC insurance expense	670	279	2,170	1,579
Other losses	398	69	928	358
Other expense	4,504	4,142	13,216	11,363
Total non-interest expense	<u>38,350</u>	<u>34,349</u>	<u>111,328</u>	<u>99,909</u>
<b>Income Before Income Taxes</b>	<u>25,834</u>	<u>27,127</u>	<u>81,770</u>	<u>76,942</u>
Income tax expense (includes \$0 and \$0 for the three months ended September 30, 2022 and 2021, respectively, and \$0 and \$192 for the nine months ended September 30, 2022 and 2021, respectively, related to income tax expense from reclassification items)	2,013	4,056	9,527	11,276
<b>Net Income</b>	<u>\$ 23,821</u>	<u>\$ 23,071</u>	<u>\$ 72,243</u>	<u>\$ 65,666</u>
<b>Basic Earnings Per Share</b>	<u>\$ 0.55</u>	<u>\$ 0.53</u>	<u>\$ 1.66</u>	<u>\$ 1.50</u>
<b>Diluted Earnings Per Share</b>	<u>0.55</u>	<u>0.52</u>	<u>1.65</u>	<u>1.49</u>

See notes to condensed consolidated financial statements

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Comprehensive Income (Loss)**  
**(Unaudited)**  
(Dollar Amounts in Thousands)

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
<b>Net Income</b>	<b>\$ 23,821</b>	<b>\$ 23,071</b>	<b>\$ 72,243</b>	<b>\$ 65,666</b>
<b>Other Comprehensive Income (Loss)</b>				
Change in fair value of derivative instruments:				
Change in fair value of derivative instruments for the period	1,952	555	5,741	3,590
Income tax effect	(410)	(117)	(1,206)	(754)
Changes from derivative instruments	1,542	438	4,535	2,836
Change in securities:				
Unrealized depreciation for the period on AFS securities	(39,856)	(14,488)	(169,013)	(28,304)
Accretion (amortization) from transfer of securities from available for sale to held to maturity securities	(143)	19	(1,875)	50
Reclassification adjustment for securities gains realized in income	—	—	—	(914)
Income tax effect	8,400	3,038	35,887	6,125
Unrealized losses on securities	(31,599)	(11,431)	(135,001)	(23,043)
<b>Other Comprehensive Loss, Net of Tax</b>	<b>(30,057)</b>	<b>(10,993)</b>	<b>(130,466)</b>	<b>(20,207)</b>
<b>Comprehensive Income (Loss)</b>	<b>\$ (6,236)</b>	<b>\$ 12,078</b>	<b>\$ (58,223)</b>	<b>\$ 45,459</b>

See notes to condensed consolidated financial statements

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Stockholders' Equity**  
**(Unaudited)**

(Dollar Amounts in Thousands, Except Per Share Data)

	Three Months Ended					
	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balances, July 1, 2021</b>	\$ —	\$ —	\$ 359,227	\$ 332,509	\$ 18,638	\$ 710,374
Net income	—	—	—	23,071	—	23,071
Other comprehensive loss, net of tax	—	—	—	—	(10,993)	(10,993)
Amortization of unearned compensation	—	—	449	—	—	449
Stock option expense	—	—	13	—	—	13
Repurchase of outstanding stock	—	—	(7,607)	—	—	(7,607)
Stock retirement plans	—	—	(128)	—	—	(128)
Cash dividends on common stock (\$0.15 per share)	—	—	—	(6,637)	—	(6,637)
<b>Balances, September 30, 2021</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 351,954</b>	<b>\$ 348,943</b>	<b>\$ 7,645</b>	<b>\$ 708,542</b>
<b>Balances, July 1, 2022</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 352,412</b>	<b>\$ 398,517</b>	<b>\$ (93,064)</b>	<b>\$ 657,865</b>
Net income	—	—	—	23,821	—	23,821
Other comprehensive loss, net of tax	—	—	—	—	(30,057)	(30,057)
Amortization of unearned compensation	—	—	627	—	—	627
Exercise of stock options	—	—	14	—	—	14
Net settlement of share awards	—	—	(89)	—	—	(89)
Stock retirement plans	—	—	(127)	—	—	(127)
Cash dividends on common stock (\$0.16 per share)	—	—	—	(7,061)	—	(7,061)
<b>Balances, September 30, 2022</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 352,837</b>	<b>\$ 415,277</b>	<b>\$ (123,121)</b>	<b>\$ 644,993</b>

See notes to condensed consolidated financial statements

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Stockholders' Equity**  
**(Unaudited)**

(Dollar Amounts in Thousands, Except Per Share Data)

	Nine Months Ended					
	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balances, January 1, 2021</b>	\$ —	\$ —	\$ 362,945	\$ 301,419	\$ 27,852	\$ 692,216
Net income	—	—	—	65,666	—	65,666
Other comprehensive loss, net of tax	—	—	—	—	(20,207)	(20,207)
Amortization of unearned compensation	—	—	1,233	—	—	1,233
Exercise of stock options	—	—	769	—	—	769
Stock option expense	—	—	55	—	—	55
Net settlement of share awards	—	—	(1,347)	—	—	(1,347)
Repurchase of outstanding stock	—	—	(7,607)	—	—	(7,607)
Stock retirement plans	—	—	(4,094)	—	—	(4,094)
Cash dividends on common stock (\$0.41 per share)	—	—	—	(18,142)	—	(18,142)
<b>Balances, September 30, 2021</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 351,954</b>	<b>\$ 348,943</b>	<b>\$ 7,645</b>	<b>\$ 708,542</b>
<b>Balances, January 1, 2022</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 352,122</b>	<b>\$ 363,742</b>	<b>\$ 7,345</b>	<b>\$ 723,209</b>
Net income	—	—	—	72,243	—	72,243
Other comprehensive loss, net of tax	—	—	—	—	(130,466)	(130,466)
Amortization of unearned compensation	—	—	1,770	—	—	1,770
Exercise of stock options	—	—	108	—	—	108
Stock option expense	—	—	13	—	—	13
Net settlement of share awards	—	—	(1,785)	—	—	(1,785)
Stock retirement plans	—	—	609	—	—	609
Cash dividends on common stock (\$0.47 per share)	—	—	—	(20,708)	—	(20,708)
<b>Balances, September 30, 2022</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 352,837</b>	<b>\$ 415,277</b>	<b>\$ (123,121)</b>	<b>\$ 644,993</b>

See notes to condensed consolidated financial statements

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**  
(Dollar Amounts in Thousands)

	Nine Months Ended September 30	
	2022	2021
<b>Operating Activities</b>		
Net income	\$ 72,243	\$ 65,666
Items not requiring (providing) cash		
Provision for (recovery of) credit losses	(1,747)	(13)
Depreciation and amortization	8,027	6,852
Share based compensation	1,783	1,288
Amortization of mortgage servicing rights	2,018	2,960
Mortgage servicing rights net impairment	(2,942)	(2,142)
Premium amortization on securities, net	9,391	7,279
Gain on sale of investment securities	—	(914)
Gain on sale of mortgage loans	(5,969)	(14,996)
Proceeds from sales of loans	(182,218)	366,004
Loans originated for sale	198,914	(342,281)
Gain on cash value life insurance	(1,843)	(1,547)
Gain on sale of other real estate owned	(618)	(76)
Net change in:		
Interest receivable	(3,959)	(2,847)
Interest payable	(274)	(1,301)
Other assets	(12,865)	8,330
Other liabilities	(2,277)	(3,443)
Net cash provided by operating activities	<u>77,664</u>	<u>88,819</u>
<b>Investing Activities</b>		
Purchases of securities available for sale	(180,464)	(820,485)
Proceeds from sales, maturities, calls and principal repayments of securities available for sale	54,022	250,808
Purchases of securities held to maturity	(423,493)	(625,397)
Proceeds from maturities of securities held to maturity	65,720	23,368
Net change in interest earning time deposits	1,968	3,198
Purchase of FHLB stock	(2,435)	(1,417)
Redemption of FHLB stock	198	—
Net change in loans	(370,251)	410,717
Proceeds on the sale of OREO and repossessed assets	3,555	1,119
Premises and equipment expenditures	(4,701)	(462)
Purchases of bank owned life insurance	(50,000)	—
Proceeds from bank owned life insurance	2,910	—
Death benefit on bank owned life insurance	644	783
Net cash received in branch acquisition	—	616,832
Net cash used in investing activities	<u>(902,327)</u>	<u>(140,936)</u>
<b>Financing Activities</b>		
Net change in deposits	27,847	602,357
Proceeds from borrowings	668,276	227,531
Repayment of borrowings	(350,000)	(65,040)
Net change in repurchase agreements	17,076	35,702
Net settlement of share awards	(1,785)	(1,347)
Exercise of stock options	108	769
Repurchase of outstanding stock	—	(7,607)
Dividends paid on common stock	(20,708)	(18,142)
Net cash provided by financing activities	<u>340,814</u>	<u>774,223</u>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(483,849)</b>	<b>722,106</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>593,508</b>	<b>249,711</b>

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**  
(Dollar Amounts in Thousands)

<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 109,659</b>	<b>\$ 971,817</b>
<b>Additional Supplemental Information</b>		
Interest paid	<b>\$ 18,384</b>	\$ 15,448
Income taxes paid	<b>936</b>	1,225
Transfer of loans to other real estate and repossessed assets	<b>1,483</b>	964
Transfer of premises to other real estate	<b>1,479</b>	1,753

See notes to condensed consolidated financial statements

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**  
(Table Dollar Amounts in Thousands, Except Per Share Data)

**Note 1 - Accounting Policies**

The accompanying unaudited condensed consolidated financial statements include the accounts of Horizon Bancorp, Inc. (“Horizon” or the “Company”) and its wholly-owned subsidiaries, including Horizon Bank (“Horizon Bank” or the “Bank”), which is an Indiana commercial bank. All inter-company balances and transactions have been eliminated. The results of operations for the periods ended September 30, 2022 and September 30, 2021 are not necessarily indicative of the operating results for the full year of 2022 or 2021. The accompanying unaudited condensed consolidated financial statements reflect all adjustments that are, in the opinion of Horizon’s management, necessary to fairly present the financial position, results of operations and cash flows of Horizon for the periods presented. Those adjustments consist only of normal recurring adjustments.

Certain information and note disclosures normally included in Horizon’s annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in Horizon’s Annual Report on Form 10-K for 2021 filed with the Securities and Exchange Commission on March 9, 2022. The condensed consolidated balance sheet of Horizon as of December 31, 2021 has been derived from the audited balance sheet as of that date.

On July 16, 2019, the Board of Directors of the Company authorized a stock repurchase program for up to 2,250,000 shares of Horizon’s issued and outstanding common stock, no par value. As of September 30, 2022, Horizon had repurchased a total of 803,349 shares at an average price per share of \$16.89.

Basic earnings per share is computed by dividing net income available to common shareholders (net income less dividend requirements for preferred stock and accretion of preferred stock discount) by the weighted-average number of common shares outstanding. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

The following table shows computation of basic and diluted earnings per share.

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
<b>Basic earnings per share</b>				
Net income	\$ 23,821	\$ 23,071	\$ 72,243	\$ 65,666
Weighted average common shares outstanding	43,573,370	43,810,729	43,567,028	43,893,194
<b>Basic earnings per share</b>	<b>\$ 0.55</b>	<b>\$ 0.53</b>	<b>\$ 1.66</b>	<b>\$ 1.50</b>
<b>Diluted earnings per share</b>				
Net income	\$ 23,821	\$ 23,071	\$ 72,243	\$ 65,666
Weighted average common shares outstanding	43,573,370	43,810,729	43,567,028	43,893,194
Effect of dilutive securities:				
Restricted stock	92,405	99,666	92,718	102,446
Stock options	38,018	48,475	39,289	51,403
Weighted average common shares outstanding	43,703,793	43,958,870	43,699,035	44,047,043
<b>Diluted earnings per share</b>	<b>\$ 0.55</b>	<b>\$ 0.52</b>	<b>\$ 1.65</b>	<b>\$ 1.49</b>

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**  
(Table Dollar Amounts in Thousands, Except Per Share Data)

There were 316,760 shares for the three and nine months ended September 30, 2022 which were not included in the computation of diluted earnings per share because they were non-dilutive. There were 142,705 and 153,582 shares for the three and nine months ended September 30, 2021, respectively, which were not included in the computation of diluted earnings per share because they were non-dilutive.

Horizon has share-based employee compensation plans, which are described in the notes to the financial statements included in the December 31, 2021 Annual Report on Form 10-K. Also, the Company's shareholders approved the 2021 Omnibus Equity Incentive Plan at its Annual Meeting on May 6, 2021, adding 1.4 million additional shares to the plan and with no other significant changes from the Company's previous plan.

**Revision of Previously Issued Financial Statements**

We have revised amounts reported in previously issued financial statements for the periods presented in this Quarterly Report on Form 10-Q related to immaterial errors. The errors relate to sold commercial loan participation balances which do not qualify under accounting guidance as sales transactions under *Accounting Standards Codification Topic 860 – Transfers and Servicing*. The correction of this error resulted in an increase in loans, net of allowance for credit losses and borrowings on the Company's condensed consolidated balance sheet.

We evaluated the aggregate effects of the errors to our previously issued financial statements in accordance with SEC Staff Accounting Bulletins No. 99 and No. 108 and, based upon quantitative and qualitative factors, determined that the errors were not material to the previously issued financial statements and disclosures included in our Annual Report on Form 10-K for the year ended December 31, 2021, or for any quarterly periods included therein.

The following tables present the revisions to the line items of our previously issued financial statements to reflect the correction of the errors:

**Consolidated Balance Sheet**

<b>As of December 31, 2021</b>	<b>As Reported</b>	<b>Adjustment</b>	<b>As Revised</b>
Loans, net of allowance for credit losses	\$ 3,553,345	\$ 36,986	\$ 3,590,331
Total assets	7,374,903	36,986	7,411,889
Borrowings	675,753	36,986	712,739
Total liabilities	6,651,694	36,986	6,688,680
Total liabilities and stockholders' equity	7,374,903	36,986	7,411,889

**Consolidated Statements of Cash Flows**

<b>Nine Months Ended September 30, 2021</b>	<b>As Reported</b>	<b>Adjustment</b>	<b>As Revised</b>
Net change in loans	\$ 412,873	\$ (2,156)	\$ 410,717
Net cash provided by investing activities	(138,780)	(2,156)	(140,936)
Proceeds from borrowings	225,375	2,156	227,531
Net cash provided by financing activities	772,067	2,156	774,223
Net Change in Cash and Cash Equivalents	54,460	—	54,460

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
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We have revised amounts reported in previously issued financial statements for the periods presented in this Quarterly Report on Form 10-Q related to immaterial errors. The errors relate to the classification of certain available for sale (“AFS”) and held to maturity (“HTM”) securities. The correction of this error resulted in an increase in AFS and HTM federal agency mortgage-backed pool securities and a decrease in AFS and HTM private labeled mortgage-backed pool securities in Note 3 – Securities.

We evaluated the aggregate effects of the errors to our previously issued financial statements in accordance with SEC Staff Accounting Bulletins No. 99 and No. 108 and, based upon quantitative and qualitative factors, determined that the errors were not material to the previously issued financial statements and disclosures included in our Annual Report on Form 10-K for the year ended December 31, 2021, or for any quarterly periods included therein.

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
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The following tables present the revisions to the line items of our previously issued financial statements to reflect the correction of the errors:

**Note 3 – Securities****As of December 31, 2021**

	<b>Amortized Cost</b>		
	<b>As Reported</b>	<b>Adjustment</b>	<b>As Revised</b>
Federal agency mortgage-backed pools	\$ 225,329	31,856	257,185
Private labeled mortgage-backed pools	31,856	(31,856)	—
Total available for sale investment securities	<u>\$ 257,185</u>	<u>—</u>	<u>257,185</u>
Federal agency mortgage-backed pools	\$ 188,426	59,511	247,937
Private labeled mortgage-backed pools	99,958	(59,511)	40,447
Total held to maturity investment securities	<u>\$ 288,384</u>	<u>—</u>	<u>288,384</u>
	<b>Gross Unrealized Gains</b>		
	<b>As Reported</b>	<b>Adjustment</b>	<b>As Revised</b>
Federal agency mortgage-backed pools	\$ 1,777	137	1,914
Private labeled mortgage-backed pools	137	(137)	—
Total available for sale investment securities	<u>\$ 1,914</u>	<u>—</u>	<u>1,914</u>
Federal agency mortgage-backed pools	\$ 151	58	209
Private labeled mortgage-backed pools	58	(58)	—
Total held to maturity investment securities	<u>\$ 209</u>	<u>—</u>	<u>209</u>
	<b>Gross Unrealized Losses</b>		
	<b>As Reported</b>	<b>Adjustment</b>	<b>As Revised</b>
Federal agency mortgage-backed pools	\$ (1,032)	(376)	(1,408)
Private labeled mortgage-backed pools	(376)	376	—
Total available for sale investment securities	<u>\$ (1,408)</u>	<u>—</u>	<u>(1,408)</u>
Federal agency mortgage-backed pools	\$ (2,612)	(1,398)	(4,010)
Private labeled mortgage-backed pools	(1,840)	1,398	(442)
Total held to maturity investment securities	<u>\$ (4,452)</u>	<u>—</u>	<u>(4,452)</u>
	<b>Fair Value</b>		
	<b>As Reported</b>	<b>Adjustment</b>	<b>As Revised</b>
Federal agency mortgage-backed pools	\$ 226,074	31,617	257,691
Private labeled mortgage-backed pools	31,617	(31,617)	—
Total available for sale investment securities	<u>\$ 257,691</u>	<u>—</u>	<u>257,691</u>
Federal agency mortgage-backed pools	\$ 185,965	58,171	244,136
Private labeled mortgage-backed pools	98,176	(58,171)	40,005
Total held to maturity investment securities	<u>\$ 284,141</u>	<u>—</u>	<u>284,141</u>

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
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**Accounting Guidance Issued But Not Yet Adopted**

**Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2022–02, *Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures***

The FASB has issued ASU 2022–02, *Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, in March 2022. These amendments eliminate the TDR recognition and measurement guidance and, instead, require that an entity evaluate (consistent with the accounting for other loan modifications) whether the modification represents a new loan or a continuation of an existing loan. The amendments also enhance existing disclosure requirements and introduce new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. Additionally, these amendments require that an entity disclose current–period gross write–offs by year of origination for financing receivables and net investment in leases within the scope of Subtopic 326–20. The guidance is effective for entities that have adopted ASU 2016–13 for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. These amendments should be applied prospectively. If an entity elects to early adopt ASU 2022–02 in an interim period, the guidance should be applied as of the beginning of the fiscal year that includes the interim period. An entity may elect to early adopt the amendments about TDRs and related disclosure enhancements separately from the amendments related to vintage disclosures. The Company is assessing ASU 2022–02 and its impact on its accounting and disclosures.

**FASB ASU No. 2020–04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting***

The FASB has issued ASU 2020–04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides temporary, optional guidance to ease the potential burden in accounting for, or recognizing the effects of, the transition away from the LIBOR or other interbank offered rates on financial reporting. To help with the transition to new reference rates, the ASU provides optional expedients and exceptions for applying GAAP to affected contract modifications and hedge accounting relationships. The main provisions include:

- A change in a contract's reference interest rate would be accounted for as a continuation of that contract rather than as the creation of a new one for contracts, including loans, debt, leases, and other arrangements, that meet specific criteria.
- When updating its hedging strategies in response to reference rate reform, an entity would be allowed to preserve its hedge accounting.

The guidance is applicable only to contracts or hedge accounting relationships that reference LIBOR or another reference rate expected to be discontinued. Because the guidance is meant to help entities through the transition period, it will be in effect for a limited time and will not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, for which an entity has elected certain optional expedients that are retained through the end of the hedging relationship. The amendments in this ASU are effective March 12, 2020 through December 31, 2022.

ASU 2020–04 permits relief solely for reference rate reform actions and permits different elections over the effective date for legacy and new activity. Accordingly, the Company is evaluating and reassessing the elections on a quarterly basis. For current elections in effect regarding the assertion of the probability of forecasted transactions, the Company elects the expedient to assert the probability of the hedged interest payments and receipts regardless of any expected modification in terms related to reference rate reform.

The Company conducted monthly meetings to address contracts and hedge accounting relationships that reference LIBOR. All contracts referencing LIBOR as an interest rate have been identified and have been rewritten or refinanced as of March 31, 2022, except for commercial loan interest rate swaps. Hedge accounting relationships referencing LIBOR will be modified by the counter parties. The Company believes the adoption of this guidance on activities subsequent to December 31, 2020 through December 31, 2022 will not have a material impact on the consolidated financial statements.

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
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**Note 2 – Acquisitions**

On September 17, 2021, Horizon Bank completed the purchase and assumption of certain assets and liabilities of 14 former TCF National Bank (“TCF”) branches in 11 Michigan counties. Net cash of \$618.2 million was received in the transaction, representing the deposit balances assumed at closing, net of amounts paid for loans of \$212.0 million, fixed assets of \$6.9 million, cash of \$4.0 million and a 1.75% premium on deposits. Customer deposit balances were recorded at \$846.4 million and a core deposit intangible of \$1.6 million was recorded in the transaction, which will be amortized over 10 years on a straight line basis. Goodwill of \$4.0 million was generated in the transaction.

Under the acquisition method of accounting, the total purchase price is allocated to net tangible and intangible assets based on their current estimated fair values on the date of the acquisition. Based on preliminary valuations of the fair value of tangible and intangible assets acquired and liabilities assumed, which are based on estimates and assumptions that are subject to change, the purchase price for the TCF branches is detailed in the following table. Prior to the end of the one year measurement period Horizon Bank recorded an adjustment of \$639,000 which increased goodwill and decreased other assets acquired in the transaction.

<b>Assets</b>		<b>Liabilities</b>	
Cash and due from banks	\$ 4,012	Deposits	
Loans		Non-interest bearing	\$ 181,403
Commercial	101,327	NOW accounts	303,050
Residential mortgage	56,499	Savings and money market	262,488
Consumer	54,212	Certificates of deposit	99,468
Total loans	212,038	Total deposits	846,409
Premises and equipment, net	6,901	Interest payable	16
Goodwill	3,973	Other liabilities	1,278
Core deposit intangible	1,630		
Interest receivable	519		
Other assets	463		
Total assets purchased	<u>\$ 229,536</u>	Total liabilities assumed	<u>\$ 847,703</u>
Net cash received	<u>\$ (618,167)</u>		

Loans purchased with evidence of credit deterioration since origination and for which it is probable that all contractually required payments will not be collected are considered to be credit impaired. Evidence of credit quality deterioration as of the purchase date may include information such as past due and non-accrual status, borrower credit scores and recent loan-to-value percentages.

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
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**Note 3 – Securities**

The fair value of securities is as follows:

	<b>September 30, 2022</b>			
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
<b>Available for sale</b>				
U.S. Treasury and federal agencies	\$ 293,974	\$ —	\$ (27,720)	\$ 266,254
State and municipal	505,975	—	(90,729)	415,246
Federal agency collateralized mortgage obligations	36,269	—	(1,645)	34,624
Federal agency mortgage-backed pools	226,785	—	(32,144)	194,641
Corporate notes	84,464	209	(9,783)	74,890
Total available for sale investment securities	<u>\$ 1,147,467</u>	<u>\$ 209</u>	<u>\$ (162,021)</u>	<u>\$ 985,655</u>
<b>Held to maturity</b>				
U.S. Treasury and federal agencies	\$ 295,363	\$ —	\$ (47,355)	\$ 248,008
State and municipal	1,128,034	10	(242,141)	885,903
Federal agency collateralized mortgage obligations	57,972	—	(8,292)	49,680
Federal agency mortgage-backed pools	349,875	—	(57,359)	292,516
Private labeled mortgage-backed pools	36,171	—	(5,404)	30,767
Corporate notes	164,121	—	(30,406)	133,715
Total held to maturity investment securities	<u>\$ 2,031,536</u>	<u>\$ 10</u>	<u>\$ (390,957)</u>	<u>\$ 1,640,589</u>
<b>December 31, 2021</b>				
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
<b>Available for sale</b>				
U.S. Treasury and federal agencies	\$ 118,595	\$ 82	\$ (1,698)	\$ 116,979
State and municipal	632,652	12,802	(5,708)	639,746
Federal agency collateralized mortgage obligations	60,600	989	(12)	61,577
Federal agency mortgage-backed pools	257,185	1,914	(1,408)	257,691
Corporate notes	84,579	1,013	(773)	84,819
Total available for sale investment securities	<u>\$ 1,153,611</u>	<u>\$ 16,800</u>	<u>\$ (9,599)</u>	<u>\$ 1,160,812</u>
<b>Held to maturity</b>				
U.S. Treasury and federal agencies	\$ 195,429	\$ 12	\$ (1,215)	\$ 194,226
State and municipal	862,461	20,719	(4,263)	878,917
Federal agency collateralized mortgage obligations	48,482	3	(1,020)	47,465
Federal agency mortgage-backed pools	247,937	209	(4,010)	244,136
Private labeled mortgage-backed pools	40,447	—	(442)	40,005
Corporate notes	157,687	11	(2,456)	155,242
Total held to maturity investment securities	<u>\$ 1,552,443</u>	<u>\$ 20,954</u>	<u>\$ (13,406)</u>	<u>\$ 1,559,991</u>

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
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The amortized cost and fair value of securities available for sale and held to maturity at September 30, 2022 and December 31, 2021, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	September 30, 2022		December 31, 2021	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<b>Available for sale</b>				
Within one year	\$ 1,043	\$ 1,030	\$ 22,980	\$ 22,984
One to five years	313,400	287,251	156,677	156,397
Five to ten years	261,596	224,407	315,630	316,125
After ten years	308,374	243,702	340,539	346,038
	884,413	756,390	835,826	841,544
Federal agency collateralized mortgage obligations	36,269	34,624	60,600	61,577
Federal agency mortgage-backed pools	226,785	194,641	257,185	257,691
Total available for sale investment securities	\$ 1,147,467	\$ 985,655	\$ 1,153,611	\$ 1,160,812
<b>Held to maturity</b>				
Within one year	\$ 32,861	\$ 32,489	\$ 5,222	\$ 5,265
One to five years	209,055	195,644	65,739	66,982
Five to ten years	339,857	290,173	273,720	275,308
After ten years	1,005,745	749,320	870,896	880,830
	1,587,518	1,267,626	1,215,577	1,228,385
Federal agency collateralized mortgage obligations	57,972	49,680	48,482	47,465
Federal agency mortgage-backed pools	349,875	292,516	247,937	244,136
Private labeled mortgage-backed pools	36,171	30,767	40,447	40,005
Total held to maturity investment securities	\$ 2,031,536	\$ 1,640,589	\$ 1,552,443	\$ 1,559,991

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

	September 30, 2022					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>Investment Securities</b>						
U.S. Treasury and federal agencies	\$ 326,455	\$ (34,174)	\$ 187,559	\$ (40,901)	\$ 514,014	\$ (75,075)
State and municipal	924,192	(198,105)	369,729	(134,765)	1,293,921	(332,870)
Federal agency collateralized mortgage obligations	47,014	(2,897)	37,291	(7,040)	84,305	(9,937)
Federal agency mortgage-backed pools	275,203	(42,992)	211,935	(46,511)	487,138	(89,503)
Private labeled mortgage-backed pools	4,398	(730)	26,369	(4,674)	30,767	(5,404)
Corporate notes	64,091	(11,425)	143,638	(28,764)	207,729	(40,189)
Total temporarily impaired securities	\$ 1,641,353	\$ (290,323)	\$ 976,521	\$ (262,655)	\$ 2,617,874	\$ (552,978)

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
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	December 31, 2021					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>Investment Securities</b>						
U.S. Treasury and federal agencies	\$ 268,732	\$ (2,483)	\$ 15,820	\$ (430)	\$ 284,552	\$ (2,913)
State and municipal	539,882	(9,389)	19,461	(582)	559,343	(9,971)
Federal agency collateralized mortgage obligations	56,027	(1,032)	—	—	56,027	(1,032)
Federal agency mortgage-backed pools	406,540	(5,418)	—	—	406,540	(5,418)
Private labeled mortgage-backed pools	40,005	(442)	—	—	40,005	(442)
Corporate notes	189,500	(3,229)	—	—	189,500	(3,229)
Total temporarily impaired securities	<u>\$ 1,500,686</u>	<u>\$ (21,993)</u>	<u>\$ 35,281</u>	<u>\$ (1,012)</u>	<u>\$ 1,535,967</u>	<u>\$ (23,005)</u>

No allowance for credit losses for available for sale debt securities or held to maturity securities was needed at September 30, 2022 or December 31, 2021. Accrued interest receivable on available for sale debt securities and held to maturity securities totaled \$17.4 million at September 30, 2022 and \$14.6 million at December 31, 2021 and is excluded from the estimate of credit losses.

The U.S. government sponsored entities and agencies and mortgage-backed securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major credit rating agencies, and have a long history of no credit losses. Therefore, for those securities, we do not record expected credit losses.

Based on an evaluation of available evidence, management believes the unrealized losses on state and municipal securities, private labeled mortgage-backed pools and corporate notes were due to changes in interest rates. Due to the contractual terms, the issuers of state and municipal securities are not allowed to settle for less than the amortized cost of the security. In addition, the Company does not intend to sell these securities prior to the recovery of the amortized cost, which may not occur until maturity.

Information regarding security proceeds, gross gains and gross losses are presented below.

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2022	2021	2022	2021
<b>Sales of securities available for sale</b>				
Proceeds	\$ —	\$ —	\$ —	\$ 27,514
Gross gains	—	—	—	914
Gross losses	—	—	—	—

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**Note 4 – Loans**

The table below identifies the Company's loan portfolio segments and classes.

Portfolio Segment	Class of Financing Receivable
Commercial	Owner occupied real estate
	Non-owner occupied real estate
	Residential spec homes
	Development & spec land
	Commercial and industrial
Real estate	Residential mortgage
	Residential construction
Mortgage warehouse	Mortgage warehouse
Consumer	Direct installment
	Indirect installment
	Home equity

Portfolio segment is defined as a level at which an entity develops and documents a systematic methodology to determine its allowance for credit losses. Class of financing receivable is defined as a group of financing receivables determined on the basis of both of the following, 1) risk characteristics of the financing receivable, and 2) an entity's method for monitoring and assessing credit risk. Generally, the Bank does not move loans from a revolving loan to a term loan other than residential construction loans. Residential construction loans are reviewed and rewritten prior to being originated as a term loan.

The following table presents total loans outstanding by portfolio class, as of September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
<b>Commercial</b>		
Owner occupied real estate	\$ 587,075	\$ 560,887
Non-owner occupied real estate	1,194,898	1,088,470
Residential spec homes	10,708	9,907
Development & spec land	23,679	24,473
Commercial and industrial	587,383	530,208
<b>Total commercial</b>	<b>2,403,743</b>	<b>2,213,945</b>
<b>Real estate</b>		
Residential mortgage	598,250	563,811
Residential construction	36,651	30,571
Mortgage warehouse	73,690	109,031
<b>Total real estate</b>	<b>708,591</b>	<b>703,413</b>
<b>Consumer</b>		
Direct installment	58,673	63,714
Indirect installment	499,080	372,575
Home equity	342,128	290,970
<b>Total consumer</b>	<b>899,881</b>	<b>727,259</b>
<b>Total loans</b>	<b>4,012,215</b>	<b>3,644,617</b>
<b>Allowance for credit losses</b>	<b>(51,369)</b>	<b>(54,286)</b>
<b>Net loans</b>	<b>\$ 3,960,846</b>	<b>\$ 3,590,331</b>

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
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As of September 30, 2022 and December 31, 2021, Federal Paycheck Protection Program (“PPP”) loans totaled approximately \$315,000 and \$25.8 million, respectively, and are included with commercial loans. Total loans include net deferred loan costs of \$2.6 million at September 30, 2022 and \$1.9 million at December 31, 2021, respectively.

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

**Commercial**

Commercial 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 incorporate a personal guarantee; however, some 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 dependent 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 larger 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, the general economy or fluctuations in interest rates. The properties securing the Company's commercial real estate portfolio are diverse in terms of property type, and are monitored for concentrations of credit. Management monitors and evaluates commercial real estate loans based on collateral, cash flow and risk grade criteria. As a general rule, 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 loans versus non-owner occupied loans.

**Real Estate and Consumer**

With respect to residential 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, and consumer loans are secured by consumer assets such as automobiles or recreational vehicles. Some consumer 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.

**Mortgage Warehousing**

Horizon's mortgage warehouse lending has specific mortgage companies as customers of Horizon Bank. Individual mortgage loans originated by these mortgage companies are funded as a secured borrowing with a pledge of collateral under Horizon's agreement with the mortgage company. Each mortgage loan funded by Horizon undergoes an underwriting review by Horizon to the end investor guidelines and is assigned to Horizon until the loan is sold to the secondary market by the mortgage company. In addition, Horizon takes possession of each original note and forwards such note to the end investor once the mortgage company has sold the loan. At the time a loan is transferred to the secondary market, the mortgage company reacquires the loan under its option within the agreement. Due to the reacquire feature contained in the agreement, the transaction does not qualify as a sale and therefore is accounted for as a secured borrowing with a pledge of collateral pursuant to the agreement with the mortgage company. When the individual loan is sold to the end investor by the mortgage company, the proceeds from the sale of the loan are received by Horizon and used to pay off the loan balance with Horizon along with any accrued interest and any related fees. The remaining balance from the sale is forwarded to the mortgage company. These individual loans typically are sold by the mortgage company within 30 days and are seldom held more than 90 days. Interest income is accrued during this period and collected at the time each loan is sold. Fee income for each loan sold is collected when the loan is sold, and no costs are deferred due to the term between each loan funding and related payoff, which is typically less than 30 days.

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Based on these agreements with each mortgage company, at any time a mortgage company can reacquire from Horizon its outstanding loan balance on an individual mortgage and regain possession of the original note. Horizon also has the option to request that the mortgage company reacquire an individual mortgage. Should this occur, Horizon would return the original note and reassign the assignment of the mortgage to the mortgage company. Also, in the event that the end investor would not be able to honor the purchase commitment and the mortgage company would not be able to reacquire its loan on an individual mortgage, Horizon would be able to exercise its rights under the agreement.

### Non-performing Loans

The following table presents non-accrual loans, loans past due over 90 days still on accrual, and troubled debt restructurings ("TDRs") by class of loans:

	September 30, 2022					
	Non-accrual	Loans Past Due Over 90 Days Still Accruing	Non-performing TDRs	Performing TDRs	Total Non-performing Loans	Non-performing with no Allowance for Credit Losses
<b>Commercial</b>						
Owner occupied real estate	\$ 4,145	\$ —	\$ —	\$ 568	\$ 4,713	\$ 4,527
Non-owner occupied real estate	607	—	—	273	880	880
Residential spec homes	101	—	—	—	101	101
Development & spec land	815	—	—	—	815	65
Commercial and industrial	690	—	—	—	690	333
<b>Total commercial</b>	<b>6,358</b>	<b>—</b>	<b>—</b>	<b>841</b>	<b>7,199</b>	<b>5,906</b>
<b>Real estate</b>						
Residential mortgage	5,331	52	1,305	1,359	8,047	8,047
Residential construction	—	—	—	—	—	—
Mortgage warehouse	—	—	—	—	—	—
<b>Total real estate</b>	<b>5,331</b>	<b>52</b>	<b>1,305</b>	<b>1,359</b>	<b>8,047</b>	<b>8,047</b>
<b>Consumer</b>						
Direct installment	148	—	—	—	148	148
Indirect installment	564	57	—	—	621	621
Home equity	2,370	84	360	329	3,143	3,143
<b>Total consumer</b>	<b>3,082</b>	<b>141</b>	<b>360</b>	<b>329</b>	<b>3,912</b>	<b>3,912</b>
<b>Total</b>	<b>\$ 14,771</b>	<b>\$ 193</b>	<b>\$ 1,665</b>	<b>\$ 2,529</b>	<b>\$ 19,158</b>	<b>\$ 17,865</b>

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
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	Non-accrual	Loans Past Due Over 90 Days Still Accruing	Non-performing TDRs	Performing TDRs	Total Non- performing Loans	Non- performing with no Allowance for Credit Losses
<b>Commercial</b>						
Owner occupied real estate	\$ 4,247	\$ —	\$ —	\$ 603	\$ 4,850	\$ 2,796
Non-owner occupied real estate	761	—	285	—	1,046	1,046
Residential spec homes	—	—	—	—	—	—
Development & spec land	919	—	—	—	919	919
Commercial and industrial	694	—	—	—	694	456
<b>Total commercial</b>	<b>6,621</b>	<b>—</b>	<b>285</b>	<b>603</b>	<b>7,509</b>	<b>5,217</b>
<b>Real estate</b>						
Residential mortgage	5,626	66	892	1,421	8,005	8,005
Residential construction	—	—	—	—	—	—
Mortgage warehouse	—	—	—	—	—	—
<b>Total real estate</b>	<b>5,626</b>	<b>66</b>	<b>892</b>	<b>1,421</b>	<b>8,005</b>	<b>8,005</b>
<b>Consumer</b>						
Direct installment	7	—	—	—	7	7
Indirect installment	538	15	—	—	553	553
Home equity	2,170	64	344	367	2,945	2,945
<b>Total consumer</b>	<b>2,715</b>	<b>79</b>	<b>344</b>	<b>367</b>	<b>3,505</b>	<b>3,505</b>
<b>Total</b>	<b>\$ 14,962</b>	<b>\$ 145</b>	<b>\$ 1,521</b>	<b>\$ 2,391</b>	<b>\$ 19,019</b>	<b>\$ 16,727</b>

There was no interest income recognized on non-accrual loans during the nine months ended September 30, 2022 and 2021, respectively, while the loans were in non-accrual status. Included in the \$14.8 million of non-accrual loans and the \$1.7 million of non-performing TDRs at September 30, 2022 were \$1.7 million and \$157,000, respectively, of loans acquired for which there were accretable yields recognized.

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The following table presents the payment status by class of loan, excluding non-accrual loans of \$14.8 million and non-performing TDRs of \$1.7 million at September 30, 2022:

	September 30, 2022					
	Current	30–59 Days Past Due	60–89 Days Past Due	90 Days or Greater Past Due	Total Past Due Loans	Total Loans
<b>Commercial</b>						
Owner occupied real estate	\$ 582,469	\$ 402	\$ 59	\$ —	\$ 461	\$ 582,930
Non-owner occupied real estate	1,194,183	108	—	—	108	1,194,291
Residential spec homes	10,607	—	—	—	—	10,607
Development & spec land	22,864	—	—	—	—	22,864
Commercial and industrial	586,478	156	59	—	215	586,693
<b>Total commercial</b>	<b>2,396,601</b>	<b>666</b>	<b>118</b>	<b>—</b>	<b>784</b>	<b>2,397,385</b>
<b>Real estate</b>						
Residential mortgage	590,223	456	883	52	1,391	591,614
Residential construction	36,651	—	—	—	—	36,651
Mortgage warehouse	73,690	—	—	—	—	73,690
<b>Total real estate</b>	<b>700,564</b>	<b>456</b>	<b>883</b>	<b>52</b>	<b>1,391</b>	<b>701,955</b>
<b>Consumer</b>						
Direct installment	58,427	65	33	—	98	58,525
Indirect installment	495,537	2,610	312	57	2,979	498,516
Home equity	337,487	1,713	114	84	1,911	339,398
<b>Total consumer</b>	<b>891,451</b>	<b>4,388</b>	<b>459</b>	<b>141</b>	<b>4,988</b>	<b>896,439</b>
<b>Total</b>	<b>\$ 3,988,616</b>	<b>\$ 5,510</b>	<b>\$ 1,460</b>	<b>\$ 193</b>	<b>\$ 7,163</b>	<b>\$ 3,995,779</b>

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The following table presents the payment status by class of loan, excluding non-accrual loans of \$15.0 million and non-performing TDRs of \$1.5 million at December 31, 2021:

	December 31, 2021					
	Current	30–59 Days Past Due	60–89 Days Past Due	90 Days or Greater Past Due	Total Past Due Loans	Total
<b>Commercial</b>						
Owner occupied real estate	\$ 555,851	\$ 789	\$ —	\$ —	\$ 789	\$ 556,640
Non-owner occupied real estate	1,085,716	1,708	—	—	1,708	1,087,424
Residential spec homes	9,907	—	—	—	—	9,907
Development & spec land	23,496	58	—	—	58	23,554
Commercial and industrial	528,461	974	79	—	1,053	529,514
<b>Total commercial</b>	<b>2,203,431</b>	<b>3,529</b>	<b>79</b>	<b>—</b>	<b>3,608</b>	<b>2,207,039</b>
<b>Real estate</b>						
Residential mortgage	556,128	834	265	66	1,165	557,293
Residential construction	30,571	—	—	—	—	30,571
Mortgage warehouse	109,031	—	—	—	—	109,031
<b>Total real estate</b>	<b>695,730</b>	<b>834</b>	<b>265</b>	<b>66</b>	<b>1,165</b>	<b>696,895</b>
<b>Consumer</b>						
Direct installment	63,295	409	3	—	412	63,707
Indirect installment	369,615	2,271	136	15	2,422	372,037
Home equity	287,382	849	161	64	1,074	288,456
<b>Total consumer</b>	<b>720,292</b>	<b>3,529</b>	<b>300</b>	<b>79</b>	<b>3,908</b>	<b>724,200</b>
<b>Total</b>	<b>\$ 3,619,453</b>	<b>\$ 7,892</b>	<b>\$ 644</b>	<b>\$ 145</b>	<b>\$ 8,681</b>	<b>\$ 3,628,134</b>

The entire balance of a loan is considered delinquent if the minimum payment contractually required to be made is not received by the specified due date.

#### Troubled Debt Restructurings

Loans modified as TDRs generally consist of allowing borrowers to defer scheduled principal payments and make interest only payments for a specified period of time at the stated interest rate of the original loan agreement or lower payments due to a modification of the loans' contractual terms. TDRs that continue to accrue interest are individually monitored on a monthly basis and evaluated for impairment annually and transferred to non-accrual status when it is probable that any remaining principal and interest payments due on the loan will not be collected in accordance with the contractual terms of the loan. TDRs that subsequently default are individually evaluated for impairment at the time of default.

At September 30, 2022, the types of concessions the Company has made on restructured loans have been temporary rate reductions and/or reductions in monthly payments, and there have been no restructured loans with modified recorded balances. Any modification to a loan that is a concession and is not in the normal course of lending is considered a restructured loan. A restructured loan is returned to accruing status after six consecutive payments but is still reported as a TDR unless the loan bears interest at a market rate. As of September 30, 2022, the Company had \$4.2 million in TDRs and \$2.5 million were performing according to the restructured terms and two TDRs were returned to accrual status during 2022. There were no specific reserves allocated to TDRs at September 30, 2022 based on the discounted cash flows or, when appropriate, the fair value of the collateral. These TDRs are exclusive of loans modified under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act").

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The following table presents TDRs by class of loan:

	September 30, 2022			December 31, 2021		
	Non-accrual	Accruing	Total	Non-accrual	Accruing	Total
<b>Commercial</b>						
Owner occupied real estate	\$ —	\$ 568	\$ 568	\$ —	\$ 603	\$ 603
Non-owner occupied real estate	—	273	273	285	—	285
Residential spec homes	—	—	—	—	—	—
Development & spec land	—	—	—	—	—	—
Commercial and industrial	—	—	—	—	—	—
<b>Total commercial</b>	<b>—</b>	<b>841</b>	<b>841</b>	<b>285</b>	<b>603</b>	<b>888</b>
<b>Real estate</b>						
Residential mortgage	1,305	1,359	2,664	892	1,421	2,313
Residential construction	—	—	—	—	—	—
Mortgage warehouse	—	—	—	—	—	—
<b>Total real estate</b>	<b>1,305</b>	<b>1,359</b>	<b>2,664</b>	<b>892</b>	<b>1,421</b>	<b>2,313</b>
<b>Consumer</b>						
Direct installment	—	—	—	—	—	—
Indirect installment	—	—	—	—	—	—
Home equity	360	329	689	344	367	711
<b>Total consumer</b>	<b>360</b>	<b>329</b>	<b>689</b>	<b>344</b>	<b>367</b>	<b>711</b>
<b>Total</b>	<b>\$ 1,665</b>	<b>\$ 2,529</b>	<b>\$ 4,194</b>	<b>\$ 1,521</b>	<b>\$ 2,391</b>	<b>\$ 3,912</b>

#### Loans Modified under the CARES Act

The Bank has elected (i) to suspend the requirements under GAAP for loan modifications related to the COVID-19 pandemic that would otherwise be categorized as a TDR; and (ii) to suspend any determination of a loan modified as a result of the effects of COVID-19 pandemic as being a TDR, including impairment for accounting purposes. At September 30, 2022 and December 31, 2021, the Bank modified loans totaling \$1,000 and \$10.9 million, respectively, which qualified for treatment under the CARES Act.

#### Collateral Dependent Financial Assets

A collateral dependent financial loan relies solely on the operation or sale of the collateral for repayment. In evaluating the overall risk associated with the loan, the Company considers character, overall financial condition and resources, and payment record of the borrower; the prospects for support from any financially responsible guarantors; and the nature and degree of protection provided by the cash flow and value of any underlying collateral. However, as other sources of repayment become inadequate over time, the significance of the collateral's value increases and the loan may become collateral dependent.

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The table below presents the amortized cost basis and allowance for credit losses (“ACL”) allocated for collateral dependent loans in accordance with ASC 326, which are individually evaluated to determine expected credit losses.

	September 30, 2022				
	Real Estate	Accounts Receivable/Equipment	Other	Total	ACL Allocation
<b>Commercial</b>					
Owner occupied real estate	\$ 4,806	\$ 508	\$ —	\$ 5,314	\$ 215
Non-owner occupied real estate	2,613	—	—	2,613	—
Residential spec homes	101	—	—	101	—
Development & spec land	815	—	—	815	55
Commercial and industrial	224	862	31	1,117	235
<b>Total commercial</b>	<b>8,559</b>	<b>1,370</b>	<b>31</b>	<b>9,960</b>	<b>505</b>
<b>Total collateral dependent loans</b>	<b>\$ 8,559</b>	<b>\$ 1,370</b>	<b>\$ 31</b>	<b>\$ 9,960</b>	<b>\$ 505</b>

	December 31, 2021				
	Real Estate	Accounts Receivable/Equipment	Other	Total	ACL Allocation
<b>Commercial</b>					
Owner occupied real estate	\$ 11,201	\$ 103	\$ —	\$ 11,304	\$ 632
Non-owner occupied real estate	2,068	—	—	2,068	—
Residential spec homes	—	—	—	—	—
Development & spec land	919	—	—	919	—
Commercial and industrial	427	1,218	—	1,645	128
<b>Total commercial</b>	<b>14,615</b>	<b>1,321</b>	<b>—</b>	<b>15,936</b>	<b>760</b>
<b>Total collateral dependent loans</b>	<b>\$ 14,615</b>	<b>\$ 1,321</b>	<b>\$ —</b>	<b>\$ 15,936</b>	<b>\$ 760</b>

### Credit Quality Indicators

Horizon Bank's processes for determining credit quality differ slightly depending on whether a new loan or a renewed loan is being underwritten, or whether an existing loan is being re-evaluated for credit quality. The latter usually occurs upon receipt of current financial information or other pertinent data that would trigger a change in the loan grade.

- For new and renewed commercial loans, the Bank's Credit Department, which acts independently of the loan officer, assigns the credit quality grade of the loans. Loan grades for loans with an aggregate credit exposure that exceeds the authorities in the respective regions (ranging from \$3,000,000 to \$6,000,000) are validated by the Loan Committee, which is chaired by the Chief Commercial Banking Officer (“CCBO”).
- Commercial loan officers are responsible for reviewing their loan portfolios and reporting any adverse material change to the CCBO or Loan Committee. When circumstances warrant a change in the credit quality grade, loan officers are required to notify the CCBO and the Credit Department of the change in the loan grade. Downgrades are accepted immediately by the CCBO, however, lenders must present their factual information to either the Loan Committee or the CCBO when recommending an upgrade.
- The CCBO, or a designee, meets periodically with loan officers to discuss the status of past due loans and classified loans. These meetings are also designed to give the loan officers an opportunity to identify an existing loan that should be downgraded to a classified grade.

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- Monthly, senior management meets as members of the Watch Committee, which reviews all of the past due, classified, and impaired loans and the relative trends of these assets. This committee also reviews the actions taken by management regarding foreclosure mitigation, loan extensions, troubled debt restructures, other real estate owned and personal property repossessions. The information reviewed in this meeting acts as a precursor for developing management's analysis of the adequacy of the Allowance for Credit Losses.

For residential real estate and consumer loans, Horizon uses a grading system based on delinquency. Loans that are 90 days or more past due, on non-accrual, or are classified as a TDR are graded "Substandard." After being 90 to 120 days delinquent a loan is charged off unless it is well secured and in the process of collection. If the latter case exists, the loan is placed on non-accrual. Occasionally a mortgage loan may be graded as "Special Mention." When this situation arises, it is because the characteristics of the loan and the borrower fit the definition of a Risk Grade 5 described below, which is normally used for grading commercial loans. Loans not graded Substandard are considered Pass.

Horizon Bank employs a nine-grade rating system to determine the credit quality of commercial loans. The first five grades represent acceptable quality, and the last four grades mirror the criticized and classified grades used by the bank regulatory agencies (special mention, substandard, doubtful, and loss). The loan grade definitions are detailed below.

**Risk Grade 1: Excellent (Pass)**

Loans secured by liquid collateral, such as certificates of deposit, reputable bank letters of credit, or other cash equivalents or loans to any publicly held company with a current long-term debt rating of A or better and meeting defined key financial metric ranges.

**Risk Grade 2: Good (Pass)**

Loans to businesses that have strong financial statements containing an unmodified opinion from a CPA firm and at least three years consecutive years of profits; loans supported by unaudited financial statements containing strong balance sheets, five years consecutive years of profits, a five years satisfactory relationship with the Bank, and key balance sheet and income statement trends that are either stable or positive; loans secured by publicly traded marketable securities with required margins where there is no impediment to liquidation; loans to individuals backed by liquid personal assets and unblemished credit histories; or loans to publicly held companies with current long-term debt ratings of Baa or better and meeting defined key financial metric ranges.

**Risk Grade 3: Satisfactory (Pass)**

Loans supported by financial statements (audited or unaudited) that indicate average or slightly below average risk and having some deficiency or vulnerability to changing economic conditions; loans with some weakness but offsetting features of other support are readily available; loans that are meeting the terms of repayment, but which may be susceptible to deterioration if adverse factors are encountered and meeting defined key financial metric ranges. Loans may be graded Satisfactory when there is no recent information on which to base a current risk evaluation and the following conditions apply:

- At inception, the loan was properly underwritten, did not possess an unwanted level of credit risk, and the loan met the above criteria for a risk grade of Excellent, Good, or Satisfactory.
- At inception, the loan was secured with collateral possessing a loan value adequate to protect the Bank from loss.
- The loan has exhibited two or more years of satisfactory repayment with a reasonable reduction of the principal balance.
- During the period that the loan has been outstanding, there has been no evidence of any credit weakness. Some examples of weakness include slow payment, lack of cooperation by the borrower, breach of loan covenants, or the borrower is in an industry known to be experiencing problems. If any of these credit weaknesses is observed, a lower risk grade may be warranted.

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**Risk Grade 4: Satisfactory/Monitored (Pass)**

Loans in this category are considered to be of acceptable credit quality, but contain greater credit risk than Satisfactory rated loans and meet defined key financial metric ranges. Borrower displays acceptable liquidity, leverage, and earnings performance within the Bank's minimum underwriting guidelines. The level of risk is acceptable but conditioned on the proper level of loan officer supervision. Loans that normally fall into this grade include acquisition, construction and development loans and income producing properties that have not reached stabilization.

**Risk Grade 4W: Management Watch (Pass)**

Loans in this category are considered to be of acceptable quality and meet defined key financial metric ranges, but with above normal risk. Borrower displays potential indicators of weakness in the primary source of repayment resulting in a higher reliance on secondary sources of repayment. Balance sheet may exhibit weak liquidity and/or high leverage. There is inconsistent earnings performance without the ability to sustain adverse economic conditions. Borrower may be operating in a declining industry or the property type, as for a commercial real estate loan, may be high risk or in decline. These loans require an increased level of loan officer supervision and monitoring to assure that any deterioration is addressed in a timely fashion. Commercial construction loans are graded as 4W Management Watch until the projects are completed and stabilized.

**Risk Grade 5: Special Mention**

Loans which possess some temporary (normally less than one year) credit deficiency or potential weakness which deserves close attention. Such loans pose an unwarranted financial risk that, if not corrected, could weaken the loan by adversely impacting the future repayment ability of the borrower. The key distinctions of a Special Mention classification are that (1) it is indicative of an unwarranted level of risk and (2) weaknesses are considered "potential," not "defined," impairments to the primary source of repayment. These loans may be to borrowers with adverse trends in financial performance, collateral value and/or marketability, or balance sheet strength and must meet defined key financial metric ranges.

**Risk Grade 6: Substandard**

One or more of the following characteristics may be exhibited in loans classified Substandard:

- Loans which possess a defined credit weakness. The likelihood that a loan will be paid from the primary source of repayment is uncertain. Financial deterioration is under way and very close attention is warranted to ensure that the loan is collected without loss.
- Loans are inadequately protected by the current net worth and paying capacity of the obligor.
- The primary source of repayment is gone, and the Bank is forced to rely on a secondary source of repayment, such as collateral liquidation or guarantees.
- Loans have a distinct possibility that the Bank will sustain some loss if deficiencies are not corrected.
- Unusual courses of action are needed to maintain a high probability of repayment.
- The borrower is not generating enough cash flow to repay loan principal; however, it continues to make interest payments.
- The lender is forced into a subordinated or unsecured position due to flaws in documentation.
- Loans have been restructured so that payment schedules, terms, and collateral represent concessions to the borrower when compared to the normal loan terms.
- The lender is seriously contemplating foreclosure or legal action due to the apparent deterioration in the loan.
- There is a significant deterioration in market conditions to which the borrower is highly vulnerable.
- The borrower meets defined key financial metric ranges.

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**Risk Grade 7: Doubtful**

One or more of the following characteristics may be present in loans classified Doubtful:

- Loans have all of the weaknesses of those classified as Substandard; however, based on existing conditions, these weaknesses make full collection of principal highly improbable.
- The primary source of repayment is gone, and there is considerable doubt as to the quality of the secondary source of repayment.
- The possibility of loss is high but because of certain important pending factors which may strengthen the loan, loss classification is deferred until the exact status of repayment is known.
- The borrower meets defined key financial metric ranges.

**Risk Grade 8: Loss**

Loans are considered uncollectible and of such little value that continuing to carry them as assets is not feasible. Loans will be classified Loss when it is neither practical nor desirable to defer writing off or reserving all of a portion of a basically worthless asset, even though partial recovery may be possible at some time in the future.

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The following tables present loans by credit grades and origination year at September 30, 2022.

September 30, 2022	2022	2021	2020	2019	2018	Prior	Revolving Loans	Total
<b>Commercial</b>								
<b>Owner occupied real estate</b>								
Pass	\$ 80,017	\$ 83,784	\$ 52,008	\$ 49,284	\$ 39,449	\$ 174,687	\$ 73,017	\$ 552,246
Special Mention	—	6,722	—	1,922	596	3,464	—	12,704
Substandard	500	255	988	1,008	3,094	10,373	5,907	22,125
Doubtful	—	—	—	—	—	—	—	—
<b>Total owner occupied real estate</b>	<b>\$ 80,517</b>	<b>\$ 90,761</b>	<b>\$ 52,996</b>	<b>\$ 52,214</b>	<b>\$ 43,139</b>	<b>\$ 188,524</b>	<b>\$ 78,924</b>	<b>\$ 587,075</b>
<b>Non-owner occupied real estate</b>								
Pass	\$ 173,753	\$ 176,098	\$ 129,192	\$ 103,011	\$ 55,666	\$ 315,357	\$ 176,622	\$ 1,129,699
Special Mention	798	—	268	6,788	39,530	7,130	4,026	58,540
Substandard	—	703	—	—	3,564	2,392	—	6,659
Doubtful	—	—	—	—	—	—	—	—
<b>Total non-owner occupied real estate</b>	<b>\$ 174,551</b>	<b>\$ 176,801</b>	<b>\$ 129,460</b>	<b>\$ 109,799</b>	<b>\$ 98,760</b>	<b>\$ 324,879</b>	<b>\$ 180,648</b>	<b>\$ 1,194,898</b>
<b>Residential spec homes</b>								
Pass	\$ 334	\$ 3,725	\$ 251	\$ —	\$ —	\$ 1,784	\$ 4,514	\$ 10,608
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	100	100
Doubtful	—	—	—	—	—	—	—	—
<b>Total residential spec homes</b>	<b>\$ 334</b>	<b>\$ 3,725</b>	<b>\$ 251</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,784</b>	<b>\$ 4,614</b>	<b>\$ 10,708</b>
<b>Development &amp; spec land</b>								
Pass	\$ 363	\$ 1,421	\$ 493	\$ 275	\$ 6	\$ 9,948	\$ 10,092	\$ 22,598
Special Mention	—	—	—	—	—	153	—	153
Substandard	—	—	—	—	—	180	748	928
Doubtful	—	—	—	—	—	—	—	—
<b>Total development &amp; spec land</b>	<b>\$ 363</b>	<b>\$ 1,421</b>	<b>\$ 493</b>	<b>\$ 275</b>	<b>\$ 6</b>	<b>\$ 10,281</b>	<b>\$ 10,840</b>	<b>\$ 23,679</b>
<b>Commercial &amp; industrial</b>								
Pass	\$ 128,945	\$ 142,316	\$ 36,543	\$ 35,630	\$ 53,819	\$ 121,021	\$ 46,813	\$ 565,087
Special Mention	184	440	44	854	1,012	3,167	434	6,135
Substandard	89	2,568	2,701	517	3,113	4,813	2,360	16,161
Doubtful	—	—	—	—	—	—	—	—
<b>Total commercial &amp; industrial</b>	<b>\$ 129,218</b>	<b>\$ 145,324</b>	<b>\$ 39,288</b>	<b>\$ 37,001</b>	<b>\$ 57,944</b>	<b>\$ 129,001</b>	<b>\$ 49,607</b>	<b>\$ 587,383</b>
<b>Total commercial</b>	<b>\$ 384,983</b>	<b>\$ 418,032</b>	<b>\$ 222,488</b>	<b>\$ 199,289</b>	<b>\$ 199,849</b>	<b>\$ 654,469</b>	<b>\$ 324,633</b>	<b>\$ 2,403,743</b>

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September 30, 2022	2022	2021	2020	2019	2018	Prior	Revolving Loans	Total
<b>Real estate</b>								
<b>Residential mortgage</b>								
Performing	\$ 85,899	\$ 151,237	\$ 94,838	\$ 34,339	\$ 37,898	\$ 185,992	\$ —	\$ 590,203
Non-performing	—	132	286	626	633	6,370	—	8,047
<b>Total residential mortgage</b>	<b>\$ 85,899</b>	<b>\$ 151,369</b>	<b>\$ 95,124</b>	<b>\$ 34,965</b>	<b>\$ 38,531</b>	<b>\$ 192,362</b>	<b>\$ —</b>	<b>\$ 598,250</b>
<b>Residential construction</b>								
Performing	\$ 8	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 36,643	\$ 36,651
Non-performing	—	—	—	—	—	—	—	—
<b>Total residential construction</b>	<b>\$ 8</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 36,643</b>	<b>\$ 36,651</b>
<b>Mortgage warehouse</b>								
Performing	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 73,690	\$ 73,690
Non-performing	—	—	—	—	—	—	—	—
<b>Total mortgage warehouse</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 73,690</b>	<b>\$ 73,690</b>
<b>Total real estate</b>	<b>\$ 85,907</b>	<b>\$ 151,369</b>	<b>\$ 95,124</b>	<b>\$ 34,965</b>	<b>\$ 38,531</b>	<b>\$ 192,362</b>	<b>\$ 110,333</b>	<b>\$ 708,591</b>
<b>Consumer</b>								
<b>Direct installment</b>								
Performing	\$ 17,674	\$ 13,804	\$ 8,024	\$ 8,632	\$ 4,563	\$ 5,816	\$ 12	\$ 58,525
Non-performing	—	38	—	56	—	54	—	148
<b>Total direct installment</b>	<b>\$ 17,674</b>	<b>\$ 13,842</b>	<b>\$ 8,024</b>	<b>\$ 8,688</b>	<b>\$ 4,563</b>	<b>\$ 5,870</b>	<b>\$ 12</b>	<b>\$ 58,673</b>
<b>Indirect installment</b>								
Performing	\$ 238,812	\$ 124,338	\$ 64,265	\$ 38,635	\$ 22,666	\$ 9,743	\$ —	\$ 498,459
Non-performing	22	100	99	181	113	106	—	621
<b>Total indirect installment</b>	<b>\$ 238,834</b>	<b>\$ 124,438</b>	<b>\$ 64,364</b>	<b>\$ 38,816</b>	<b>\$ 22,779</b>	<b>\$ 9,849</b>	<b>\$ —</b>	<b>\$ 499,080</b>
<b>Home equity</b>								
Performing	\$ 89,484	\$ 80,222	\$ 43,032	\$ 28,233	\$ 23,127	\$ 68,301	\$ 6,586	\$ 338,985
Non-performing	19	16	105	160	154	1,132	1,557	3,143
<b>Total home equity</b>	<b>\$ 89,503</b>	<b>\$ 80,238</b>	<b>\$ 43,137</b>	<b>\$ 28,393</b>	<b>\$ 23,281</b>	<b>\$ 69,433</b>	<b>\$ 8,143</b>	<b>\$ 342,128</b>
<b>Total consumer</b>	<b>\$ 346,011</b>	<b>\$ 218,518</b>	<b>\$ 115,525</b>	<b>\$ 75,897</b>	<b>\$ 50,623</b>	<b>\$ 85,152</b>	<b>\$ 8,155</b>	<b>\$ 899,881</b>

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The following tables present loans by credit grades and origination year at December 31, 2021.

December 31, 2021	2021	2020	2019	2018	2017	Prior	Revolving Loans	Total
<b>Commercial</b>								
<b>Owner occupied real estate</b>								
Pass	\$ 86,798	\$ 58,789	\$ 61,134	\$ 43,903	\$ 46,530	\$ 159,351	\$ 60,539	\$ 517,044
Special Mention	—	72	2,685	3,194	7,279	11,451	1,345	26,026
Substandard	—	1,003	1,312	3,192	1,957	9,579	774	17,817
Doubtful	—	—	—	—	—	—	—	—
<b>Total owner occupied real estate</b>	<b>\$ 86,798</b>	<b>\$ 59,864</b>	<b>\$ 65,131</b>	<b>\$ 50,289</b>	<b>\$ 55,766</b>	<b>\$ 180,381</b>	<b>\$ 62,658</b>	<b>\$ 560,887</b>
<b>Non-owner occupied real estate</b>								
Pass	\$ 175,538	\$ 108,465	\$ 120,561	\$ 59,596	\$ 126,334	\$ 260,362	\$ 178,928	\$ 1,029,784
Special Mention	—	839	1,192	34,412	999	3,850	515	41,807
Substandard	720	—	6,045	1,096	425	7,793	800	16,879
Doubtful	—	—	—	—	—	—	—	—
<b>Total non-owner occupied real estate</b>	<b>\$ 176,258</b>	<b>\$ 109,304</b>	<b>\$ 127,798</b>	<b>\$ 95,104</b>	<b>\$ 127,758</b>	<b>\$ 272,005</b>	<b>\$ 180,243</b>	<b>\$ 1,088,470</b>
<b>Residential spec homes</b>								
Pass	\$ 1,115	\$ 254	\$ 155	\$ —	\$ —	\$ 1,346	\$ 7,037	\$ 9,907
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
<b>Total residential spec homes</b>	<b>\$ 1,115</b>	<b>\$ 254</b>	<b>\$ 155</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,346</b>	<b>\$ 7,037</b>	<b>\$ 9,907</b>
<b>Development &amp; spec land</b>								
Pass	\$ 2,282	\$ 536	\$ 503	\$ 11	\$ 3,583	\$ 8,496	\$ 7,837	\$ 23,248
Special Mention	—	—	—	—	—	177	—	177
Substandard	—	—	—	—	11	289	748	1,048
Doubtful	—	—	—	—	—	—	—	—
<b>Total development &amp; spec land</b>	<b>\$ 2,282</b>	<b>\$ 536</b>	<b>\$ 503</b>	<b>\$ 11</b>	<b>\$ 3,594</b>	<b>\$ 8,962</b>	<b>\$ 8,585</b>	<b>\$ 24,473</b>
<b>Commercial &amp; industrial</b>								
Pass	\$ 198,482	\$ 48,245	\$ 43,003	\$ 47,986	\$ 64,292	\$ 69,589	\$ 23,647	\$ 495,244
Special Mention	592	3,278	2,090	4,588	3,781	7,427	3,295	25,051
Substandard	111	143	1,211	3,936	1,313	1,847	1,352	9,913
Doubtful	—	—	—	—	—	—	—	—
<b>Total commercial &amp; industrial</b>	<b>\$ 199,185</b>	<b>\$ 51,666</b>	<b>\$ 46,304</b>	<b>\$ 56,510</b>	<b>\$ 69,386</b>	<b>\$ 78,863</b>	<b>\$ 28,294</b>	<b>\$ 530,208</b>
<b>Total commercial</b>	<b>\$ 465,638</b>	<b>\$ 221,624</b>	<b>\$ 239,891</b>	<b>\$ 201,914</b>	<b>\$ 256,504</b>	<b>\$ 541,557</b>	<b>\$ 286,817</b>	<b>\$ 2,213,945</b>

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December 31, 2021	2021	2020	2019	2018	2017	Prior	Revolving Loans	Total
<b>Real estate</b>								
<b>Residential mortgage</b>								
Performing	\$ 116,118	\$ 105,051	\$ 44,691	\$ 50,778	\$ 56,330	\$ 182,838	\$ —	\$ 555,806
Non-performing	—	78	448	854	66	6,559	—	8,005
<b>Total residential mortgage</b>	<b>\$ 116,118</b>	<b>\$ 105,129</b>	<b>\$ 45,139</b>	<b>\$ 51,632</b>	<b>\$ 56,396</b>	<b>\$ 189,397</b>	<b>\$ —</b>	<b>\$ 563,811</b>
<b>Residential construction</b>								
Performing	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 30,571	\$ 30,571
Non-performing	—	—	—	—	—	—	—	—
<b>Total residential construction</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 30,571</b>	<b>\$ 30,571</b>
<b>Mortgage warehouse</b>								
Performing	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 109,031	\$ 109,031
Non-performing	—	—	—	—	—	—	—	—
<b>Total mortgage warehouse</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 109,031</b>	<b>\$ 109,031</b>
<b>Total real estate</b>	<b>\$ 116,118</b>	<b>\$ 105,129</b>	<b>\$ 45,139</b>	<b>\$ 51,632</b>	<b>\$ 56,396</b>	<b>\$ 189,397</b>	<b>\$ 139,602</b>	<b>\$ 703,413</b>
<b>Consumer</b>								
<b>Direct installment</b>								
Performing	\$ 18,826	\$ 12,756	\$ 13,390	\$ 7,027	\$ 6,036	\$ 5,577	\$ 95	\$ 63,707
Non-performing	—	—	—	—	1	6	—	7
<b>Total direct installment</b>	<b>\$ 18,826</b>	<b>\$ 12,756</b>	<b>\$ 13,390</b>	<b>\$ 7,027</b>	<b>\$ 6,037</b>	<b>\$ 5,583</b>	<b>\$ 95</b>	<b>\$ 63,714</b>
<b>Indirect installment</b>								
Performing	\$ 160,194	\$ 91,416	\$ 58,907	\$ 39,956	\$ 17,014	\$ 4,535	\$ —	\$ 372,022
Non-performing	46	93	162	92	88	72	—	553
<b>Total indirect installment</b>	<b>\$ 160,240</b>	<b>\$ 91,509</b>	<b>\$ 59,069</b>	<b>\$ 40,048</b>	<b>\$ 17,102</b>	<b>\$ 4,607</b>	<b>\$ —</b>	<b>\$ 372,575</b>
<b>Home equity</b>								
Performing	\$ 80,389	\$ 51,856	\$ 34,603	\$ 26,924	\$ 22,495	\$ 65,059	\$ 6,699	\$ 288,025
Non-performing	9	114	37	90	166	1,321	1,208	2,945
<b>Total home equity</b>	<b>\$ 80,398</b>	<b>\$ 51,970</b>	<b>\$ 34,640</b>	<b>\$ 27,014</b>	<b>\$ 22,661</b>	<b>\$ 66,380</b>	<b>\$ 7,907</b>	<b>\$ 290,970</b>
<b>Total consumer</b>	<b>\$ 259,464</b>	<b>\$ 156,235</b>	<b>\$ 107,099</b>	<b>\$ 74,089</b>	<b>\$ 45,800</b>	<b>\$ 76,570</b>	<b>\$ 8,002</b>	<b>\$ 727,259</b>

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**Note 5 – Allowance for Credit and Loan Losses**

The following tables represent, by loan portfolio segment, a summary of changes in the ACL on loans for the nine months ended September 30, 2022 and 2021:

<b>Three Months Ended September 30, 2022</b>					
	<b>Commercial</b>	<b>Real Estate</b>	<b>Mortgage Warehouse</b>	<b>Consumer</b>	<b>Total</b>
Balance, beginning of period	\$ 34,802	\$ 4,422	\$ 1,067	\$ 12,059	\$ 52,350
Provision for credit losses on loans	(703)	640	(43)	(495)	(601)
PCD loan charge-offs	(242)	—	—	—	(242)
Charge-offs	(103)	(27)	—	(592)	(722)
Recoveries	52	102	—	430	584
Balance, end of period	<u>\$ 33,806</u>	<u>\$ 5,137</u>	<u>\$ 1,024</u>	<u>\$ 11,402</u>	<u>\$ 51,369</u>

<b>Three Months Ended September 30, 2021</b>					
	<b>Commercial</b>	<b>Real Estate</b>	<b>Mortgage Warehouse</b>	<b>Consumer</b>	<b>Total</b>
Balance, beginning of period	\$ 41,766	\$ 4,108	\$ 1,155	\$ 8,620	\$ 55,649
Provision for credit losses on loans	1,330	(400)	(101)	283	1,112
Charge-offs	(10)	—	—	(189)	(199)
Recoveries	35	29	—	153	217
Balance, end of period	<u>\$ 43,121</u>	<u>\$ 3,737</u>	<u>\$ 1,054</u>	<u>\$ 8,867</u>	<u>\$ 56,779</u>

<b>Nine Months Ended September 30, 2022</b>					
	<b>Commercial</b>	<b>Real Estate</b>	<b>Mortgage Warehouse</b>	<b>Consumer</b>	<b>Total</b>
Balance, beginning of period	\$ 40,775	\$ 3,856	\$ 1,059	\$ 8,596	\$ 54,286
Provision for credit losses on loans	(6,343)	1,236	(35)	3,395	(1,747)
PCD loan charge-offs	(612)	—	—	—	(612)
Charge-offs	(240)	(85)	—	(1,605)	(1,930)
Recoveries	226	130	—	1,016	1,372
Balance, end of period	<u>\$ 33,806</u>	<u>\$ 5,137</u>	<u>\$ 1,024</u>	<u>\$ 11,402</u>	<u>\$ 51,369</u>

<b>Nine Months Ended September 30, 2021</b>					
	<b>Commercial</b>	<b>Real Estate</b>	<b>Mortgage Warehouse</b>	<b>Consumer</b>	<b>Total</b>
Balance, beginning of period	\$ 42,210	\$ 4,620	\$ 1,267	\$ 8,930	\$ 57,027
Provision for credit losses on loans	1,090	(1,000)	(213)	110	(13)
PCD loan charge-offs	(6)	—	—	—	(6)
Charge-offs	(273)	—	—	(661)	(934)
Recoveries	100	117	—	488	705
Balance, end of period	<u>\$ 43,121</u>	<u>\$ 3,737</u>	<u>\$ 1,054</u>	<u>\$ 8,867</u>	<u>\$ 56,779</u>

The Company utilized the Cumulative Loss Rate method in determining expected future credit losses. The loss rate method measures the amount of loan charge-offs, net of recoveries, (“loan losses”) recognized over the life of a pool and compares those loan losses to the outstanding loan balance of that pool as of a specific point in time (“pool date”).

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To estimate a CECL loss rate for the pool, management first identifies the loan losses recognized between the pool date and the reporting date for the pool and determines which loan losses were related to loans outstanding at the pool date. The loss rate method then divides the loan losses recognized on loans outstanding as of the pool date by the outstanding loan balance as of the pool date.

The Company's expected loss estimate is anchored in historical credit loss experience, with an emphasis on all available portfolio data. The Company's historical look-back period includes January 2012 through the current period, on a monthly basis. When historical credit loss experience is not sufficient for a specific portfolio, the Company may supplement its own portfolio data with external models or data.

Qualitative reserves reflect management's overall estimate of the extent to which current expected credit losses on collectively evaluated loans will differ from historical loss experience. The analysis takes into consideration other analytics performed within the organization, such as enterprise and concentration management, along with other credit-related analytics as deemed appropriate. Management attempts to quantify qualitative reserves whenever possible.

The Company's CECL estimate applies to a forecast that incorporates macroeconomic trends and other environmental factors. Management utilized National, Regional and Local Leading Economic Indexes, as well as management judgment, as the basis for the forecast period. The historical loss rate was utilized as the base rate, and qualitative adjustments were utilized to reflect the forecast and other relevant factors.

The Company segments the loan portfolio into pools based on the following risk characteristics: financial asset type, loan purpose, collateral type, loan characteristics, credit characteristics, outstanding loan balances, contractual terms and prepayment assumptions, industry of the borrower and concentrations, and historical or expected credit loss patterns.

**Note 6 – Loan Servicing**

Loans serviced for others are not included in the accompanying condensed consolidated balance sheets. The unpaid principal balances of loans serviced for others totaled approximately \$1.6 billion and \$1.5 billion at September 30, 2022 and December 31, 2021.

The aggregate fair value and carrying value of capitalized mortgage servicing rights was approximately \$18.7 million and \$15.2 million at September 30, 2022 and December 31, 2021, respectively. Comparable market values and a valuation model that calculates the present value of future cash flows were used to estimate fair value. For purposes of measuring impairment, risk characteristics including product type, investor type and interest rates, were used to stratify the originated mortgage servicing rights.

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	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
<b>Mortgage servicing rights</b>				
Balance, beginning of period	\$ 18,761	\$ 17,791	\$ 17,780	\$ 17,644
Servicing rights capitalized	567	1,048	2,942	3,209
Amortization of servicing rights	(624)	(946)	(2,018)	(2,960)
Balance, end of period	18,704	17,893	18,704	17,893
<b>Impairment allowance</b>				
Balance, beginning of period	—	(3,329)	(2,594)	(5,172)
Additions	—	—	—	—
Reductions	—	299	2,594	2,142
Balance, end of period	—	(3,030)	—	(3,030)
<b>Mortgage servicing rights, net</b>	<b>\$ 18,704</b>	<b>\$ 14,863</b>	<b>\$ 18,704</b>	<b>\$ 14,863</b>

The Bank reduced impairment by approximately \$299,000 for the three months ended September 30, 2021, \$2.6 million for the nine months ended September 30, 2022 and \$2.1 million for the nine months ended September 30, 2021.

#### Note 7 – Goodwill

The carrying amount of goodwill was \$155.2 million as of September 30, 2022 and \$154.6 million as of December 31, 2021. During the three and nine months ended September 30, 2022 and prior to the end of the one year measurement period related to the purchase and assumption of certain assets and liabilities from TCF, Horizon Bank recorded an adjustment of \$639,000 which increased goodwill and decreased other assets acquired in the transaction. There were no changes in the carrying amount of goodwill for the three and nine months ended September 30, 2021. Goodwill is assessed for impairment annually, or more frequently if events occur or circumstances change that indicate an impairment may exist. When assessing goodwill for impairment, first, a qualitative assessment can be made to determine whether it is more likely than not that the estimated fair value of a reporting unit is less than its estimated carrying value. If the results of the qualitative assessment are not conclusive, a quantitative goodwill test is performed. Alternatively, a quantitative goodwill test can be performed without performing a qualitative assessment.

Goodwill was assessed for impairment using a qualitative analysis as of September 30, 2022 which resulted in no goodwill impairment charges for the nine months ended September 30, 2022.

#### Note 8 – Repurchase Agreements

The Company transfers various securities to customers in exchange for cash at the end of each business day and agrees to acquire the securities at the end of the next business day for the cash exchanged plus interest. The process is repeated at the end of each business day until the agreement is terminated. The securities underlying the agreement remained under the Company's control.

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The following tables show repurchase agreements accounted for as secured borrowings and the related securities, at fair value, pledged for repurchase agreements:

	September 30, 2022						
	Remaining Contractual Maturity of the Agreements						
	Overnight and Continuous	Up to one year	One to three years	Three to five years	Five to ten years	Beyond ten years	Total
<b>Repurchase Agreements and repurchase-to-maturity transactions</b>							
Repurchase Agreements	\$ 147,875	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 147,875
<b>Securities pledged for Repurchase Agreements</b>							
Federal agency collateralized mortgage obligations	\$ 15,532	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 15,532
Federal agency mortgage-backed pools	132,569	—	—	—	—	—	132,569
Private labeled mortgage-backed pools	9,048	—	—	—	—	—	9,048
<b>Total</b>	<b>\$ 157,149</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 157,149</b>

	December 31, 2021						
	Remaining Contractual Maturity of the Agreements						
	Overnight and Continuous	Up to one year	One to three years	Three to five years	Five to ten years	Beyond ten years	Total
<b>Repurchase Agreements and repurchase-to-maturity transactions</b>							
Repurchase Agreements	\$ 130,798	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 130,798
<b>Securities pledged for Repurchase Agreements</b>							
Federal agency collateralized mortgage obligations	\$ 31,372	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 31,372
Federal agency mortgage-backed pools	98,474	—	—	—	—	—	98,474
Private labeled mortgage-backed pools	16,639	—	—	—	—	—	16,639
<b>Total</b>	<b>\$ 146,485</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 146,485</b>

### Note 9 – Subordinated Notes

On June 24, 2020, Horizon issued \$60.0 million in aggregate principal amount of 5.625% fixed-to-floating rate subordinated notes (the “Notes”). The Notes were offered in denominations of \$1,000 and integral multiples of \$1,000 in excess thereof. The Notes mature on July 1, 2030 (the “Maturity Date”). From and including the date of original issuance to, but excluding, July 1, 2025 or the date of earlier redemption (the “fixed rate period”), the Notes bear interest at an initial rate of 5.625% per annum, payable semi-annually in arrears on January 1 and July 1 of each year, commencing on January 1, 2021. The last interest payment date for the fixed rate period will be July 1, 2025. From and including July 1, 2025 to, but excluding, the Maturity Date or the date of earlier redemption (the “floating rate period”), the Notes bear interest at a floating rate per annum equal to the benchmark rate, which is expected to be Three-Month Term SOFR (the “Benchmark Rate”), plus 549 basis

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points, payable quarterly in arrears on January 1, April 1, July 1, and October 1 of each year, commencing on October 1, 2025. Notwithstanding the foregoing, in the event that the Benchmark Rate is less than zero, the Benchmark Rate shall be deemed to be zero.

Horizon may, at its option, beginning with the interest payment date of July 1, 2025 and on any interest payment date thereafter, redeem the Notes, in whole or in part. The Notes will not otherwise be redeemable by Horizon prior to maturity, unless certain events occur. The redemption price for any redemption is 100% of the principal amount of the Notes, plus accrued and unpaid interest thereon to, but excluding, the date of redemption. Any early redemption of the Notes will be subject to the receipt of the approval of the Board of Governors of the Federal Reserve System to the extent then required under applicable laws or regulations, including capital regulations.

The Notes are unsecured subordinated obligations, and rank pari passu, or equally, with all of Horizon's future unsecured subordinated debt and are junior to all existing and future senior debt. The Notes are structurally subordinated to all existing and future liabilities of Horizon's subsidiaries, including the deposit liabilities and claims of other creditors of Horizon Bank, and are effectively subordinated to Horizon's existing and future secured indebtedness. There is no sinking fund for the Notes. The Notes are obligations of Horizon only and are not obligations of, and are not guaranteed by, any of Horizon's subsidiaries.

#### **Note 10 – Derivative Financial Instruments**

**Cash Flow Hedges** – As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flow due to interest rate fluctuations, the Company entered into an interest rate swap agreement for a portion of its floating rate debt which matured on December 16, 2021. The agreement provided for the Company to receive interest from the counterparty at three months LIBOR and to pay interest to the counterparty at a fixed rate of 4.20% on a notional amount of \$12.0 million. Under the agreement, the Company paid or received the net interest amount monthly, with the monthly settlements included in interest expense.

The Company assumed an additional interest rate swap agreement as the result of the LaPorte acquisition in July 2016 which matured on March 15, 2021. The agreement provided for the Company to receive interest from the counterparty at one month LIBOR and to pay interest to the counterparty at a fixed rate of 2.62% on a notional amount of \$10.0 million. Under the agreement, the Company paid or received the net interest amount monthly, with the monthly settlements included in interest expense.

On July 20, 2018, the Company entered into an interest rate swap agreement for an additional portion of its floating rate debt. The agreement provides for the Company to receive interest from the counterparty at one month LIBOR and to pay interest to the counterparty at a fixed rate of 2.81% on a notional amount of \$50.0 million at September 30, 2022 and December 31, 2021. Under the agreement, the Company pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. This interest rate swap agreement matures on July 19, 2026.

Management has designated the interest rate swap agreement as a cash flow hedging instrument. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. At September 30, 2022, the Company's cash flow hedge was effective and is not expected to have a significant impact on the Company's net income over the next 12 months.

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
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**Fair Value Hedges** – Fair value hedges are intended to reduce the interest rate risk associated with the underlying hedged item. The Company enters into fixed rate loan agreements as part of its lending policy. To mitigate the risk of changes in fair value based on fluctuations in interest rates, the Company has entered into interest rate swap agreements on individual loans, converting the fixed rate loans to a variable rate. For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in current earnings. At September 30, 2022, the Company's fair value hedges were effective and are not expected to have a significant impact on the Company's net income over the next 12 months.

The change in fair value of both the hedge instruments and the underlying loan agreements are recorded as gains or losses in non-interest income. The fair value hedges are considered to be highly effective and any hedge ineffectiveness was deemed not material. The notional amounts of the loan and security agreements being hedged were \$524.4 million at September 30, 2022 and \$489.0 million at December 31, 2021.

**Other Derivative Instruments** – The Company enters into non-hedging derivatives in the form of mortgage loan forward sale commitments with investors and commitments to originate mortgage loans as part of its mortgage banking business. At September 30, 2022, the Company's fair value of these derivatives were recorded and over the next 12 months are not expected to have a significant impact on the Company's net income.

The change in fair value of both the forward sale commitments and commitments to originate mortgage loans were recorded and the net gains or losses included in the Company's gain on sale of loans.

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The following tables summarize the fair value of derivative financial instruments utilized by Horizon:

	Asset Derivatives September 30, 2022		Liability Derivatives September 30, 2022	
	Notional Amount	Fair Value	Notional Amount	Fair Value
<b>Derivatives designated as hedging instruments</b>				
Interest rate contracts – cash flow hedges	\$ 50,000	\$ 2,067	\$ —	\$ —
Total derivatives designated as hedging instruments	50,000	2,067	—	—
<b>Derivatives not designated as hedging instruments</b>				
Interest rate contracts – fair value hedges	524,358	45,379	524,358	45,379
Mortgage loan contracts	—	—	11,530	330
Commitments to originate mortgage loans	5,489	140	—	—
Total derivatives not designated as hedging instruments	529,847	45,519	535,888	45,709
Total derivatives	\$ 529,847	\$ 47,586	\$ 535,888	\$ 45,709

	Asset Derivatives December 31, 2021		Liability Derivatives December 31, 2021	
	Notional Amount	Fair Value	Notional Amount	Fair Value
<b>Derivatives designated as hedging instruments</b>				
Interest rate contracts – cash flow hedges	\$ —	\$ —	\$ 50,000	\$ 3,673
Total derivatives designated as hedging instruments	—	—	50,000	3,673
<b>Derivatives not designated as hedging instruments</b>				
Interest rate contracts – fair value hedges	488,967	14,419	488,967	14,419
Mortgage loan contracts	—	—	43,630	238
Commitments to originate mortgage loans	32,584	1,037	—	—
Total derivatives not designated as hedging instruments	521,551	15,456	532,597	14,657
Total derivatives	\$ 521,551	\$ 15,456	\$ 532,597	\$ 18,330

The effect of the derivative instruments on the condensed consolidated statements of comprehensive income for the nine-month periods ended September 30 is as follows:

	Amount of Gain Recognized in Other Comprehensive Income on Derivative			
	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
<b>Derivatives in cash flow hedging relationship</b>				
Interest rate contracts	\$ 1,542	\$ 438	\$ 4,535	\$ 2,836

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The effect of the derivative instruments on the condensed consolidated statements of income for the nine-month periods ended September 30 is as follows:

	Location of gain (loss) recognized on derivative	Amount of Gain (Loss) Recognized on Derivative			
		Three Months Ended		Nine Months Ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
<b>Derivative designated as hedging instruments</b>					
Interest rate contracts – cash flow hedges	Interest expense – Borrowings	\$ 95	\$ 469	\$ 710	\$ 1,453
Total		<u>\$ 95</u>	<u>\$ 469</u>	<u>\$ 710</u>	<u>\$ 1,453</u>

	Location of loss recognized on derivative	Amount of Gain (Loss) Recognized on Derivative			
		Three Months Ended		Nine Months Ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
<b>Derivative not designated as hedging instruments</b>					
Mortgage loan contracts	Non-interest income – Gain on sale of loans	\$ (178)	\$ (333)	\$ (92)	\$ (333)
Commitments to originate mortgage loans	Non-interest income – Gain on sale of loans	(141)	167	(897)	(379)
Total		<u>\$ (319)</u>	<u>\$ (166)</u>	<u>\$ (989)</u>	<u>\$ (712)</u>

**Note 11 – Disclosures about Fair Value of Assets and Liabilities**

The Fair Value Measurements topic of the FASB ASC defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. There are 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 that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying condensed consolidated financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the period ended September 30, 2022. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
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**Available for sale securities**

When 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 using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include U.S. Treasury and federal agency securities, state and municipal securities, federal agency collateralized mortgage obligations and mortgage-backed pools and corporate notes. Level 2 securities are valued by a third party pricing service commonly used in the banking industry utilizing observable inputs. Observable inputs include dealer quotes, market spreads, cash flow analysis, the U.S. Treasury yield curve, trade execution data, market consensus prepayment spreads and available credit information and the bond's terms and conditions. The pricing provider utilizes evaluated pricing models that vary based on asset class. These models incorporate available market information including quoted prices of securities with similar characteristics and, because many fixed-income securities do not trade on a daily basis, apply available information through processes such as benchmark curves, benchmarking of like securities, sector grouping, and matrix pricing. In addition, model processes, such as an option adjusted spread model, is used to develop prepayment and interest rate scenarios for securities with prepayment features.

**Hedged loans**

Certain fixed rate loans have been converted to variable rate loans by entering into interest rate swap agreements. The fair value of those fixed rate loans is based on discounting the estimated cash flows using interest rates determined by the respective interest rate swap agreement. Loans are classified within Level 2 of the valuation hierarchy based on the unobservable inputs used.

**Interest rate swap agreements**

The fair value of the Company's interest rate swap agreements is estimated by a third party using inputs that are primarily unobservable including a yield curve, adjusted for liquidity and credit risk, contracted terms and discounted cash flow analysis, and therefore, are classified within Level 2 of the valuation hierarchy.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying condensed consolidated financial statements measured at fair value on a recurring basis and the level within the FASB ASC fair value hierarchy in which the fair value measurements fall at the following:

	September 30, 2022			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available for sale securities				
U.S. Treasury and federal agencies	\$ 266,254	\$ —	\$ 266,254	\$ —
State and municipal	415,246	—	415,246	—
Federal agency collateralized mortgage obligations	34,624	—	34,624	—
Federal agency mortgage-backed pools	194,641	—	194,641	—
Corporate notes	74,890	—	74,890	—
Total available for sale securities	985,655	—	985,655	—
Interest rate swap agreements asset	47,446	—	47,446	—
Commitments to originate mortgage loans	140	—	140	—
Interest rate swap agreements liability	(45,379)	—	(45,379)	—
Mortgage loan contracts	(330)	—	(330)	—

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
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	December 31, 2021			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available for sale securities				
U.S. Treasury and federal agencies	\$ 116,979	\$ —	\$ 116,979	\$ —
State and municipal	639,746	—	519,282	120,464
Federal agency collateralized mortgage obligations	61,577	—	61,577	—
Federal agency mortgage-backed pools	257,691	—	257,691	—
Corporate notes	84,819	—	79,787	5,032
Total available for sale securities	1,160,812	—	1,035,316	125,496
Interest rate swap agreements asset	14,419	—	14,419	—
Commitments to originate mortgage loans	1,037	—	1,037	—
Interest rate swap agreements liability	(18,092)	—	(18,092)	—
Mortgage loan contracts	(238)	—	(238)	—

Certain other assets are measured at fair value on a non-recurring basis in the ordinary course of business and are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment):

	December 31, 2021			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>September 30, 2022</b>				
Collateral dependent loans	\$ 9,455	\$ —	\$ —	\$ 9,455
Mortgage servicing rights	18,704	—	—	18,704
<b>December 31, 2021</b>				
Collateral dependent loans	\$ 15,176	\$ —	\$ —	\$ 15,176
Mortgage servicing rights	15,186	—	—	15,186

**Collateral Dependent Loans:** For loans identified as collateral dependent, then the fair value method of measuring the amount of impairment is utilized. This method requires obtaining a current independent appraisal of the collateral and applying a discount factor to the value.

Collateral dependent loans are classified within Level 3 of the fair value hierarchy when impairment is determined using the fair value method.

**Mortgage Servicing Rights (MSRs):** MSRs do not trade in an active market with readily observable prices. Accordingly, the fair value of these assets is classified as Level 3. The Company determines the fair value of MSRs using an income approach model based upon the Company's month-end interest rate curve and prepayment assumptions. The model utilizes assumptions to estimate future net servicing income cash flows, including estimates of time decay, payoffs and changes in valuation inputs and assumptions. The Company reviews the valuation assumptions against this market data for reasonableness and adjusts the assumptions if deemed appropriate. The carrying amount of the MSRs' fair value due to impairment increased by \$2.6 million during the first nine months of 2022 and increased by \$2.1 million during the first nine months of 2021.

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
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The following table presents qualitative information about unobservable inputs used in recurring and non-recurring Level 3 fair value measurements, other than goodwill.

	<b>September 30, 2022</b>			
	<b>Fair Value</b>	<b>Valuation Technique</b>	<b>Unobservable Inputs</b>	<b>Range (Weighted Average)</b>
Collateral dependent loans	\$ 9,455	Collateral based measurement	Discount to reflect current market conditions and ultimate collectibility	0.0%-100.0% (5.1%)
Mortgage servicing rights	18,704	Discounted cash flows	Discount rate, Constant prepayment rate, Probability of default	10.0%-10.0% (10.0%), 6.9%-13.3% (7.8%), 0.0%-0.7%(0.5%)
	<b>December 31, 2021</b>			
	<b>Fair Value</b>	<b>Valuation Technique</b>	<b>Unobservable Inputs</b>	<b>Range (Weighted Average)</b>
Collateral dependent loans	\$ 15,176	Collateral based measurement	Discount to reflect current market conditions and ultimate collectibility	0.0%-54.0%(4.8%)
Mortgage servicing rights	15,186	Discounted cash flows	Discount rate, Constant prepayment rate, Probability of default	8.0%-8.0% (8.0%), 8.4%-14.6%(11.6%), 0.0%-2.0%(0.4%)

**Note 12 – Fair Value of Financial Instruments**

The estimated fair value amounts of the Company's financial instruments were determined using available market information, current pricing information applicable to Horizon and various valuation methodologies. Where market quotations were not available, considerable management judgment was involved in the determination of estimated fair values. Therefore, the estimated fair value of financial instruments shown below may not be representative of the amounts at which they could be exchanged in a current or future transaction. Due to the inherent uncertainties of expected cash flows of financial instruments, the use of alternate valuation assumptions and methods could have a significant effect on the estimated fair value amounts.

The estimated fair values of financial instruments, as shown below, are not intended to reflect the estimated liquidation or market value of Horizon taken as a whole. The disclosed fair value estimates are limited to Horizon's significant financial instruments at September 30, 2022 and December 31, 2021. These include financial instruments recognized as assets and liabilities on the condensed consolidated balance sheets as well as certain off-balance sheet financial instruments. The estimated fair values shown below do not include any valuation of assets and liabilities, which are not financial instruments as defined by the FASB ASC fair value hierarchy.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

**Cash and Due from Banks** – The carrying amounts approximate fair value.

**Interest-earning time deposits** – The fair values of the Company's interest-earning time deposits are estimated using discounted cash flow analyses based on current rates for similar types of interest-earning time deposits.

**Held-to-Maturity Securities** – For debt securities held to maturity, fair values are based on quoted market prices or dealer quotes. For those securities where a quoted market price is not available, carrying amount is a reasonable estimate of fair value based upon comparison with similar securities.

**Loans Held for Sale** – The carrying amounts approximate fair value.

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**Net Loans** – The fair value of net loans are estimated on an exit price basis incorporating discounts for credit, liquidity and marketability factors.

**FHLB Stock** – Fair value of FHLB stock is based on the price at which it may be resold to the FHLB.

**Interest Receivable/Payable** – The carrying amounts approximate fair value.

**Deposits** – The fair value of demand deposits, savings accounts, interest-bearing checking accounts and money market deposits is the amount payable on demand at the reporting date. The fair value of fixed maturity certificates of deposit is estimated by discounting the future cash flows using rates currently offered for deposits of similar remaining maturity.

**Borrowings** – Rates currently available to Horizon for debt with similar terms and remaining maturities are used to estimate fair values of existing borrowings.

**Subordinated Notes** – The fair value of subordinated notes is based on discounted cash flows based on current borrowing rates for similar types of instruments.

**Junior Subordinated Debentures Issued to Capital Trusts** – Rates currently available for debentures with similar terms and remaining maturities are used to estimate fair values of existing debentures.

**Commitments to Extend Credit and Standby Letters of Credit** – The fair value of commitments 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 letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reporting date. Due to the short-term nature of these agreements, carrying amounts approximate fair value.

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The following tables present estimated fair values of the Company's financial instruments and the level within the fair value hierarchy in which the fair value measurements fall.

	September 30, 2022			
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Cash and due from banks	\$ 109,659	\$ 109,659	\$ —	\$ —
Interest-earning time deposits	2,814	—	2,785	—
Investment securities, held to maturity	2,031,536	—	1,640,589	—
Loans held for sale	1,852	—	—	1,852
Loans (excluding loan level hedges), net	3,960,846	—	—	3,737,561
Stock in FHLB	26,677	—	26,677	—
Interest receivable	30,096	—	30,096	—
Mortgage servicing rights	18,704	—	—	18,704
<b>Liabilities</b>				
Non-interest bearing deposits	\$ 1,315,155	\$ 1,315,155	\$ —	\$ —
Interest bearing deposits	4,515,683	—	4,033,706	—
Borrowings	1,048,091	—	1,044,117	—
Subordinated notes	58,860	—	65,146	—
Junior subordinated debentures issued to capital trusts	56,966	—	63,599	—
Interest payable	1,961	—	1,961	—

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	December 31, 2021			
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Cash and due from banks	\$ 593,508	\$ 593,508	\$ —	\$ —
Interest-earning time deposits	4,782	—	4,861	—
Investment securities, held to maturity	1,552,443	—	1,513,520	46,471
Loans held for sale	12,579	—	—	12,579
Loans (excluding loan level hedges), net	3,590,331	—	—	3,479,958
Stock in FHLB	24,440	—	24,440	—
Interest receivable	26,137	—	26,137	—
Mortgage servicing rights	15,186	—	—	15,186
<b>Liabilities</b>				
Non-interest bearing deposits	\$ 1,360,338	\$ 1,360,338	\$ —	\$ —
Interest bearing deposits	4,442,653	—	4,369,011	—
Borrowings	712,739	—	708,275	—
Subordinated notes	58,750	—	57,906	—
Junior subordinated debentures issued to capital trusts	56,785	—	53,420	—
Interest payable	2,235	—	2,235	—

**Note 13 – Accumulated Other Comprehensive Income (Loss)**

	September 30, 2022	December 31, 2021
Unrealized gain (loss) on securities available for sale	\$ (161,812)	\$ 7,201
Unamortized loss on securities held to maturity, previously transferred from AFS	3,895	5,770
Unrealized gain (loss) on derivative instruments	2,068	(3,673)
Tax effect	32,728	(1,953)
Total accumulated other comprehensive income (loss)	<u>\$ (123,121)</u>	<u>\$ 7,345</u>

**Note 14 – Regulatory Capital**

Horizon and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. These capital requirements implement changes arising from the Dodd–Frank Wall Street Reform and Consumer Protection Act and the U.S. Basel Committee on Banking Supervision’s capital framework (known as “Basel III”). Failure to meet the minimum regulatory capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators, which if undertaken, could have a direct material effect on the Company’s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective actions, the Company and Bank must meet specific capital guidelines involving quantitative measures of the Bank’s assets, liabilities, and certain off–balance–sheet items as calculated under regulatory accounting practices. 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.

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
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The Company and Bank are subject to minimum regulatory capital requirements as defined and calculated in accordance with the Basel III-based regulations. As allowed under Basel III rules, the Company made the decision to opt-out of including accumulated other comprehensive income in regulatory capital. The minimum regulatory capital requirements are set forth in the table below.

In addition, to be categorized as well capitalized, the Company and Bank must maintain Total risk-based, Tier I risk-based, common equity Tier I risk-based and Tier I leverage ratios as set forth in the table below. As of September 30, 2022 and December 31, 2021, the Company and Bank met all capital adequacy requirements to be considered well capitalized. There have been no conditions or events since the end of the third quarter of 2022 that management believes have changed the Bank's classification as well capitalized. There is no threshold for well capitalized status for bank holding companies.

As of March 31, 2020, the Company and Bank elected the transition option of the 2019 CECL Rule which allows banking organizations to phase in over a three-year period the day-one adverse effects of CECL on their regulatory capital ratios.

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
**Management's Discussion and Analysis of Financial Condition**  
**And Results of Operations**  
**For the Three and Nine Months ended September 30, 2022 and 2021**

Horizon and the Bank's actual and required capital ratios as of September 30, 2022 and December 31, 2021 were as follows:

	Actual		Required for Capital Adequacy Purposes <sup>(1)</sup>		Required For Capital Adequacy Purposes with Capital Buffer <sup>(1)</sup>		Well Capitalized Under Prompt Corrective Action Provisions <sup>(1)</sup>	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>September 30, 2022</b>								
Total capital (to risk-weighted assets) <sup>(1)</sup>								
Consolidated	\$ 760,102	14.44 %	\$ 421,180	8.00 %	\$ 552,798	10.50 %	N/A	N/A
Bank	711,478	13.65 %	416,859	8.00 %	547,127	10.50 %	\$ 521,073	10.00 %
Tier 1 capital (to risk-weighted assets) <sup>(1)</sup>								
Consolidated	712,642	13.54 %	315,885	6.00 %	447,503	8.50 %	N/A	N/A
Bank	664,018	12.74 %	312,644	6.00 %	442,912	8.50 %	416,859	8.00 %
Common equity tier 1 capital (to risk-weighted assets) <sup>(1)</sup>								
Consolidated	592,723	11.26 %	236,914	4.50 %	368,532	7.00 %	N/A	N/A
Bank	664,018	12.74 %	234,483	4.50 %	364,751	7.00 %	338,698	6.50 %
Tier 1 capital (to average assets) <sup>(1)</sup>								
Consolidated	712,642	9.56 %	298,240	4.00 %	298,240	4.00 %	N/A	N/A
Bank	664,018	8.84 %	300,512	4.00 %	300,512	4.00 %	375,641	5.00 %
<b>December 31, 2021</b>								
Total capital (to risk-weighted assets) <sup>(1)</sup>								
Consolidated	\$ 708,198	15.71 %	\$ 360,737	8.00 %	\$ 473,468	10.50 %	N/A	N/A
Bank	664,061	14.72 %	361,015	8.00 %	473,832	10.50 %	\$ 451,269	10.00 %
Tier 1 capital (to risk-weighted assets) <sup>(1)</sup>								
Consolidated	661,729	14.68 %	270,553	6.00 %	383,284	8.50 %	N/A	N/A
Bank	617,592	13.69 %	270,761	6.00 %	383,578	8.50 %	361,015	8.00 %
Common equity tier 1 capital (to risk-weighted assets) <sup>(1)</sup>								
Consolidated	541,920	12.02 %	202,915	4.50 %	315,645	7.00 %	N/A	N/A
Bank	617,592	13.69 %	203,071	4.50 %	315,888	7.00 %	293,325	6.50 %
Tier 1 capital (to average assets) <sup>(1)</sup>								
Consolidated	661,729	9.05 %	292,335	4.00 %	292,335	4.00 %	N/A	N/A
Bank	617,592	8.50 %	290,646	4.00 %	290,646	4.00 %	363,307	5.00 %

<sup>(1)</sup> As defined by regulatory agencies

### Note 15 – General Litigation

The Company is subject to claims and lawsuits that 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, results of operation and cash flows of the Company.

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
**Management’s Discussion and Analysis of Financial Condition**  
**And Results of Operations**  
**For the Three and Nine Months ended September 30, 2022 and 2021**

**ITEM 2 – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

***Forward-Looking Statements***

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, with respect to Horizon Bancorp, Inc. (“Horizon” or the “Company”) and Horizon Bank (the “Bank”). Horizon intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Reform Act of 1995, and is including this statement for the purposes of these safe harbor provisions. Statements in this report should be considered in conjunction with the other information available about Horizon, including the information in the other filings we make with the Securities and Exchange Commission. The forward-looking statements are based on management’s expectations and are subject to a number of risks and uncertainties. We have tried, wherever possible, to identify such statements by using words such as “anticipate,” “expect,” “estimate,” “project,” “intend,” “plan,” “believe,” “could,” “will” and similar expressions in connection with any discussion of future operating or financial performance. Although management believes that the expectations reflected in such forward-looking statements are reasonable, actual results may differ materially from those expressed or implied in such statements.

Actual results may differ materially, adversely or positively, from the expectations of the Company that are expressed or implied by any forward-looking statement. Risks, uncertainties, and factors that could cause the Company’s actual results to vary materially from those expressed or implied by any forward-looking statement include but are not limited to:

- changes in the level and volatility of interest rates, spreads on earning assets and interest bearing liabilities, and interest rate sensitivity;
- economic conditions and their impact on Horizon and its customers, including continuing increases in inflation;
- the monetary, trade and other regulatory policies of the U.S. government, including recent and anticipated interest rate increases;
- the increasing use of Bitcoin and other crypto currencies and/or stable coin and the possible impact these alternative currencies may have on deposit disintermediation and income derived from payment systems;
- loss of key Horizon personnel;
- increases in disintermediation, as new technologies allow consumers to complete financial transactions without the assistance of banks, which may have been accelerated by the pandemic;
- potential loss of fee income, including interchange fees, as new and emerging alternative payment platforms (e.g., Apple Pay or Bitcoin) take a greater market share of the payment systems;
- estimates of fair value of certain of Horizon’s assets and liabilities;
- volatility and disruption in financial markets;
- prepayment speeds, loan originations, credit losses and market values, collateral securing loans and other assets;
- sources of liquidity;
- potential risk of environmental liability related to lending and acquisition activities;
- changes in the competitive environment in Horizon’s market areas and among other financial service providers;
- continuing risks and uncertainties relating to the COVID–19 pandemic and government responses thereto;
- legislation and/or regulation affecting the financial services industry as a whole, and Horizon and its subsidiaries in particular;
- changes in regulatory supervision and oversight, including monetary policy and capital requirements;
- changes in accounting policies or procedures as may be adopted and required by regulatory agencies;

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- litigation, regulatory enforcement, tax, and legal compliance risk and costs, as applicable generally and specifically to the financial and fiduciary (generally and as an ESOP fiduciary) environment, especially if materially different from the amount we expect to incur or have accrued for, and any disruptions caused by the same;
- the effects and costs of governmental investigations or related actions by third parties;
- rapid technological developments and changes;
- the risks presented by cyber terrorism and data security breaches;
- the rising costs of effective cybersecurity;
- containing costs and expenses;
- the ability of the U.S. federal government to manage federal debt limits;
- the potential influence on the U.S. financial markets and economy from the effects of climate change and social justice initiatives;
- the potential influence on the U.S. financial markets and economy from material changes outside the U.S. or in overseas relations, including changes in the U.S. trade relations related to imposition of tariffs, Brexit and the phase out of the London Interbank Offered Rate (“LIBOR”) according to regulatory guidance;
- the risks of expansion through mergers and acquisitions, including unexpected credit quality problems with acquired loans, difficulty integrating acquired operations and material differences in the actual financial results of such transactions compared with Horizon’s initial expectations, including the full realization of anticipated cost savings; and
- acts of terrorism, war and global conflicts, such as the Russia and Ukraine conflict, and the potential impact they may have on supply chains, the availability of commodities, commodity prices, inflationary pressure and the overall U.S. and global financial markets.

The foregoing list of important factors is not exclusive, and you are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document or, in the case of documents incorporated by reference, the dates of those documents. We do not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by us or on our behalf. For a detailed discussion of the risks and uncertainties that may cause our actual results or performance to differ materially from the results or performance expressed or implied by forward-looking statements, see “Risk Factors” in Item 1A of Part I of our 2021 Annual Report on Form 10-K and in the subsequent reports we file with the SEC.

### **Overview**

Horizon Bancorp, Inc. (“Horizon” or the “Company”) is a registered bank holding company incorporated in Indiana and headquartered in Michigan City, Indiana. Horizon provides a broad range of banking services in northern and central Indiana and southern and central Michigan through its bank subsidiary, Horizon Bank (“Horizon Bank” or the “Bank”), and other affiliated entities and Horizon Risk Management, Inc. Horizon operates as a single segment, which is commercial banking. Horizon’s common stock is traded on the NASDAQ Global Select Market under the symbol HBNC. Horizon Bank was founded in 1873 as a national association, and it remained a national association until its conversion to an Indiana commercial bank effective June 23, 2017. The Bank is a full-service commercial bank offering commercial and retail banking services, corporate and individual trust and agency services, and other services incident to banking. Horizon Risk Management, Inc. is a captive insurance company incorporated in Nevada and was formed as a wholly-owned subsidiary of Horizon.

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Over the last 20 years, Horizon has expanded its geographic reach and experienced financial growth through a combination of both organic expansion and mergers and acquisitions. Horizon's initial operations focused on northwest Indiana, but since then, the Company has developed a presence in new markets in southern and central Michigan and northeastern and central Indiana.

***Third Quarter 2022 Highlights***

- Return on average assets ("ROAA") was 1.29% year-to-date and 1.24% for the third quarter.
- Return on average common equity ("ROACE") was 13.97% year-to-date and 13.89% for the third quarter.
- Return on average tangible equity was 18.73% year-to-date and 18.71% for the third quarter.
- Total loans, excluding Federal Paycheck Protection Program ("PPP") loans and sold commercial participation loans, grew by an annualized rate of 14.5% year-to-date and an annualized rate of 7.8% quarter over quarter.
- Commercial loans, excluding PPP loans and sold commercial participation loans, grew by an annualized rate of 13.8% year-to-date and an annualized rate of 7.2% quarter over quarter to a record \$2.35 billion.
- Consumer loans grew by an annualized rate of 31.7% year-to-date and an annualized rate of 23.9% quarter over quarter to a record \$899.9 million at period end.
- Asset quality remains solid with total loan delinquency at 0.12% of total loans, net charge-offs to average loans of 0.00% and a reversal of credit loss expense during the quarter.
- Net interest income increased by \$387,000 to \$53.4 million during the third quarter compared to \$53.0 million for the previous quarter.
- Reported net interest margin ("NIM") was 3.13% and adjusted NIM was 3.08%, with reported NIM decreasing by six basis points and adjusted NIM decreasing by four basis points from the second quarter of 2022. (See the "Non-GAAP Reconciliation of Net Interest Margin" table below for the definition of this non-GAAP calculation of adjusted NIM.)
- Non-interest income is down \$2.2 million for the quarter due to lower residential mortgage loan volume, resulting in lower gain on sale income, and from lower wealth management fees related to year-to-date declines in equity and bond markets.
- Non-interest expense was \$38.4 million in the quarter, or 1.99% of average assets on an annualized basis, compared to \$36.4 million, or 1.95%, in the second quarter of 2022. Year-to-date non-interest expense continues to be well managed at \$111.3 million, or 1.99% of average assets on an annualized basis which is below our target of 2.00% of average assets.
- The effective tax rate for the third quarter dropped to 7.8% due to the recognition of solar tax credits as projects were put into service during the quarter.
- Net income totaled \$23.8 million, down 4.2% from the prior quarter and up 3.3% from the prior year period. Diluted earnings per share ("EPS") of \$0.55 was down from \$0.57 for the second quarter of 2022 and up from \$0.52 for the third quarter of 2021.
- Asset sensitivity decreased in the quarter compared to the previous quarter end, as deposit betas increased with rising rates. Deposit beta is defined as the change in deposit costs as a percentage of the change in the federal funds rate over a particular period. Current estimates for parallel rate shocks to the balance sheet, at 100 basis points and 200 basis points, decrease net interest income by approximately \$3.3 million and \$6.7 million, respectively.

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- In a non-parallel rate model, the result is an estimated increase to net interest income of approximately \$1.3 million, or 0.61%, at a 200 basis point move.
- When the entire balance sheet is valued in our models, the economic value of equity increased in the third quarter of 2022, when compared to the prior year quarter.
- Deposit betas increased to 23% on total interest bearing deposits in the third quarter compared to a 3% beta during the previous quarter.
- During the third quarter of 2022, the continued steepening of the yield curve resulted in unrealized losses on available for sale investments of \$161.8 million compared to unrealized losses of \$122.0 million at June 30, 2022. The impact to the tangible capital ratio was a decrease of 3.55% from 6.48% at June 30, 2022 to 6.25% at September 30, 2022.
- The Bank's capital position is still robust with leverage and risk based capital ratios of 9.31% and 14.23%, respectively. The annualized dividend yield was 3.56% as of September 30, 2022.

**Financial Summary**

	For the Three Months Ended		
	September 30, 2022	June 30, 2022	September 30, 2021
<b>Net Interest Income and Net Interest Margin</b>			
Net interest income	\$ 53,395	\$ 53,008	\$ 46,544
Net interest margin	3.13 %	3.19 %	3.17 %
Adjusted net interest margin (See "Use of Non-GAAP Financial Measures")	3.08 %	3.12 %	3.12 %
<b>Asset Yields and Funding Costs</b>			
For the Three Months Ended			
	September 30, 2022	June 30, 2022	September 30, 2021
Interest earning assets	3.68 %	3.46 %	3.46 %
Interest bearing liabilities	0.69 %	0.34 %	0.38 %
<b>Non-interest Income and Mortgage Banking Income</b>			
For the Three Months Ended			
	September 30, 2022	June 30, 2022	September 30, 2021
Total non-interest income	\$ 10,188	\$ 12,434	\$ 16,044
Gain on sale of mortgage loans	1,441	2,501	4,088
Mortgage servicing income net of impairment or recovery	355	319	336
<b>Non-interest Expense</b>			
For the Three Months Ended			
	September 30, 2022	June 30, 2022	September 30, 2021
Total non-interest expense	\$ 38,350	\$ 36,368	\$ 34,349
Annualized non-interest expense to average assets	1.99 %	1.95 %	2.09 %

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Credit Quality	At or for the Three Months Ended		
	September 30, 2022	June 30, 2022	September 30, 2021
Allowance for credit losses to total loans	1.28 %	1.33 %	1.55 %
Non-performing loans to total loans	0.48 %	0.51 %	0.80 %
Percent of net charge-offs to average loans outstanding for the period	0.00 %	0.01 %	0.00 %

Allowance for Credit Losses	September 30, 2022	3Q22	Net Reserve		December 31, 2021
			2Q22	1Q22	
Commercial	\$ 33,806	\$ (996)	\$ (2,987)	\$ (2,986)	\$ 40,775
Retail Mortgage	5,137	715	71	495	3,856
Warehouse	1,024	(43)	12	(4)	1,059
Consumer	11,402	(657)	2,746	717	8,596
Allowance for Credit Losses ("ACL")	<u>\$ 51,369</u>	<u>\$ (981)</u>	<u>\$ (158)</u>	<u>(1,778)</u>	<u>\$ 54,286</u>
ACL/Total Loans	1.28 %				1.51 %

### **Critical Accounting Policies**

The notes to the consolidated financial statements included in Item 8 of the Company's Annual Report on Form 10-K for 2021 contain a summary of the Company's significant accounting policies. Certain of these policies are important to the portrayal of the Company's financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. Management has identified as critical accounting policies the allowance for credit losses, goodwill and intangible assets, mortgage servicing rights, hedge accounting and valuation measurements.

#### Allowance for Credit Losses

The allowance for credit losses represents management's best estimate of current expected credit losses over the life of the portfolio of loan and leases. Estimating credit losses requires judgment in determining loan specific attributes impacting the borrower's ability to repay contractual obligations. Other factors such as economic forecasts used to determine a reasonable and supportable forecast, prepayment assumptions, the value of underlying collateral, and changes in size composition and risks within the portfolio are also considered.

The allowance for credit losses is assessed at each balance sheet date and adjustments are recorded in the provision for credit losses. The allowance is estimated based on loan level characteristics using historical loss rates, a reasonable and supportable economic forecast. Loan losses are estimated using the fair value of collateral for collateral-dependent loans, or when the borrower is experiencing financial difficulty such that repayment of the loan is expected to be made through the operation or sale of the collateral. Loan balances considered uncollectible are charged-off against the ACL. Recoveries of amounts previously charged-off are credited to the ACL. Assets purchased with credit deterioration ("PCD") assets represent assets that are acquired with evidence of more than insignificant credit quality deterioration since origination at the acquisition date. At acquisition, the allowance for credit losses on PCD assets is booked directly the ACL. Any subsequent changes in the ACL on PCD assets is recorded through the provision for credit losses. Management believes that the ACL is adequate to absorb the expected life of loan credit losses on the portfolio of loans and leases as of the balance sheet date. Actual losses incurred may differ materially from our estimates.

#### Goodwill and Intangible Assets

Management believes that the accounting for goodwill and other intangible assets also involves a higher degree of judgment than most other significant accounting policies. FASB ASC 350-10 establishes standards for the amortization of acquired intangible assets and impairment assessment of goodwill. At September 30, 2022, Horizon had core deposit intangibles of \$18.2 million subject to amortization and \$155.2 million of goodwill, which is not subject to amortization. Goodwill arising from business combinations represents the value attributable to unidentifiable intangible assets in the business acquired. Horizon's goodwill relates to the value inherent in the banking industry and that value is dependent upon the ability of Horizon

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to provide quality, cost effective banking services in a competitive marketplace. The goodwill value is supported by revenue that is in part driven by the volume of business transacted. A decrease in earnings resulting from a decline in the customer base or the inability to deliver cost effective services over sustained periods can lead to impairment of goodwill that could adversely affect earnings in future periods. FASB ASC 350-10 requires an annual evaluation of goodwill for impairment.

At each reporting date between annual goodwill impairment tests, Horizon considers potential indicators of impairment. Given the current economic uncertainty and volatility surrounding COVID-19, Horizon assessed whether the events and circumstances resulted in it being more likely than not that the fair value of any reporting unit was less than its carrying value. Impairment indicators considered comprised the condition of the economy and banking industry; government intervention and regulatory updates; the impact of recent events to financial performance and cost factors of the reporting unit; performance of the Company's stock and other relevant events. Horizon further considered the amount by which fair value exceeded book value in the most recent quantitative analysis and stress testing performed. At the conclusion of the most recent qualitative assessment, the Company determined that as of September 30, 2022, it was more likely than not that the fair value exceeded its carrying values. Horizon will continue to monitor developments regarding the COVID-19 pandemic and measures implemented in response to the pandemic, market capitalization, overall economic conditions and any other triggering events or circumstances that may indicate an impairment of goodwill in the future.

Mortgage Servicing Rights

Servicing assets are recognized as separate assets when rights are acquired through purchase or through the sale of financial assets on a servicing-retained basis. Capitalized servicing rights are amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Servicing assets are evaluated regularly for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is determined by stratifying servicing rights by predominant characteristics, such as interest rates, original loan terms and whether the loans are fixed or adjustable rate mortgages. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. When the book value of an individual stratum exceeds its fair value, an impairment reserve is recognized so that each individual stratum is carried at the lower of its amortized book value or fair value. In periods of falling market interest rates, accelerated loan prepayment can adversely affect the fair value of these mortgage-servicing rights relative to their book value. In the event that the fair value of these assets was to increase in the future, Horizon can recognize the increased fair value to the extent of the impairment allowance but cannot recognize an asset in excess of its amortized book value. Future changes in management's assessment of the impairment of these servicing assets, as a result of changes in observable market data relating to market interest rates, loan prepayment speeds, and other factors, could impact Horizon's financial condition and results of operations either positively or negatively.

Generally, when market interest rates decline and other factors favorable to prepayments occur, there is a corresponding increase in prepayments as customers refinance existing mortgages under more favorable interest rate terms. When a mortgage loan is prepaid, the anticipated cash flows associated with servicing that loan are terminated, resulting in a reduction of the fair value of the capitalized mortgage servicing rights. To the extent that actual borrower prepayments do not react as anticipated by the prepayment model (i.e., the historical data observed in the model does not correspond to actual market activity), it is possible that the prepayment model could fail to accurately predict mortgage prepayments and could result in significant earnings volatility. To estimate prepayment speeds, Horizon utilizes a third-party prepayment model, which is based upon statistically derived data linked to certain key principal indicators involving historical borrower prepayment activity associated with mortgage loans in the secondary market, current market interest rates and other factors, including Horizon's own historical prepayment experience. For purposes of model valuation, estimates are made for each product type within the mortgage servicing rights portfolio on a monthly basis. In addition, on a quarterly basis Horizon engages a third party to independently test the value of its servicing asset.

Derivative Instruments

As part of the Company's asset/liability management program, Horizon utilizes, from time-to-time, interest rate floors, caps or swaps to reduce the Company's sensitivity to interest rate fluctuations. These are derivative instruments, which are recorded as assets or liabilities in the consolidated balance sheets at fair value. Changes in the fair values of derivatives are reported in the consolidated income statements or other comprehensive income ("OCI") depending on the use of the derivative and whether the instrument qualifies for hedge accounting. The key criterion for the hedge accounting is that the hedged relationship must be highly effective in achieving offsetting changes in those cash flows that are attributable to the

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hedged risk, both at inception of the hedge and on an ongoing basis.

Horizon's accounting policies related to derivatives reflect the guidance in FASB ASC 815–10. Derivatives that qualify for the hedge accounting treatment are designated as either: a hedge of the fair value of the recognized asset or liability or of an unrecognized firm commitment (a fair value hedge) or a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (a cash flow hedge). For fair value hedges, the cumulative change in fair value of both the hedge instruments and the underlying loans is recorded in non-interest income. For cash flow hedges, changes in the fair values of the derivative instruments are reported in OCI to the extent the hedge is effective. The gains and losses on derivative instruments that are reported in OCI are reflected in the consolidated income statement in the periods in which the results of operations are impacted by the variability of the cash flows of the hedged item. Generally, net interest income is increased or decreased by amounts receivable or payable with respect to the derivatives, which qualify for hedge accounting. At inception of the hedge, Horizon establishes the method it uses for assessing the effectiveness of the hedging derivative and the measurement approach for determining the ineffective aspect of the hedge. The ineffective portion of the hedge, if any, is recognized currently in the consolidated statements of income. Horizon excludes the time value expiration of the hedge when measuring ineffectiveness.

**Valuation Measurements**

Valuation methodologies often involve a significant degree of judgment, particularly when there are no observable active markets for the items being valued. Investment securities, residential mortgage loans held for sale and derivatives are carried at fair value, as defined in FASB ASC 820, which requires key judgments affecting how fair value for such assets and liabilities is determined. In addition, the outcomes of valuations have a direct bearing on the carrying amounts of goodwill, mortgage servicing rights, and pension and other post-retirement benefit obligations. To determine the values of these assets and liabilities, as well as the extent, to which related assets may be impaired, management makes assumptions and estimates related to discount rates, asset returns, prepayment speeds and other factors. The use of different discount rates or other valuation assumptions could produce significantly different results, which could affect Horizon's results of operations.

**Financial Condition**

On September 30, 2022, Horizon's total assets were \$7.7 billion, an increase of approximately \$306.8 million compared to December 31, 2021. The increase in total assets was primarily in investments held to maturity of \$479.1 million purchased and growth in net loans of \$370.5 million. These increases were offset by decreases in cash and due from banks of \$483.8 million used to fund the growth and investments available for sale of \$175.2 million primarily due to unrealized losses.

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Investment securities were comprised of the following as of (dollars in thousands):

	September 30, 2022		December 31, 2021	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<b>Available for sale</b>				
U.S. Treasury and federal agencies	\$ 293,974	\$ 266,254	\$ 118,595	\$ 116,979
State and municipal	505,975	415,246	632,652	639,746
Federal agency collateralized mortgage obligations	36,269	34,624	60,600	61,577
Federal agency mortgage-backed pools	226,785	194,641	257,185	257,691
Corporate notes	84,464	74,890	84,579	84,819
Total available for sale investment securities	<u>\$ 1,147,467</u>	<u>\$ 985,655</u>	<u>\$ 1,153,611</u>	<u>\$ 1,160,812</u>
<b>Held to maturity</b>				
U.S. Treasury and federal agencies	\$ 295,363	\$ 248,008	\$ 195,429	\$ 194,226
State and municipal	1,128,034	885,903	862,461	878,917
Federal agency collateralized mortgage obligations	57,972	49,680	48,482	47,465
Federal agency mortgage-backed pools	349,875	292,516	247,937	244,136
Private labeled mortgage-backed pools	36,171	30,767	40,447	40,005
Corporate notes	164,121	133,715	157,687	155,242
Total held to maturity investment securities	<u>\$ 2,031,536</u>	<u>\$ 1,640,589</u>	<u>\$ 1,552,443</u>	<u>\$ 1,559,991</u>

Investment securities available for sale decreased \$175.2 million since December 31, 2021 to \$985.7 million as of September 30, 2022 primarily due to unrealized losses and investment securities held to maturity increased \$479.1 million since December 31, 2021 to \$2.0 billion as of September 30, 2022. This increase in investments held to maturity was due to additional purchases to increase earning assets.

Net loans increased \$370.5 million since December 31, 2021 to \$4.0 billion as of September 30, 2022. Commercial loans, excluding PPP loans and sold commercial participation loans, increased \$220.8 million, consumer loans increased \$172.6 million and residential mortgage loans increased \$40.5 million since December 31, 2021. These increases were offset by decreases in mortgage warehouse loans of \$35.3 million, PPP loans of \$25.5 million, loans held for sale of \$10.7 million and sold commercial participation loans of \$5.5 million since December 31, 2021.

Other assets increased \$77.6 million since December 31, 2021 to \$158.4 million as of September 30, 2022. This increase was primarily due to an increase in deferred tax assets related to the level of unrealized losses on available for sale securities of approximately \$35.4 million and an increase in the unrealized gain of fair value hedges of approximately \$31.1 million.

Total deposits increased \$27.8 million since December 31, 2021 to \$5.8 billion as of September 30, 2022, from organic growth.

Total borrowings increased to \$1.0 billion as of September 30, 2022 from \$712.7 million as of December 31, 2021. At September 30, 2022, the Company had \$871.6 million in short-term funds borrowed compared to \$180.8 million at December 31, 2021.

Stockholders' equity totaled \$645.0 million at September 30, 2022 compared to \$723.2 million at December 31, 2021. The decrease in stockholders' equity during the period was primarily due to a decrease in accumulated other comprehensive income of \$130.5 million as unrealized losses on available for sale securities totaled \$161.8 million and the amount of dividends paid during the quarter, offset by the generation of net income. Book value per common share at September 30, 2022 decreased to \$14.80 compared to \$15.10 at December 31, 2021.

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**Results of Operations**

Overview

Consolidated net income for the three-month period ended September 30, 2022 was \$23.8 million, or \$0.55 diluted earnings per share, compared to \$23.1 million, or \$0.52 diluted earnings per share for the same period in 2021. The increase in net income for the three-month period ended September 30, 2022 when compared to the same prior year period reflects an increase in net interest income of \$6.9 million, a decrease in credit loss expense of \$1.7 million and a decrease in income tax expense of \$2.0 million, offset by an increase in non-interest expense of \$4.0 million and a decrease in non-interest income of \$5.9 million.

Consolidated net income for the nine-month period ended September 30, 2022 was \$72.2 million, or \$1.65 diluted earnings per share, compared to \$65.7 million, or \$1.49 diluted earnings per share for the same period in 2021. The increase in net income for the nine-month period ended September 30, 2022 when compared to the same prior year period reflects an increase in net interest income of \$22.9 million, a decrease in credit loss expense of \$1.7 million and a decrease in income tax expense of \$1.7 million, offset by an increase in non-interest expense of \$11.4 million and a decrease in non-interest income of \$8.3 million.

Net Interest Income

The largest component of net income is net interest income. Net interest income is the difference between interest income, principally from loans and investment securities, less interest expense, principally on deposits and borrowings. Changes in the net interest income are the result of changes in volume and the net interest spread, which affects the net interest margin. Volume refers to the average dollar levels of interest earning assets and interest bearing liabilities. Net interest spread refers to the difference between the average yield on interest earning assets and the average cost of interest bearing liabilities. Net interest margin refers to net interest income divided by average interest earning assets and is influenced by the level and relative mix of interest earning assets and interest bearing liabilities.

Net interest income during the three months ended September 30, 2022 was \$53.4 million, an increase of \$6.9 million from the \$46.5 million earned during the same period in 2021. Yields on the Company's interest earning assets increased by 22 basis points to 3.68% for the three months ended September 30, 2022 from 3.46% for the three months ended September 30, 2021. Interest income increased \$12.2 million from \$50.9 million for the three months ended September 30, 2021 to \$63.0 million for the same period in 2022. The increase in interest income was due to an increase in average balances of interest earning assets of \$1.0 billion during the three months ended September 30, 2022. Interest income from acquisition-related purchase accounting adjustments was \$906,000 for the three months ended September 30, 2022 compared to \$875,000 for the same period of 2021.

Rates paid on interest bearing liabilities increased by 31 basis points for the three-month period ended September 30, 2022 compared to the same period in 2021. Interest expense increased \$5.3 million when compared to the three-month period ended September 30, 2021 to \$9.6 million for the same period in 2022. This increase was due to higher rates paid on deposits and borrowings. The cost of average interest bearing deposits increased 17 basis points while the cost of average borrowings increased 96 basis points. Average balances of interest bearing deposits increased \$647.1 million and average balances of borrowings increased \$341.3 million for the three-month period ended September 30, 2022 when compared to the same period in 2021.

The net interest margin decreased four basis points from 3.17% for the three-month period ended September 30, 2021 to 3.13% for the same period in 2022. The decrease in the margin for the three-month period ended September 30, 2022 compared to the same period in 2021 was due to an increase in the cost of interest bearing liabilities, offset by a increase in the yield on interest earning assets. Excluding the interest income recognized from the acquisition-related purchase accounting adjustments ("adjusted net interest margin"), the margin would have been 3.08% for the three-month period ended September 30, 2022 compared to 3.12% for the same period in 2021.

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The following are the average balance sheets for the three months ended (dollars in thousands):

<b>Average Balance Sheets</b>						
(Dollar Amount in Thousands, Unaudited)						
	<b>Three Months Ended</b>			<b>Three Months Ended</b>		
	<b>September 30, 2022</b>			<b>September 30, 2021</b>		
	<b>Average</b>		<b>Average</b>	<b>Average</b>		<b>Average</b>
	<b>Balance</b>	<b>Interest</b>	<b>Rate</b>	<b>Balance</b>	<b>Interest</b>	<b>Rate</b>
<b>Assets</b>						
Interest earning assets						
Federal funds sold	\$ 4,201	\$ 24	2.27 %	\$ 310,180	\$ 119	0.15 %
Interest earning deposits	9,994	41	1.63 %	26,352	39	0.59 %
Investment securities – taxable	1,728,197	8,436	1.94 %	1,063,177	4,407	1.64 %
Investment securities – non-taxable <sup>(1)</sup>	1,384,249	7,478	2.71 %	1,108,503	5,911	2.68 %
Loans receivable <sup>(2) (3)</sup>	3,910,889	47,051	4.79 %	3,524,876	40,392	4.56 %
Total interest earning assets	7,037,530	63,030	3.68 %	6,033,088	50,868	3.46 %
Non-interest earning assets						
Cash and due from banks	99,221			87,799		
Allowance for credit losses	(52,303)			(55,703)		
Other assets	550,654			442,489		
Total average assets	<u>\$ 7,635,102</u>			<u>\$ 6,507,673</u>		
<b>Liabilities and Stockholders' Equity</b>						
Interest bearing liabilities						
Interest bearing deposits	\$ 4,478,741	\$ 4,116	0.36 %	\$ 3,831,632	\$ 1,808	0.19 %
Borrowings	813,873	3,756	1.83 %	472,551	1,035	0.87 %
Repurchase agreements	141,283	139	0.39 %	125,776	40	0.13 %
Subordinated notes	58,836	880	5.93 %	58,689	880	5.95 %
Junior subordinated debentures issued to capital trusts	56,928	744	5.19 %	56,684	561	3.93 %
Total interest bearing liabilities	5,549,661	9,635	0.69 %	4,545,332	4,324	0.38 %
Non-interest bearing liabilities						
Demand deposits	1,351,857			1,180,890		
Accrued interest payable and other liabilities	53,208			57,039		
Stockholders' equity	680,376			724,412		
Total average liabilities and stockholders' equity	<u>\$ 7,635,102</u>			<u>\$ 6,507,673</u>		
Net interest income/spread						
		<u>\$ 53,395</u>	2.99 %		<u>\$ 46,544</u>	3.08 %
Net interest income as a percent of average interest earning assets <sup>(1)</sup>						
			3.13 %			3.17 %

<sup>(1)</sup> Securities balances represent daily average balances for the fair value of securities. The average rate is calculated based on the daily average balance for the amortized cost of securities. The average rate is presented on a tax equivalent basis.

<sup>(2)</sup> Includes fees on loans. The inclusion of loan fees does not have a material effect on the average interest rate.

<sup>(3)</sup> Non-accruing loans for the purpose of the computation above are included in the daily average loan amounts outstanding. Loan totals are shown net of unearned income and deferred loan fees. The average rate is presented on a tax equivalent basis.

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Net interest income during the nine months ended September 30, 2022 was \$154.6 million, an increase of \$22.9 million from the \$131.7 million earned during the same period in 2021. Yields on the Company's interest earning assets decreased by 8 basis points to 3.45% for the nine months ended September 30, 2022 from 3.53% for the nine months ended September 30, 2021. Interest income increased \$26.8 million from \$145.9 million for the nine months ended September 30, 2021 to \$172.7 million for the same period in 2022. The increase in interest income was due to an increase in average balances of interest earning assets of \$1.2 billion during the nine months ended September 30, 2022. Interest income from acquisition-related purchase accounting adjustments was \$3.0 million for the nine months ended September 30, 2022 compared to \$2.7 million for the same period of 2021.

Rates paid on interest bearing liabilities increased by one basis points for the nine-month period ended September 30, 2022 compared to the same period in 2021. Interest expense increased \$3.9 million when compared to the nine-month period ended September 30, 2021 to \$18.1 million for the same period in 2022. This increase was due to higher rates paid on borrowings. The cost of average borrowings increased 9 basis points. Average balances of interest bearing deposits increased \$819.5 million and average balances of borrowings increased \$253.4 million for the nine-month period ended September 30, 2022 when compared to the same period in 2021.

The net interest margin decreased 17 basis points from 3.20% for the nine-month period ended September 30, 2021 to 3.03% for the same period in 2022. The decrease in the margin for the nine-month period ended September 30, 2022 compared to the same period in 2021 was due to a decrease in the yield on interest earning assets in addition to a slight increase in the cost of interest bearing liabilities. Excluding the interest income recognized from the acquisition-related purchase accounting adjustments ("adjusted net interest margin"), the margin would have been 2.97% for the nine-month period ended September 30, 2022 compared to 3.14% for the same period in 2021.

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The following are the average balance sheets for the nine months ended (dollars in thousands):

	<b>Average Balance Sheets</b>					
	(Dollar Amount in Thousands, Unaudited)					
	<b>Nine Months Ended September 30, 2022</b>			<b>Nine Months Ended September 30, 2021</b>		
	<b>Average Balance</b>	<b>Interest</b>	<b>Average Rate</b>	<b>Average Balance</b>	<b>Interest</b>	<b>Average Rate</b>
<b>Assets</b>						
Interest earning assets						
Federal funds sold	\$ 82,667	\$ 131	0.21 %	\$ 312,359	\$ 284	0.12 %
Interest earning deposits	15,404	93	0.81 %	27,157	128	0.63 %
Investment securities – taxable	1,715,478	24,499	1.91 %	708,519	8,229	1.55 %
Investment securities – non-taxable <sup>(1)</sup>	1,346,173	21,482	2.70 %	1,040,447	16,790	2.73 %
Loans receivable <sup>(2) (3)</sup>	3,763,502	126,479	4.51 %	3,624,393	120,446	4.46 %
Total interest earning assets	6,923,224	172,684	3.45 %	5,712,875	145,877	3.53 %
Non-interest earning assets						
Cash and due from banks	100,067			85,855		
Allowance for credit losses	(53,038)			(56,885)		
Other assets	503,281			455,181		
Total average assets	<u>\$ 7,473,534</u>			<u>\$ 6,197,026</u>		
<b>Liabilities and Stockholders' Equity</b>						
Interest bearing liabilities						
Interest bearing deposits	\$ 4,499,441	\$ 7,289	0.22 %	\$ 3,679,970	\$ 6,204	0.23 %
Borrowings	644,803	6,209	1.29 %	391,373	3,522	1.20 %
Repurchase agreements	140,837	216	0.21 %	118,891	118	0.13 %
Subordinated notes	58,800	2,641	6.01 %	58,653	2,641	6.02 %
Junior subordinated debentures issued to capital trusts	56,869	1,755	4.13 %	56,628	1,678	3.96 %
Total interest bearing liabilities	5,400,750	18,110	0.45 %	4,305,515	14,163	0.44 %
Non-interest bearing liabilities						
Demand deposits	1,336,912			1,128,173		
Accrued interest payable and other liabilities	44,343			53,751		
Stockholders' equity	691,529			709,587		
Total average liabilities and stockholders' equity	<u>\$ 7,473,534</u>			<u>\$ 6,197,026</u>		
Net interest income/spread		<u>\$ 154,574</u>	3.00 %		<u>\$ 131,714</u>	3.09 %
Net interest income as a percent of average interest earning assets <sup>(1)</sup>			3.03 %			3.20 %

<sup>(1)</sup> Securities balances represent daily average balances for the fair value of securities. The average rate is calculated based on the daily average balance for the amortized cost of securities. The average rate is presented on a tax equivalent basis.

<sup>(2)</sup> Includes fees on loans. The inclusion of loan fees does not have a material effect on the average interest rate.

<sup>(3)</sup> Non-accruing loans for the purpose of the computation above are included in the daily average loan amounts outstanding. Loan totals are shown net of unearned income and deferred loan fees. The average rate is presented on a tax equivalent basis.

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Rate/Volume Analysis

The following table illustrates the impact of changes in the volume of interest earning assets and interest bearing liabilities and interest rates on net interest income for the periods indicated.

	Three Months Ended September 30, 2022 vs. Three Months Ended September 30, 2021			Nine Months Ended September 30, 2022 vs. Nine Months Ended September 30, 2021		
	Total Change	Change Due to Volume	Change Due to Rate	Total Change	Change Due to Volume	Change Due to Rate
<b>Interest Income</b>						
Federal funds sold	\$ (95)	\$ (882)	\$ 787	\$ (153)	\$ (379)	\$ 226
Interest earning deposits	2	(142)	144	(35)	(87)	52
Investment securities – taxable	4,029	12,436	(8,407)	16,270	18,719	(2,449)
Investment securities – non-taxable	1,567	7,477	(5,910)	4,692	8,259	(3,567)
Loans receivable	6,659	18,211	(11,552)	6,033	6,258	(225)
<b>Total interest income</b>	<b>\$ 12,162</b>	<b>\$ 37,100</b>	<b>\$ (24,938)</b>	<b>\$ 26,807</b>	<b>\$ 32,770</b>	<b>\$ (5,963)</b>
<b>Interest Expense</b>						
Interest bearing deposits	\$ 2,308	\$ 1,405	\$ 903	\$ 1,085	\$ 1,798	\$ (713)
Borrowings	2,721	5,652	(2,931)	2,687	3,241	(554)
Repurchase agreements	99	22	77	98	33	65
Subordinated notes	—	9	(9)	—	9	(9)
Junior subordinated debentures issued to capital trusts	183	10	173	77	10	67
<b>Total interest expense</b>	<b>5,311</b>	<b>7,098</b>	<b>(1,787)</b>	<b>3,947</b>	<b>5,091</b>	<b>(1,144)</b>
<b>Net Interest Income</b>	<b>\$ 6,851</b>	<b>\$ 30,002</b>	<b>\$ (23,151)</b>	<b>\$ 22,860</b>	<b>\$ 27,679</b>	<b>\$ (4,819)</b>

Credit Loss Expense

Horizon assesses the adequacy of its Allowance for Credit Losses (“ACL”) by regularly reviewing the performance of its loan portfolio. During the three-month period ended September 30, 2022, credit loss recovery totaled \$601,000 compared to a credit loss expense of \$1.1 million for the same period of 2021. During the three-month period ended September 30, 2022, commercial loan net charge-offs were \$51,000, residential mortgage loan net recoveries were \$75,000 and consumer loan net charge-offs were \$162,000.

During the nine-month period ended September 30, 2022, credit loss expense totaled a recovery of \$1.7 million compared to a credit loss recovery of \$13,000 for the same period of 2021. During the nine-month period ended September 30, 2022, commercial loan net charge-offs were \$14,000, residential mortgage loan net recoveries were \$45,000 and consumer loan net charge-offs were \$589,000.

The ACL balance at September 30, 2022 was \$51.4 million, or 1.28% of total loans compared to an ACL balance of \$54.3 million at December 31, 2021 or 1.51% of total loans. The decrease in the ACL to total loans ratio was primarily due to favorable asset quality with non-performing loans at 0.48% of total loans at period end and net charge-offs to average loans represented 0.00% for the third quarter of 2022.

As of September 30, 2022, non-performing loans totaled \$19.2 million, reflecting a \$139,000 increase from \$19.0 million in non-performing loans as of December 31, 2021. Non-performing commercial loans decreased by \$310,000, non-performing real estate loans increased by \$42,000 and non-performing consumer loans increased by \$407,000 at September 30, 2022 compared to December 31, 2021.

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Other Real Estate Owned ("OREO") and repossessed assets totaled \$3.2 million at September 30, 2022 compared to \$1.5 million at December 31, 2021. The increase was primarily due to several former branch locations totaling \$1.5 million being moved to OREO during the third quarter after being closed.

**Non-interest Income**

The following is a summary of changes in non-interest income for the three months ended September 30, 2022 and 2021 (table dollar amounts in thousands):

	Three Months Ended September 30,		Amount Change	Percent Change
	2022	2021		
<b>Non-interest Income</b>				
Service charges on deposit accounts	\$ 3,023	\$ 2,291	\$ 732	32.0 %
Wire transfer fees	148	210	(62)	(29.5)%
Interchange fees	3,089	2,587	502	19.4 %
Fiduciary activities	1,203	2,124	(921)	(43.4)%
Gain on sale of mortgage loans	1,441	4,088	(2,647)	(64.8)%
Mortgage servicing net of impairment	355	336	19	5.7 %
Increase in cash surrender value of bank owned life insurance	814	534	280	52.4 %
Death benefit on bank owned life insurance	—	517	(517)	0.0 %
Other income	115	3,357	(3,242)	(96.6)%
<b>Total non-interest income</b>	<b>\$ 10,188</b>	<b>\$ 16,044</b>	<b>\$ (5,856)</b>	<b>(36.5)%</b>

Total non-interest income was \$5.9 million lower during the third quarter of 2022 compared to the same period of 2021. Residential mortgage loan activity during the third quarter of 2022 generated \$1.4 million of income from the gain on sale of mortgage loans, down from \$4.1 million for the same period in 2021 due to a lower volume of loans sold and a decrease in the percentage gain on loans sold. Other income was \$3.2 million lower during the third quarter of 2022 compared to the same period of 2021. This decrease was primarily due to the gain on sale of ESOP trustee accounts totaling \$2.3 million and the recovery of \$876,000 from an acquired charged-off loan recorded during the third quarter of 2021. Fiduciary activities income was \$921,000 lower during the third quarter of 2022 compared to the same period of 2021 primarily due to rapidly rising interest rates during the most recent quarter. Service charges on deposit accounts and interchange fees increased \$732,000 and \$502,000, respectively, when comparing the third quarter of 2022 to the same period of 2021 primarily due to the deposits acquired with the branch acquisition completed during the third quarter of 2021.

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	Nine Months Ended		Amount Change	Percent Change
	September 30,			
	2022	2021		
<b>Non-interest Income</b>				
Service charges on deposit accounts	\$ 8,651	\$ 6,682	\$ 1,969	29.5 %
Wire transfer fees	477	687	(210)	(30.6)%
Interchange fees	9,451	7,819	1,632	20.9 %
Fiduciary activities	4,111	5,828	(1,717)	(29.5)%
Gain on sale of investment securities	—	914	(914)	(100.0)%
Gain on sale of mortgage loans	5,969	14,996	(9,027)	(60.2)%
Mortgage servicing net of impairment	4,163	2,052	2,111	102.9 %
Increase in cash surrender value of bank owned life insurance	1,843	1,547	296	19.1 %
Death benefit on bank owned life insurance	644	783	(139)	(17.8)%
Other income	1,468	3,816	(2,348)	(61.5)%
<b>Total non-interest income</b>	<b>\$ 36,777</b>	<b>\$ 45,124</b>	<b>\$ (8,347)</b>	<b>(18.5)%</b>

Total non-interest income was \$8.3 million lower for the nine-month period ended September 30, 2022 compared to the same period of 2021. Residential mortgage loan activity for the nine-month period ended September 30, 2022 generated \$6.0 million of income from the gain on sale of mortgage loans, down from \$15.0 million for the same period in 2021 due to a lower volume of loans sold and a decrease in the percentage gain on loans sold. Other income was \$2.3 million lower during the nine-month period ended September 30, 2022 compared to the same period of 2021. This decrease was primarily due to the gain on sale of ESOP trustee accounts totaling \$2.3 million recorded during 2021. Fiduciary activities income was \$1.7 million lower during the nine-month period ended September 30, 2022 compared to the same period of 2021 primarily due to rapidly rising interest rates during the current year. Mortgage servicing income, net of impairment or recovery, increased \$2.1 million for the nine-month period ended September 30, 2022 compared to the same period of 2021 due to an impairment recovery of \$2.6 million recorded for the nine-month period ended September 30, 2022 as mortgage pre-payment speeds slowed. Service charges on deposit accounts and interchange fees increased \$2.0 million and \$1.6 million, respectively, when comparing the nine-month period ended September 30, 2022 to the same period of 2021 primarily due to the deposits acquired with the branch acquisition completed during the third quarter of 2021.

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Non-interest Expense

The following is a summary of changes in non-interest expense for the three months ended September 30, 2022 and 2021 (table dollar amounts in thousands):

	Three Months Ended							
	September 30, 2022			September 30, 2021			Adjusted	
	Actual	Acquisition Expenses	Adjusted	Actual	Acquisition Expenses	Adjusted	Amount Change	Percent Change
<b>Non-interest Expense</b>								
Salaries and employee benefits	\$ 20,613	\$ —	\$ 20,613	\$ 18,901	\$ (25)	\$ 18,876	\$ 1,737	9.2 %
Net occupancy expenses	3,293	—	3,293	2,935	(13)	2,922	371	12.7 %
Data processing	2,539	—	2,539	2,526	(17)	2,509	30	1.2 %
Professional fees	552	—	552	522	(53)	469	83	17.7 %
Outside services and consultants	2,855	—	2,855	2,330	(401)	1,929	926	48.0 %
Loan expense	2,926	—	2,926	2,645	—	2,645	281	10.6 %
FDIC deposit insurance	670	—	670	279	—	279	391	140.1 %
Other losses	398	—	398	69	(1)	68	330	485.3 %
Other expenses	4,504	—	4,504	4,142	(289)	3,853	651	16.9 %
<b>Total non-interest expense</b>	<b>\$ 38,350</b>	<b>\$ —</b>	<b>\$ 38,350</b>	<b>\$ 34,349</b>	<b>\$ (799)</b>	<b>\$ 33,550</b>	<b>\$ 4,800</b>	<b>14.3 %</b>
<b>Annualized Non-interest Exp. to Avg. Assets</b>	1.99 %		1.99 %	2.09 %		2.05 %		

Total non-interest expense was \$4.0 million higher for the third quarter of 2022 when compared to the third quarter of 2021. The increases in expenses was primarily due to an increase in salaries and employee benefits of \$1.7 million and an increase in outside services and consultants expense of \$525,000, as well as increases in net occupancy expenses due to additional employees hired and branch locations acquired as a result of the 2021 branch acquisition, FDIC insurance expense, other expense due to the amortization of the intangible assets from the solar tax credits and other losses.

Annualized non-interest expense as a percent of average assets was 1.99% and 2.09% for the three months ended September 30, 2022 and 2021, respectively. Annualized non-interest expense, excluding acquisition expenses, as a percentage of average assets was 1.99% and 2.05% for the three months ended September 30, 2022 and 2021, respectively.

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The following is a summary of changes in non-interest expense for the nine months ended September 30, 2022 and 2021 (table dollar amounts in thousands):

	Nine Months Ended							
	September 30, 2022			September 30, 2021			Adjusted	
	Actual	Acquisition Expenses	Adjusted	Actual	Acquisition Expenses	Adjusted	Amount Change	Percent Change
<b>Non-interest Expense</b>								
Salaries and employee benefits	\$ 60,305	\$ —	\$ 60,305	\$ 53,502	\$ (25)	\$ 53,477	\$ 6,828	12.8 %
Net occupancy expenses	10,044	—	10,044	9,337	(13)	9,324	720	7.7 %
Data processing	7,683	—	7,683	7,290	(17)	7,273	410	5.6 %
Professional fees	1,149	—	1,149	1,654	(104)	1,550	(401)	(25.9)%
Outside services and consultants	7,865	—	7,865	6,252	(588)	5,664	2,201	38.9 %
Loan expense	7,968	—	7,968	8,574	—	8,574	(606)	(7.1)%
FDIC deposit insurance	2,170	—	2,170	1,579	—	1,579	591	37.4 %
Other losses	928	—	928	358	(1)	357	571	159.9 %
Other expenses	13,216	—	13,216	11,363	(293)	11,070	2,146	19.4 %
<b>Total non-interest expense</b>	<b>\$ 111,328</b>	<b>\$ —</b>	<b>\$ 111,328</b>	<b>\$ 99,909</b>	<b>\$ (1,041)</b>	<b>\$ 98,868</b>	<b>\$ 12,460</b>	<b>12.6 %</b>
<b>Annualized Non-interest Exp. to Avg. Assets</b>	1.99 %		1.99 %		2.16 %		2.13 %	

Total non-interest expense was \$11.4 million higher in the first nine months of 2022 when compared to the first nine months of 2021. The increase was primarily due to higher salaries and employee benefits of \$6.8 million due to additional employees hired as a result of the 2021 branch acquisition, higher other expense of \$1.9 million, higher outside services and consultants expense of \$1.6 million, and was partially offset by a decrease of \$606,000 in loan expense and a decrease of \$505,000 in professional fees.

Annualized non-interest expense as a percent of average assets was 1.99% and 2.16% for the nine months ended September 30, 2022 and 2021, respectively. Annualized non-interest expense, excluding acquisition expenses, as a percentage of average assets was 1.99% and 2.13% for the nine months ended September 30, 2022 and 2021, respectively.

#### Income Taxes

Income tax expense totaled \$2.0 million for the third quarter of 2022, a decrease of \$2.0 million when compared to the second quarter of 2022 and a decrease of \$2.0 million when compared to the third quarter of 2021 due to the recognition of solar tax credits as projects were put into service during the quarter, which reduced the effective tax rate to 7.8%.

Income tax expense totaled \$9.5 million for the nine months ended September 30, 2022, a decrease of \$1.7 million when compared to the nine months ended September 30, 2021.

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***Liquidity***

The Bank maintains a stable base of core deposits provided by long-standing relationships with individuals and local businesses. These deposits are the principal source of liquidity for Horizon. Other sources of liquidity for Horizon include earnings, loan repayment, investment security sales and maturities, proceeds from the sale of residential mortgage loans, unpledged investment securities and borrowing relationships with correspondent banks, including the FHLB. At September 30, 2022, in addition to liquidity available from the normal operating, funding, and investing activities of Horizon, the Bank had approximately \$917.6 million in unused credit lines with various money center banks, including the FHLB and the FRB Discount Window compared to \$672.7 million at December 31, 2021. The Bank had approximately \$2.2 billion of unpledged investment securities at September 30, 2022 compared to \$2.0 billion at December 31, 2021.

***Capital Resources***

The capital resources of Horizon and the Bank exceeded regulatory capital ratios for "well capitalized" banks at September 30, 2022. Stockholders' equity totaled \$645.0 million as of September 30, 2022, compared to \$723.2 million as of December 31, 2021. For the nine months ended September 30, 2022, the ratio of average stockholders' equity to average assets was 8.91% compared to 10.93% for the twelve months ended December 31, 2021. The decrease in stockholders' equity during the period was due to a decrease in accumulated other comprehensive income of \$30.1 million and the amount of dividends paid, offset by net income recorded during the period.

Horizon declared common stock dividends in the amount of \$0.47 per share during the first nine months of 2022 and \$0.41 per share for the same period of 2021. The dividend payout ratio (dividends as a percent of basic earnings per share) was 28.3% and 27.3% for the first nine months of 2022 and 2021, respectively. For additional information regarding dividends, see Horizon's Annual Report on Form 10-K for 2021.

***Use of Non-GAAP Financial Measures***

Certain information set forth in this quarterly report on Form 10-Q refers to financial measures determined by methods other than in accordance with GAAP. Specifically, we have included non-GAAP financial measures relating to net income, diluted earnings per share, net interest margin, tangible stockholders' equity, tangible book value per share, efficiency ratio, the return on average assets, the return on average common equity, the return on average tangible equity and pre-tax pre-provision net income. In each case, we have identified special circumstances that we consider to be adjustments and have excluded them, to show the impact of such events as acquisition-related purchase accounting adjustments, among others we have identified in our reconciliations. Horizon believes that these non-GAAP financial measures are helpful to investors and provide a greater understanding of our business and financial results without giving effect to the purchase accounting impacts and other adjustments. These measures are not necessarily comparable to similar measures that may be presented by other companies and should not be considered in isolation or as a substitute for the related GAAP measure. See the tables and other information below and contained elsewhere in this Report on Form 10-Q for reconciliations of the non-GAAP figures identified herein and their most comparable GAAP measures.

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	<b>Non-GAAP Reconciliation of Net Income</b>							
	(Dollars in Thousands, Unaudited)							
	<b>Three Months Ended</b>				<b>Nine Months Ended</b>			
	<b>September 30,</b>	<b>June 30,</b>	<b>March 31,</b>	<b>December 31,</b>	<b>September 30,</b>	<b>September 30,</b>	<b>September 30,</b>	<b>September 30,</b>
	<b>2022</b>	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
Net income as reported	\$ 23,821	\$ 24,859	\$ 23,563	\$ 21,425	\$ 23,071	\$ 72,243	\$ 65,666	
Acquisition expenses	—	—	—	884	799	—	1,041	
Tax effect	—	—	—	(184)	(166)	—	(217)	
Net income excluding acquisition expenses	23,821	24,859	23,563	22,125	23,704	72,243	66,490	
Credit loss expense acquired loans	—	—	—	—	2,034	—	2,034	
Tax effect	—	—	—	—	(427)	—	(427)	
Net income excluding credit loss expense acquired loans	23,821	24,859	23,563	22,125	25,311	72,243	68,097	
Gain on sale of ESOP trustee accounts	—	—	—	—	(2,329)	—	(2,329)	
Tax effect	—	—	—	—	489	—	489	
Net income excluding gain on sale of ESOP trustee accounts	23,821	24,859	23,563	22,125	23,471	72,243	66,257	
DOL ESOP settlement expenses	—	—	—	1,900	—	—	—	
Tax effect	—	—	—	(315)	—	—	—	
Net income excluding DOL ESOP settlement expenses	23,821	24,859	23,563	23,710	23,471	72,243	66,257	
(Gain)/loss on sale of investment securities	—	—	—	—	—	—	(914)	
Tax effect	—	—	—	—	—	—	192	
Net income excluding (gain)/loss on sale of investment securities	23,821	24,859	23,563	23,710	23,471	72,243	65,535	
Death benefit on bank owned life insurance ("BOLI")	—	(644)	—	—	(517)	(644)	(783)	
Net income excluding death benefit on BOLI	23,821	24,215	23,563	23,710	22,954	71,599	64,752	
Prepayment penalties on borrowings	—	—	—	—	—	—	125	
Tax effect	—	—	—	—	—	—	(26)	
Net income excluding prepayment penalties on borrowings	23,821	24,215	23,563	23,710	22,954	71,599	64,851	
Adjusted net income	<u>\$ 23,821</u>	<u>\$ 24,215</u>	<u>\$ 23,563</u>	<u>\$ 23,710</u>	<u>\$ 22,954</u>	<u>\$ 71,599</u>	<u>\$ 64,851</u>	

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**Non-GAAP Reconciliation of Diluted Earnings per Share**

(Unaudited)

	Three Months Ended				Nine Months Ended		
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	September 30, 2022	September 30, 2021
Diluted earnings per share ("EPS") as reported	\$ 0.55	\$ 0.57	\$ 0.54	\$ 0.49	\$ 0.52	\$ 1.65	\$ 1.49
Acquisition expenses	—	—	—	0.02	0.02	—	0.02
Tax effect	—	—	—	—	—	—	—
Diluted EPS excluding acquisition expenses	0.55	0.57	0.54	0.51	0.54	1.65	1.51
Credit loss expense acquired loans	—	—	—	—	0.05	—	0.05
Tax effect	—	—	—	—	(0.01)	—	(0.01)
Diluted EPS excluding credit loss expense acquired loans	0.55	0.57	0.54	0.51	0.58	1.65	1.55
Gain on sale of ESOP trustee accounts	—	—	—	—	(0.05)	—	(0.05)
Tax effect	—	—	—	—	0.01	—	0.01
Diluted EPS excluding gain on sale of ESOP trustee accounts	0.55	0.57	0.54	0.51	0.54	1.65	1.51
DOL ESOP settlement expenses	—	—	—	0.04	—	—	—
Tax effect	—	—	—	(0.01)	—	—	—
Diluted EPS excluding DOL ESOP settlement expenses	0.55	0.57	0.54	0.54	0.54	1.65	1.51
(Gain)/loss on sale of investment securities	—	—	—	—	—	—	(0.02)
Tax effect	—	—	—	—	—	—	—
Diluted EPS excluding (gain)/loss on investment securities	0.55	0.57	0.54	0.54	0.54	1.65	1.49
Death benefit on BOLI	—	(0.01)	—	—	(0.02)	(0.01)	(0.03)
Diluted EPS excluding death benefit on BOLI	0.55	0.56	0.54	0.54	0.52	1.64	1.46
Prepayment penalties on borrowings	—	—	—	—	—	—	—
Tax effect	—	—	—	—	—	—	—
Diluted EPS excluding prepayment penalties on borrowings	0.55	0.56	0.54	0.54	0.52	1.64	1.46
Adjusted Diluted EPS	<u>\$ 0.55</u>	<u>\$ 0.56</u>	<u>\$ 0.54</u>	<u>\$ 0.54</u>	<u>\$ 0.52</u>	<u>\$ 1.64</u>	<u>\$ 1.46</u>

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**Non-GAAP Reconciliation of Pre-Tax, Pre-Provision Net Income**

(Dollars in Thousands, Unaudited)

	Three Months Ended					Nine Months Ended	
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	September 30, 2022	September 30, 2021
Pre-tax income	\$ 25,834	\$ 28,834	\$ 27,102	\$ 25,505	\$ 27,127	\$ 81,770	\$ 76,942
Credit loss expense (reversal)	(601)	240	(1,386)	(2,071)	1,112	(1,747)	(13)
Pre-tax, pre-provision net income	<u>\$ 25,233</u>	<u>\$ 29,074</u>	<u>\$ 25,716</u>	<u>\$ 23,434</u>	<u>\$ 28,239</u>	<u>\$ 80,023</u>	<u>\$ 76,929</u>
Pre-tax, pre-provision net income	\$ 25,233	\$ 29,074	\$ 25,716	\$ 23,434	\$ 28,239	\$ 80,023	\$ 76,929
Acquisition expenses	—	—	—	884	799	—	1,041
Gain on sale of ESOP trustee accounts	—	—	—	—	(2,329)	—	(2,329)
DOL ESOP settlement expenses	—	—	—	1,900	—	—	—
(Gain)/loss on sale of investment securities	—	—	—	—	—	—	(914)
Death benefit on bank owned life insurance	—	(644)	—	—	(517)	(644)	(783)
Prepayment penalties on borrowings	—	—	—	—	—	—	125
Adjusted pre-tax, pre-provision net income	<u>\$ 25,233</u>	<u>\$ 28,430</u>	<u>\$ 25,716</u>	<u>\$ 26,218</u>	<u>\$ 26,192</u>	<u>\$ 79,379</u>	<u>\$ 74,069</u>

**Non-GAAP Reconciliation of Net Interest Margin**

(Dollars in Thousands, Unaudited)

	Three Months Ended					Nine Months Ended	
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	September 30, 2022	September 30, 2021
Net interest income as reported	\$ 53,395	\$ 53,008	\$ 48,171	\$ 49,976	\$ 46,544	\$ 154,574	\$ 131,714
Average interest earning assets	7,037,530	6,927,310	6,800,549	6,938,258	6,033,088	6,923,224	5,712,875
Net interest income as a percentage of average interest earning assets ("Net Interest Margin")	3.13 %	3.19 %	2.99 %	2.97 %	3.17 %	3.03 %	3.20 %
Net interest income as reported	\$ 53,395	\$ 53,008	\$ 48,171	\$ 49,976	\$ 46,544	\$ 154,574	\$ 131,714
Acquisition-related purchase accounting adjustments ("PAUs")	(906)	(1,223)	(916)	(1,819)	(875)	(3,045)	(2,684)
Prepayment penalties on borrowings	—	—	—	—	—	—	125
Adjusted net interest income	<u>\$ 52,489</u>	<u>\$ 51,785</u>	<u>\$ 47,255</u>	<u>\$ 48,157</u>	<u>\$ 45,669</u>	<u>\$ 151,529</u>	<u>\$ 129,155</u>
Adjusted net interest margin	3.08 %	3.12 %	2.93 %	2.86 %	3.12 %	2.97 %	3.14 %

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**Non-GAAP Reconciliation of Tangible Stockholders' Equity and Tangible Book Value per Share**

(Dollars in Thousands Except per Share Data, Unaudited)

	<b>September 30, 2022</b>	<b>June 30, 2022</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Total stockholders' equity	\$ 644,993	\$ 657,865	\$ 677,450	\$ 723,209	\$ 708,542
Less: Intangible assets	173,375	173,662	174,588	175,513	183,938
Total tangible stockholders' equity	<u>\$ 471,618</u>	<u>\$ 484,203</u>	<u>\$ 502,862</u>	<u>\$ 547,696</u>	<u>\$ 524,604</u>
Common shares outstanding	43,574,151	43,572,796	43,572,796	43,547,942	43,520,694
Book value per common share	\$ 14.80	\$ 15.10	\$ 15.55	\$ 16.61	\$ 16.28
Tangible book value per common share	\$ 10.82	\$ 11.11	\$ 11.54	\$ 12.58	\$ 12.05

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**Non-GAAP Calculation and Reconciliation of Efficiency Ratio and Adjusted Efficiency Ratio**

(Dollars in Thousands, Unaudited)

	Three Months Ended				Nine Months Ended		
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	September 30, 2022	September 30, 2021
Non-interest expense as reported	\$ 38,350	\$ 36,368	\$ 36,610	\$ 39,370	\$ 34,349	\$ 111,328	\$ 99,909
Net interest income as reported	53,395	53,008	48,171	49,976	46,544	154,574	131,714
Non-interest income as reported	\$ 10,188	\$ 12,434	\$ 14,155	\$ 12,828	\$ 16,044	\$ 36,777	\$ 45,124
Non-interest expense/(Net interest income + Non-interest income) ("Efficiency Ratio")	60.31 %	55.57 %	58.74 %	62.69 %	54.88 %	58.18 %	56.50 %
Non-interest expense as reported	\$ 38,350	\$ 36,368	\$ 36,610	\$ 39,370	\$ 34,349	\$ 111,328	\$ 99,909
Acquisition expenses	—	—	—	(884)	(799)	—	(1,041)
DOL ESOP settlement expenses	—	—	—	(1,900)	—	—	—
Non-interest expense excluding acquisition expenses and DOL ESOP settlement expenses	38,350	36,368	36,610	36,586	33,550	111,328	98,868
Net interest income as reported	53,395	53,008	48,171	49,976	46,544	154,574	131,714
Prepayment penalties on borrowings	—	—	—	—	—	—	125
Net interest income excluding prepayment penalties on borrowings	53,395	53,008	48,171	49,976	46,544	154,574	131,839
Non-interest income as reported	10,188	12,434	14,155	12,828	16,044	36,777	45,124
Gain on sale of ESOP trustee accounts	—	—	—	—	(2,329)	—	(2,329)
(Gain)/loss on sale of investment securities	—	—	—	—	—	—	(914)
Death benefit on bank owned life insurance ("BOLI")	—	(644)	—	—	(517)	(644)	(783)
Non-interest income excluding (gain)/loss on sale of investment securities and death benefit on BOLI	\$ 10,188	\$ 11,790	\$ 14,155	\$ 12,828	\$ 13,198	\$ 36,133	\$ 41,098
Adjusted efficiency ratio	60.31 %	56.13 %	58.74 %	58.25 %	56.16 %	58.38 %	57.17 %

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**Non-GAAP Reconciliation of Return on Average Assets**

(Dollars in Thousands, Unaudited)

	Three Months Ended				Nine Months Ended		
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	September 30, 2022	September 30, 2021
Average assets	\$ 7,635,102	\$ 7,476,238	\$ 7,319,675	\$ 7,461,343	\$ 6,507,673	\$ 7,473,534	\$ 6,197,026
Return on average assets ("ROAA") as reported	1.24 %	1.33 %	1.31 %	1.14 %	1.41 %	1.29 %	1.42 %
Acquisition expenses	—	—	—	0.05	0.05	—	0.02
Tax effect	—	—	—	(0.01)	(0.01)	—	—
ROAA excluding acquisition expenses	1.24	1.33	1.31	1.18	1.45	1.29	1.44
Credit loss expense acquired loans	—	—	—	—	0.12	—	0.04
Tax effect	—	—	—	—	(0.03)	—	(0.01)
ROAA excluding credit loss expense acquired loans	1.24	1.33	1.31	1.18	1.54	1.29	1.47
Gain on sale of ESOP trustee accounts	—	—	—	—	(0.14)	—	(0.05)
Tax effect	—	—	—	—	0.03	—	0.01
ROAA excluding gain on sale of ESOP trustee accounts	1.24	1.33	1.31	1.18	1.43	1.29	1.43
DOL ESOP settlement expenses	—	—	—	0.10	—	—	—
Tax effect	—	—	—	(0.02)	—	—	—
ROAA excluding DOL ESOP settlement expenses	1.24	1.33	1.31	1.26	1.43	1.29	1.43
(Gain)/loss on sale of investment securities	—	—	—	—	—	—	(0.02)
Tax effect	—	—	—	—	—	—	—
ROAA excluding (gain)/loss on sale of investment securities	1.24	1.33	1.31	1.26	1.43	1.29	1.41
Death benefit on bank owned life insurance ("BOLI")	—	(0.03)	—	—	(0.03)	(0.01)	(0.02)
ROAA excluding death benefit on BOLI	1.24	1.30	1.31	1.26	1.40	1.28	1.39
Prepayment penalties on borrowings	—	—	—	—	—	—	—
Tax effect	—	—	—	—	—	—	—
ROAA excluding prepayment penalties on borrowings	1.24	1.30	1.31	1.26	1.40	1.28	1.39
Adjusted ROAA	1.24 %	1.30 %	1.31 %	1.26 %	1.40 %	1.28 %	1.39 %

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**Non-GAAP Reconciliation of Return on Average Common Equity**

(Dollars in Thousands, Unaudited)

	Three Months Ended				Nine Months Ended		
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	September 30, 2022	September 30, 2021
Average common equity	\$ 680,376	\$ 677,299	\$ 716,341	\$ 719,643	\$ 724,412	\$ 691,529	\$ 709,587
Return on average common equity ("ROACE") as reported	13.89 %	14.72 %	13.34 %	11.81 %	12.64 %	13.97 %	12.37 %
Acquisition expenses	—	—	—	0.49	0.44	—	0.20
Tax effect	—	—	—	(0.10)	(0.09)	—	(0.04)
ROACE excluding acquisition expenses	13.89	14.72	13.34	12.20	12.99	13.97	12.53
Credit loss expense acquired loans	—	—	—	—	1.11	—	0.38
Tax effect	—	—	—	—	(0.23)	—	(0.08)
ROACE excluding credit loss expense acquired loans	13.89	14.72	13.34	12.20	13.87	13.97	12.83
Gain on sale of ESOP trustee accounts	—	—	—	—	(1.28)	—	(0.44)
Tax effect	—	—	—	—	0.27	—	0.09
ROACE excluding gain on sale of ESOP trustee accounts	13.89	14.72	13.34	12.20	12.86	13.97	12.48
DOL ESOP settlement expenses	—	—	—	1.05	—	—	—
Tax effect	—	—	—	(0.17)	—	—	—
ROACE DOL ESOP settlement expenses	13.89	14.72	13.34	13.08	12.86	13.97	12.48
(Gain)/loss on sale of investment securities	—	—	—	—	—	—	(0.17)
Tax effect	—	—	—	—	—	—	0.04
ROACE excluding (gain)/loss on sale of investment securities	13.89	14.72	13.34	13.08	12.86	13.97	12.35
Death benefit on bank owned life insurance ("BOLI")	—	(0.38)	—	—	(0.28)	(0.12)	(0.15)
ROACE excluding death benefit on BOLI	13.89	14.34	13.34	13.08	12.58	13.85	12.20
Prepayment penalties on borrowings	—	—	—	—	—	—	0.02
Tax effect	—	—	—	—	—	—	—
ROACE excluding prepayment penalties on borrowings	13.89	14.34	13.34	13.08	12.58	13.85	12.22
Adjusted ROACE	13.89 %	14.34 %	13.34 %	13.08 %	12.58 %	13.85 %	12.22 %

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**Non-GAAP Reconciliation of Return on Average Tangible Equity**

(Dollars in Thousands, Unaudited)

	Three Months Ended				Nine Months Ended		
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	September 30, 2022	September 30, 2021
Average common equity	\$ 680,376	\$ 677,299	\$ 716,341	\$ 719,643	\$ 724,412	\$ 691,529	\$ 709,587
Less: Average intangible assets	175,321	175,321	176,356	179,594	174,920	175,836	174,537
Average tangible equity	<u>\$ 505,055</u>	<u>\$ 501,978</u>	<u>\$ 539,985</u>	<u>\$ 540,049</u>	<u>\$ 549,492</u>	<u>\$ 515,693</u>	<u>\$ 535,050</u>
Return on average common equity ("ROATE")	18.71 %	19.86 %	17.70 %	15.74 %	16.66 %	18.73 %	16.41 %
Acquisition expenses	—	—	—	0.65	0.58	—	0.26
Tax effect	—	—	—	(0.14)	(0.12)	—	(0.06)
ROATE excluding acquisition expenses	18.71	19.86	17.70	16.25	17.12	18.73	16.61
Credit loss expense acquired loans	—	—	—	—	1.47	—	0.51
Tax effect	—	—	—	—	(0.31)	—	(0.11)
ROATE excluding credit loss expense acquired loans	18.71	19.86	17.70	16.25	18.28	18.73	17.01
Gain on sale of ESOP trustee accounts	—	—	—	—	(1.68)	—	(0.58)
Tax effect	—	—	—	—	0.35	—	0.13
ROATE excluding gain on sale of ESOP trustee accounts	18.71	19.86	17.70	16.25	16.95	18.73	16.56
DOL ESOP settlement expenses	—	—	—	1.40	—	—	—
Tax effect	—	—	—	(0.23)	—	—	—
ROATE DOL ESOP settlement expenses	18.71	19.86	17.70	17.42	16.95	18.73	16.56
(Gain)/loss on sale of investment securities	—	—	—	—	—	—	(0.23)
Tax effect	—	—	—	—	—	—	0.05
ROATE excluding (gain)/loss on sale of investment securities	18.71	19.86	17.70	17.42	16.95	18.73	16.38
Death benefit on bank owned life insurance ("BOLI")	—	(0.51)	—	—	(0.37)	(0.17)	(0.20)
ROATE excluding death benefit on BOLI	18.71	19.35	17.70	17.42	16.58	18.56	16.18
Prepayment penalties on borrowings	—	—	—	—	—	—	0.03
Tax effect	—	—	—	—	—	—	(0.01)
ROATE excluding prepayment penalties on borrowings	18.71	19.35	17.70	17.42	16.58	18.56	16.20
Adjusted ROATE	<u>18.71 %</u>	<u>19.35 %</u>	<u>17.70 %</u>	<u>17.42 %</u>	<u>16.58 %</u>	<u>18.56 %</u>	<u>16.20 %</u>

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We refer you to Horizon's 2021 Annual Report on Form 10-K for analysis of its interest rate sensitivity. Horizon believes there have been no significant changes in its interest rate sensitivity since it was reported in its 2021 Annual Report on Form 10-K.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### Evaluation of Disclosure Controls and Procedures

Based on an evaluation of disclosure controls and procedures as of September 30, 2022, Horizon's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of Horizon's disclosure controls (as defined in Exchange Act Rule 13a-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")). Based on such evaluation, such officers have concluded that, as of the evaluation date, Horizon's disclosure controls and procedures are effective to ensure that the information required to be disclosed by Horizon in the reports it files under the Exchange Act is recorded, processed, summarized and reported within the time specified in Securities and Exchange Commission rules and forms and are designed to ensure that information required to be disclosed in those reports is accumulated and communicated to management as appropriate to allow timely decisions regarding disclosure.

#### Changes in Internal Control Over Financial Reporting

Horizon's management, including its Chief Executive Officer and Chief Financial Officer, also have concluded that during the fiscal quarter ended September 30, 2022, there have been no changes in Horizon's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, Horizon's internal control over financial reporting.

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
**Part II – Other Information**

**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
**Part II – Other Information**

**ITEM 1. LEGAL PROCEEDINGS**

Horizon and its subsidiaries are involved in various legal proceedings incidental to the conduct of their business. Management does not expect that the outcome of any such proceedings will have a material adverse effect on our consolidated financial position or results of operations.

**ITEM 1A. RISK FACTORS**

There have been no material changes from the factors previously disclosed under Item 1A of Horizon's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

- (a) Unregistered Sales of Equity Securities: Not Applicable
- (b) Use of Proceeds: Not Applicable
- (c) Repurchase of Our Equity Securities: Not Applicable

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not Applicable

**ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable

**ITEM 5. OTHER INFORMATION**

Not Applicable

**ITEM 6. EXHIBITS**

(a) Exhibits

<b>Exhibit No.</b>	<b>Description</b>	<b>Location</b>
10.1	<a href="#">Employment Agreement (Thomas M. Prame), dated August 2, 2022</a>	Incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed on August 2, 2022
10.2	<a href="#">Change in Control Agreement (Thomas M. Prame), dated August 2, 2022</a>	Incorporated by reference to Exhibit 10.2 to Registrant's Form 8-K filed on August 2, 2022
10.3	<a href="#">Second Amended and Restated Employment Agreement (Craig M. Dwight), dated September 20, 2022</a>	Incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed on September 20, 2022
31.1	<a href="#">Certification of Craig M. Dwight</a>	Attached
31.2	<a href="#">Certification of Mark E. Secor</a>	Attached
32	<a href="#">Certification of Chief Executive and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>	Attached
101	Inline Interactive Data Files	Attached
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, has been formatted in Inline XBRL	Within the Inline XBRL document

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HORIZON BANCORP, INC.

November 9, 2022  
Date

/s/ Craig M. Dwight  
Craig M. Dwight  
Chief Executive Officer

November 9, 2022  
Date

/s/ Mark E. Secor  
Mark E. Secor  
Chief Financial Officer

## EXHIBIT 31.1

### CERTIFICATION OF CRAIG M. DWIGHT

I, Craig M. Dwight, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Horizon Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 9, 2022

Date

/s/ Craig M. Dwight

Craig M. Dwight

Chief Executive Officer

## EXHIBIT 31.2

### CERTIFICATION OF MARK E. SECOR

I, Mark E. Secor, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Horizon Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 9, 2022

Date

/s/ Mark E. Secor

Mark E. Secor

Chief Financial Officer

**EXHIBIT 32**

**HORIZON BANCORP, INC.  
Certification of Periodic Financial Report**

**Pursuant to 18 U.S.C. Section 1350**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Horizon Bancorp, Inc. (the "Company") certifies that the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 9, 2022  
Date

/s/ Craig M. Dwight  
Craig M. Dwight  
Chief Executive Officer

November 9, 2022  
Date

/s/ Mark E. Secor  
Mark E. Secor  
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Horizon Bancorp, Inc. and will be retained by Horizon Bancorp, Inc. and furnished to the Securities Exchange Commission or its staff upon request.