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 March 31, 2024

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	**35-1562417**
(State or other jurisdiction of incorporation or organization)	**(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	☐	Accelerated Filer	☒
Non-accelerated Filer	☐	Smaller Reporting Company	☐
Emerging growth company	☐		

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: 44,115,840 shares of Common Stock, no par value, at May 9, 2024.

HORIZON BANCORP, INC.
FORM 10–Q
INDEX

PART I. FINANCIAL INFORMATION		
Item 1.	Financial Statements (Unaudited)	3
	Condensed Consolidated Balance Sheets	3
	Condensed Consolidated Statements of Income	4
	Condensed Consolidated Statements of Comprehensive Income	5
	Condensed Consolidated Statements of Stockholders' Equity	6
	Condensed Consolidated Statements of Cash Flows	7
	Notes to Condensed Consolidated Financial Statements	9
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	43
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	62
Item 4.	Controls and Procedures	62
PART II. OTHER INFORMATION		
Item 1.	Legal Proceedings	64
Item 1A.	Risk Factors	64
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	64
Item 3.	Defaults Upon Senior Securities	64
Item 4.	Mine Safety Disclosures	64
Item 5.	Other Information	64
Item 6.	Exhibits	65
Index to Exhibits		65
Signatures		66

PART I – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

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

	March 31, 2024 (Unaudited)	December 31, 2023
Assets		
Cash and due from banks	**$ 271,088**	$ 526,515
Interest earning time deposits	**1,715**	2,205
Investment securities, available for sale	**535,319**	547,251
Investment securities, held to maturity (fair value of $1,627,853 and $1,668,758)	**1,925,725**	1,945,638
Loans held for sale	**922**	1,418
Loans, net of allowance for credit losses of $50,387 and $50,029	**4,567,788**	4,367,601
Premises and equipment, net	**94,303**	94,583
Federal Home Loan Bank stock	**53,826**	34,509
Goodwill	**155,211**	155,211
Other intangible assets	**12,754**	13,626
Interest receivable	**40,008**	38,710
Cash value of life insurance	**36,455**	36,157
Other assets	**160,593**	177,061
Total assets	**$ 7,855,707**	$ 7,940,485
Liabilities		
Deposits		
Non–interest bearing	**$ 1,093,076**	$ 1,116,005
Interest bearing	**4,486,794**	4,548,888
Total deposits	**5,579,870**	5,664,893
Borrowings	**1,359,121**	1,353,050
Subordinated notes	**55,634**	55,543
Junior subordinated debentures issued to capital trusts	**57,315**	57,258
Interest payable	**7,853**	22,249
Other liabilities	**74,664**	68,680
Total liabilities	**7,134,457**	7,221,673
Commitments and contingent liabilities		
Stockholders' Equity		
Preferred stock, Authorized, 1,000,000 shares, Issued 0 shares	**—**	—
Common stock, no par value, Authorized 99,000,000 shares		
Issued and Outstanding 44,115,840 and 44,106,174 shares	**—**	—
Additional paid-in capital	**356,599**	356,400
Retained earnings	**435,927**	429,021
Accumulated other comprehensive loss	**(71,276)**	(66,609)
Total stockholders' equity	**721,250**	718,812
Total liabilities and stockholders' equity	**$ 7,855,707**	$ 7,940,485

See notes to condensed consolidated financial statements

[Table of Contents](#)

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

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Interest Income		
Loans receivable	$ 66,954	$ 55,364
Investment securities – taxable	7,362	8,725
Investment securities – tax exempt	6,451	7,556
Other	4,497	153
Total interest income	85,264	71,798
Interest Expense		
Deposits	27,990	14,819
Borrowed funds	11,930	9,771
Subordinated notes	831	880
Junior subordinated debentures issued to capital trusts	1,225	1,091
Total interest expense	41,976	26,561
Net Interest Income	43,288	45,237
Credit loss expense	805	242
Net Interest Income after Credit Loss Expense	42,483	44,995
Non–interest Income		
Service charges on deposit accounts	3,214	3,028
Wire transfer fees	101	109
Interchange fees	3,109	2,867
Fiduciary activities	1,315	1,275
Gain (loss) on sale of investment securities	—	(500)
Gain on sale of mortgage loans	626	785
Mortgage servicing income, net	439	713
Increase in cash value of bank owned life insurance	298	981
Other income	827	362
Total non–interest income	9,929	9,620
Non–interest Expense		
Salaries and employee benefits	20,268	18,712
Net occupancy expenses	3,546	3,563
Data processing	2,464	2,669
Professional fees	607	533
Outside services and consultants	3,359	2,717
Loan expense	719	1,118
FDIC insurance expense	1,320	540
Core deposit intangible amortization	872	903
Other losses	16	221
Other expense	3,936	3,548
Total non–interest expense	37,107	34,524
Income Before Income Taxes	15,305	20,091
Income tax expense	1,314	1,863
Net Income	$ 13,991	$ 18,228
Basic Earnings Per Share	$ 0.32	$ 0.42
Diluted Earnings Per Share	0.32	0.42

See notes to condensed consolidated financial statements

Table of Contents

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

	Three Months Ended March 31	
	2024	**2023**
Net Income	**$ 13,991**	$ 18,228
Other Comprehensive Income (Loss)		
Change in fair value of derivative instruments:		
Change in fair value of derivative instruments for the period	**—**	(558)
Income tax effect	**—**	116
Changes from derivative instruments	**—**	(442)
Change in securities:		
Unrealized gain (loss) for the period on available for sale securities	**(5,748)**	18,144
Accretion from transfer of securities from available for sale to held to maturity securities	**(160)**	(154)
Reclassification adjustment for securities losses realized in income	**—**	500
Income tax effect	**1,241**	(3,882)
Unrealized gains (losses) on securities	**(4,667)**	14,608
Other Comprehensive Income (Loss), Net of Tax	**(4,667)**	14,166
Comprehensive Income	**$ 9,324**	$ 32,394

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**
Balances, January 1, 2023	**$ —**	**$ —**	**$ 354,188**	**$ 429,385**	**$ (106,198)**	**$ 677,375**
Net income	—	—	—	18,228	—	18,228
Other comprehensive income, net of tax	—	—	—	—	14,166	14,166
Amortization of unearned compensation	—	—	758	—	—	758
Net settlement of share awards	—	—	(696)	—	—	(696)
Stock retirement plans	—	—	(215)	—	—	(215)
Cash dividends on common stock ($0.16 per share)	—	—	—	(7,057)	—	(7,057)
Balances, March 31, 2023	**$ —**	**$ —**	**$ 354,035**	**$ 440,556**	**$ (92,032)**	**$ 702,559**
Balances, January 1, 2024	**$ —**	**$ —**	**$ 356,400**	**$ 429,021**	**$ (66,609)**	**$ 718,812**
Net income	—	—	—	13,991	—	13,991
Other comprehensive loss, net of tax	—	—	—	—	(4,667)	(4,667)
Amortization of unearned compensation	—	—	907	—	—	907
Net settlement of share awards	—	—	(708)	—	—	(708)
Cash dividends on common stock ($0.16 per share)	—	—	—	(7,085)	—	(7,085)
Balances, March 31, 2024	**$ —**	**$ —**	**$ 356,599**	**$ 435,927**	**$ (71,276)**	**$ 721,250**

See notes to condensed consolidated financial statements

[Table of Contents](#)

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

	Three Months Ended March 31	
	2024	2023
Operating Activities		
Net income	$ 13,991	$ 18,228
Items not requiring (providing) cash		
Credit loss expense (recovery)	805	242
Depreciation and amortization	2,649	2,601
Share based compensation	907	758
Amortization of mortgage servicing rights	476	247
Premium amortization on securities, net	2,182	2,751
Loss on sale of investment securities	—	500
Gain on sale of mortgage loans	(626)	(785)
Proceeds from sales of loans	21,432	24,444
Loans originated for sale	(20,517)	(20,489)
Gain on cash value life insurance	(298)	(981)
Gain on sale of other real estate owned	(64)	(103)
Net change in:		
Interest receivable	(1,298)	(1,134)
Interest payable	(14,396)	542
Other assets	(4,548)	3,900
Other liabilities	5,849	(5,410)
Net cash provided by operating activities	6,544	25,311
Investing Activities		
Purchases of securities available for sale	—	(817)
Proceeds from sales of securities available for sale	—	63,527
Proceeds from maturities, calls and principal repayments of securities available for sale	4,369	8,386
Purchases of securities held to maturity	—	(7,935)
Proceeds from maturities, calls and principal repayments of securities held to maturity	18,233	13,406
Net change in interest earning time deposits	490	(286)
Purchase of FHLB stock	(19,317)	(5,587)
Purchase of loans	(153,743)	(62,489)
Net change in loans	(47,365)	(27,865)
Proceeds on the sale of OREO and repossessed assets	369	737
Premises and equipment expenditures	(1,178)	(567)
Proceeds from bank owned life insurance	22,917	—
Net cash used in investing activities	(175,225)	(19,490)
Financing Activities		
Net change in deposits	(85,023)	(155,829)
Proceeds from borrowings	403,026	522,548
Repayment of borrowings	(400,235)	(354,634)
Net change in repurchase agreements	3,280	1,064
Net settlement of share awards	(708)	(696)
Dividends paid on common stock	(7,086)	(7,057)
Net cash provided by financing activities	(86,746)	5,396
Net Change in Cash and Cash Equivalents	(255,427)	11,217
Cash and Cash Equivalents, Beginning of Period	526,515	123,505
Cash and Cash Equivalents, End of Period	$ 271,088	$ 134,722
Additional Supplemental Information		
Interest paid	$ 56,372	$ 26,019
Income taxes paid	—	—

Table of Contents

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

Transfer of loans to other real estate and repossessed assets	**253**	868
Cash dividends declared, not paid	**7,156**	7,122

See notes to condensed consolidated financial statements

(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 March 31, 2024 and March 31, 2023 are not necessarily indicative of the operating results for the full year of 2024 or 2023. 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 the fiscal year ended December 31, 2023 filed with the Securities and Exchange Commission on March 15, 2024 (the "2023 Annual Report on Form 10–K"). The condensed consolidated balance sheet of Horizon as of December 31, 2023 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 March 31, 2024, 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 March 31	
	2024	**2023**
Basic earnings per share		
Net income	**$ 13,991**	$ 18,228
Weighted average common shares outstanding	**43,663,610**	43,583,554
Basic earnings per share	**$ 0.32**	$ 0.42
Diluted earnings per share		
Net income	**$ 13,991**	$ 18,228
Weighted average common shares outstanding	**43,663,610**	43,583,554
Effect of dilutive securities:		
Restricted stock	**205,054**	142,318
Stock options	**5,372**	18,849
Weighted average common shares outstanding	**43,874,036**	43,744,721
Diluted earnings per share	**$ 0.32**	$ 0.42

There were 86,353 shares for the three months ended March 31, 2024 which were not included in the computation of diluted earnings per share because they were non–dilutive. There were 601,685 shares for the three months ended March 31, 2023 which were not included in the computation of diluted earnings per share because they were non–dilutive.

Adoption of New Accounting Standards

FASB ASU No. 2023–02, *Investments Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*

The FASB has issued ASU 2023–02, *Investments Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method.* This guidance allows reporting entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. This guidance is effective for public business entities for fiscal years including interim periods within those fiscal years, beginning after December 15, 2023. Early adoption is permitted in any interim period. The Company adopted ASU 2023–02 on January 1, 2024 and it did not have a material impact on its accounting and disclosures.

Accounting Guidance Issued But Not Yet Adopted

FASB ASU No. 2023–09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*

The FASB has issued ASU 2023–09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures.* These amendments require that public business entities on an annual basis (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than five percent of the amount computed by multiplying pretax income (loss) by the applicable statutory income tax rate.) The amendments also require that all entities disclose on an annual basis the following information about income taxes paid: (1) the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes and (2) the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than five percent of total income taxes paid (net of refunds received.) This guidance is effective for public business entities for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The amendments should be applied on a prospective basis although retrospective application is permitted. The Company is continuing to assess ASU 2023–09 and its impact on its accounting and disclosures.

FASB ASU 2023–07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*

The FASB has issued ASU 2023–07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures.* These amendments require, among other things, that a public entity that has a single reportable segment provide all the disclosures required by the amendments in this ASU and all existing segment disclosures in Topic 208. The ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. A public entity should apply the amendments retrospectively to all periods presented in the financial statements. The Company is continuing to assess ASU 2023–07 and its impact on its accounting and disclosures.

(Table Dollar Amounts in Thousands, Except Per Share Data)

Note 2 – Securities

The fair value of securities is as follows:

	March 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale				
U.S. Treasury and federal agencies	$ 71,943	$ —	$ (9,017)	$ 62,926
State and municipal	352,738	—	(53,483)	299,255
Federal agency collateralized mortgage obligations	3,819	—	(369)	3,450
Federal agency mortgage-backed pools	157,812	—	(24,670)	133,142
Corporate notes	42,119	—	(5,573)	36,546
Total available for sale investment securities	$ 628,431	$ —	$ (93,112)	$ 535,319

	March 31, 2024					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses	Net Carrying Amount
Held to maturity						
U.S. Treasury and federal agencies	$ 284,236	$ —	$ (43,199)	$ 241,037	$ —	$ 284,236
State and municipal	1,078,388	543	(167,301)	911,630	(21)	1,078,367
Federal agency collateralized mortgage obligations	49,913	—	(8,088)	41,825	—	49,913
Federal agency mortgage-backed pools	319,181	—	(50,329)	268,852	—	319,181
Private labeled mortgage-backed pools	31,712	—	(4,530)	27,182	(7)	31,705
Corporate notes	162,453	—	(25,126)	137,327	(130)	162,323
Total held to maturity investment securities	$ 1,925,883	$ 543	$ (298,573)	$ 1,627,853	$ (158)	$ 1,925,725

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale				
U.S. Treasury and federal agencies	$ 72,938	$ —	$ (8,561)	$ 64,377
State and municipal	353,299	—	(49,269)	304,030
Federal agency collateralized mortgage obligations	3,931	—	(351)	3,580
Federal agency mortgage-backed pools	161,130	—	(23,833)	137,297
Corporate notes	43,317	455	(5,805)	37,967
Total available for sale investment securities	$ 634,615	$ 455	$ (87,819)	$ 547,251

(Table Dollar Amounts in Thousands, Except Per Share Data)

	December 31, 2023					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses	Net Carrying Amount
Held to maturity						
U.S. Treasury and federal agencies	$ 287,259	$ —	$ (41,299)	$ 245,960	$ —	$ 287,259
State and municipal	1,088,499	1,185	(150,323)	939,361	(20)	1,088,479
Federal agency collateralized mortgage obligations	51,325	—	(7,846)	43,479	—	51,325
Federal agency mortgage-backed pools	323,649	—	(48,621)	275,028	—	323,649
Private labeled mortgage-backed pools	32,329	—	(4,595)	27,734	(7)	32,322
Corporate notes	162,734	—	(25,538)	137,196	(130)	162,604
Total held to maturity investment securities	$ 1,945,795	$ 1,185	$ (278,222)	$ 1,668,758	$ (157)	$ 1,945,638

The amortized cost and fair value of securities available for sale and held to maturity at March 31, 2024 and December 31, 2023, 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.

	March 31, 2024		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available for sale				
Within one year	$ 4,511	$ 4,451	$ 5,505	$ 5,408
One to five years	105,444	93,731	100,301	89,650
Five to ten years	175,871	146,861	167,764	141,203
After ten years	180,974	153,684	195,984	170,113
	466,800	398,727	469,554	406,374
Federal agency collateralized mortgage obligations	3,819	3,450	3,931	3,580
Federal agency mortgage–backed pools	157,812	133,142	161,130	137,297
Total available for sale investment securities	$ 628,431	$ 535,319	$ 634,615	$ 547,251
Held to maturity				
Within one year	$ 31,450	$ 31,092	$ 33,483	$ 33,169
One to five years	220,119	209,813	225,957	216,354
Five to ten years	357,690	307,839	350,843	304,067
After ten years	915,818	741,250	928,209	768,927
	1,525,077	1,289,994	1,538,492	1,322,517
Federal agency collateralized mortgage obligations	49,913	41,825	51,325	43,479
Federal agency mortgage–backed pools	319,181	268,852	323,649	275,028
Private labeled mortgage–backed pools	31,712	27,182	32,329	27,734
Total held to maturity investment securities	$ 1,925,883	$ 1,627,853	$ 1,945,795	$ 1,668,758

(Table Dollar Amounts in Thousands, Except Per Share Data)

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

	March 31, 2024					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Investment Securities						
U.S. Treasury and federal agencies	$ —	$ —	$ 62,926	$ (9,017)	$ 62,926	$ (9,017)
State and municipal	2,356	(267)	296,899	(53,216)	299,255	(53,483)
Federal agency collateralized mortgage obligations	—	—	3,450	(369)	3,450	(369)
Federal agency mortgage–backed pools	—	—	133,142	(24,670)	133,142	(24,670)
Corporate notes	—	—	36,547	(5,573)	36,547	(5,573)
Total temporarily impaired securities	$ 2,356	$ (267)	$ 532,964	$ (92,845)	$ 535,320	$ (93,112)

	December 31, 2023					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Investment Securities						
U.S. Treasury and federal agencies	$ —	$ —	$ 64,377	$ (8,561)	$ 64,377	$ (8,561)
State and municipal	2,387	(236)	301,643	(49,033)	304,030	(49,269)
Federal agency collateralized mortgage obligations	—	—	3,580	(351)	3,580	(351)
Federal agency mortgage–backed pools	—	—	137,289	(23,833)	137,289	(23,833)
Corporate notes	—	—	36,359	(5,805)	36,359	(5,805)
Total temporarily impaired securities	$ 2,387	$ (236)	$ 543,248	$ (87,583)	$ 545,635	$ (87,819)

Certain investments in debt securities are reported in the consolidated financial statements at an amount less than their historical cost. As of March 31, 2024 and December 31, 2023, the Company had 2,320 and 2,290 securities, respectively, with market values below their cost basis. The total fair value of these investments at March 31, 2024 and December 31, 2023 was $2.1 billion and $2.1 billion, which is approximately 86.0% and 85.1%, respectively, of the Company's available for sale and held to maturity securities portfolio. These declines resulted primarily from fluctuations in market interest rates after purchase. Management believes the declines in fair value for these securities are temporary.

No allowance for credit losses for available for sale debt securities was recorded at March 31, 2024 or December 31, 2023.

The allowance for credit losses for held to maturity securities is a contra asset valuation account that is deducted from the carrying amount of held to maturity securities to present the net amount expected to be collected. Held to maturity securities are charged off against the allowance for credit loss when deemed uncollectible. Adjustments to the allowance for credit loss are reported in our Consolidated Statements of Income in credit loss expense. We measure expected credit losses on held to maturity securities on a collective basis by major security type with each type sharing similar risk characteristics, and consider historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. With regard to U.S. Government-sponsored treasuries, agency and mortgage-backed securities, all these securities are issued by a U.S. government-sponsored entity and have an implicit or explicit government guarantee; therefore, no allowance for credit losses has been recorded for these securities. With regard to obligations of states and municipal, private label mortgage-backed and corporate note held to maturity securities, we consider (1) issuer bond ratings, (2) historical loss rates for given bond ratings, (3) the financial condition of the issuer, and (4) whether issuers continue to make timely principal and interest payments under the contractual terms of the securities. Historical loss rates associated with securities having similar grades as those in our portfolio have been insignificant. As of March 31, 2024 and December 31, 2023, there were no past due principal and interest payments associated with these securities. An allowance for credit loss of $158,000 and $157,000 was recorded on these securities based on applying the long-term historical rating agency credit loss rate for similarly rated securities at March 31, 2024 and December 31, 2023, respectively.

(Table Dollar Amounts in Thousands, Except Per Share Data)

Accrued interest receivable on available for sale debt securities and held to maturity securities totaled $ 14.4 million at March 31, 2024 and $ 14.7 million at December 31, 2023 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 March 31	
	2024	**2023**
Sales of securities available for sale		
Proceeds	$ —	$ 63,526
Gross gains	—	129
Gross losses	—	(629)

Note 3 – 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	Installment
	Indirect auto
	Home equity

(Table Dollar Amounts in Thousands, Except Per Share Data)

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 construction loans. 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 March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
Commercial		
Owner occupied real estate	$ 653,144	$ 640,731
Non–owner occupied real estate	1,287,474	1,273,838
Residential spec homes	10,892	13,489
Development & spec land	33,213	34,039
Commercial and industrial	765,043	712,863
Total commercial	2,749,766	2,674,960
Real estate		
Residential mortgage	757,760	654,295
Residential construction	24,311	26,841
Mortgage warehouse	56,548	45,078
Total real estate	838,619	726,214
Consumer		
Installment	109,370	52,366
Indirect auto	360,835	399,946
Home equity	559,585	564,144
Total consumer	1,029,790	1,016,456
Total loans	4,618,175	4,417,630
Allowance for credit losses	(50,387)	(50,029)
Net loans	$ 4,567,788	$ 4,367,601

Total loans include net deferred loan costs of $ 22.9 million at March 31, 2024 and $ 21.9 million at December 31, 2023, 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 may require 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.

Based on the 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.

(Table Dollar Amounts in Thousands, Except Per Share Data)

Non–performing Loans

The following table presents non–accrual loans and loans past due over 90 days still on accrual by class of loans at March 31, 2024:

	March 31, 2024		
	Non–accrual	Loans Past Due Over 90 Days Still Accruing	Non–accruing Loans with no Allowance for Credit Losses
Commercial			
Owner occupied real estate	$ 3,563	$ —	$ 2,728
Non–owner occupied real estate	471	—	471
Residential spec homes	—	—	—
Development & spec land	619	—	619
Commercial and industrial	840	—	20
Total commercial	5,493	—	3,838
Real estate			
Residential mortgage	8,725	—	—
Residential construction	—	—	—
Mortgage warehouse	—	—	—
Total real estate	8,725	—	—
Consumer			
Installment	135	3	—
Indirect auto	944	64	—
Home equity	3,756	41	—
Total consumer	4,835	108	—
Total	$ 19,053	$ 108	$ 3,838

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

The following table presents non–accrual loans and loans past due over 90 days still on accrual by class of loan at December 31, 2023:

	December 31, 2023		
	Non–accrual	**Loans Past Due Over 90 Days Still Accruing**	**Non–accruing Loans with no Allowance for Credit Losses**
Commercial			
Owner occupied real estate	$ 2,636	$ —	$ 1,789
Non–owner occupied real estate	3,485	—	1,242
Residential spec homes	—	—	—
Development & spec land	617	—	617
Commercial and industrial	624	—	20
Total commercial	7,362	—	3,668
Real estate			
Residential mortgage	8,058	—	—
Residential construction	—	—	—
Mortgage warehouse	—	—	—
Total real estate	8,058	—	—
Consumer			
Installment	88	—	—
Indirect auto	899	299	—
Home equity	3,303	260	—
Total consumer	4,290	559	—
Total	$ 19,710	$ 559	$ 3,668

There was no interest income recognized on non–accrual loans during the three months ended March 31, 2024 and 2023, respectively, while the loans were in non–accrual status.

(Table Dollar Amounts in Thousands, Except Per Share Data)

The following table presents the payment status by class of loan at March 31, 2024:

	March 31, 2024					
	Current	30–59 Days Past Due	60–89 Days Past Due	90 Days or Greater Past Due	Total Past Due Loans	Total Loans
Commercial						
Owner occupied real estate	$ 650,964	$ 1,214	$ —	$ 966	$ 2,180	$ 653,144
Non–owner occupied real estate	1,286,367	—	1,107	—	1,107	1,287,474
Residential spec homes	10,892	—	—	—	—	10,892
Development & spec land	33,213	—	—	—	—	33,213
Commercial and industrial	762,590	1,743	690	20	2,453	765,043
Total commercial	2,744,026	2,957	1,797	986	5,740	2,749,766
Real estate						
Residential mortgage	751,197	3,261	809	2,493	6,563	757,760
Residential construction	24,311	—	—	—	—	24,311
Mortgage warehouse	56,548	—	—	—	—	56,548
Total real estate	832,056	3,261	809	2,493	6,563	838,619
Consumer						
Installment	108,964	118	214	74	406	109,370
Indirect auto	356,423	3,405	615	392	4,412	360,835
Home equity	553,731	3,747	497	1,610	5,854	559,585
Total consumer	1,019,118	7,270	1,326	2,076	10,672	1,029,790
Total	$ 4,595,200	$ 13,488	$ 3,932	$ 5,555	$ 22,975	$ 4,618,175

(Table Dollar Amounts in Thousands, Except Per Share Data)

The following table presents the payment status by class of loan at December 31, 2023:

	December 31, 2023					
	Current	30–59 Days Past Due	60–89 Days Past Due	90 Days or Greater Past Due	Total Past Due Loans	Total
Commercial						
Owner occupied real estate	$ 638,389	$ 2,342	$ —	$ —	$ 2,342	$ 640,731
Non–owner occupied real estate	1,273,791	—	—	47	47	1,273,838
Residential spec homes	13,489	—	—	—	—	13,489
Development & spec land	33,036	—	1,003	—	1,003	34,039
Commercial and industrial	710,567	1,659	54	583	2,296	712,863
Total commercial	2,669,272	4,001	1,057	630	5,688	2,674,960
Real estate						
Residential mortgage	646,984	2,823	2,353	2,135	7,311	654,295
Residential construction	26,841	—	—	—	—	26,841
Mortgage warehouse	45,078	—	—	—	—	45,078
Total real estate	718,903	2,823	2,353	2,135	7,311	726,214
Consumer						
Installment	52,001	304	10	51	365	52,366
Indirect auto	393,615	4,958	736	637	6,331	399,946
Home equity	558,062	3,748	1,217	1,117	6,082	564,144
Total consumer	1,003,678	9,010	1,963	1,805	12,778	1,016,456
Total	$ 4,391,853	$ 15,834	$ 5,373	$ 4,570	$ 25,777	$ 4,417,630

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.

Modified Loans

The Company adopted ASU 2022–02, *Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures,* during the first quarter of 2023. These amendments eliminated the troubled debt restructured ("TDR") recognition 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. During the three months ended March 31, 2024 and March 31, 2023, the Company did not modify any troubled loans.

(Table Dollar Amounts in Thousands, Except Per Share Data)

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.

The tables below present 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, at March 31, 2024 and December 31, 2023.

	March 31, 2024				
	Real Estate	Accounts Receivable/Equipment	Other	Total	ACL Allocation
Commercial					
Owner occupied real estate	$ 3,563	$ —	$ —	$ 3,563	$ 237
Non–owner occupied real estate	471	—	—	471	—
Development & spec land	619	—	—	619	—
Commercial and industrial	782	39	20	841	804
Total commercial	5,435	39	20	5,494	1,041
Total collateral dependent loans	$ 5,435	$ 39	$ 20	$ 5,494	$ 1,041

	December 31, 2023				
	Real Estate	Accounts Receivable/Equipment	Other	Total	ACL Allocation
Commercial					
Owner occupied real estate	$ 2,636	$ —	$ —	$ 2,636	$ 190
Non–owner occupied real estate	3,485	—	—	3,485	699
Residential spec homes	617	—	—	617	—
Commercial and industrial	563	42	20	625	604
Total commercial	7,301	42	20	7,363	1,493
Total collateral dependent loans	$ 7,301	$ 42	$ 20	$ 7,363	$ 1,493

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 credit quality grade.

- For new and renewed commercial loans, the Bank's Credit Department, which acts independently of the loan officer, assigns the credit quality grade to the loan. 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 promptly assessing any adverse change in credit quality and revising the risk rating appropriately. When circumstances warrant a change in the credit quality grade, loan officers are required to notify the Credit Department of the change in the credit quality grade. Downgrades are accepted immediately, however, lenders must present their factual information to the Credit

Department when recommending an upgrade. Downgrades to impaired status require the concurrence of the CCBO and the Senior Workout Loan Manager.

- 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.
- 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, loan modifications, 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 on Loans and Leases.

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 modified loans 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 unqualified 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 consecutive years of profits, a five year 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 unwarranted 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.

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.

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 or a portion of a basically worthless asset, even though partial recovery may be possible at some time in the future.

(Table Dollar Amounts in Thousands, Except Per Share Data)

The following tables present loans by credit grades and origination year at March 31, 2024.

March 31, 2024	2024	2023	2022	2021	2020	Prior	Revolving Term Loans	Revolving Loans	Total
Commercial									
Owner occupied real estate									
Pass	$ 11,916	$ 70,435	$ 104,472	$ 77,316	$ 43,036	$ 206,256	$ 93,911	$ 9,176	$ 616,518
Special Mention	—	2,143	487	3,738	—	11,756	—	452	18,576
Substandard	—	1,453	—	6,443	966	8,698	490	—	18,050
Doubtful	—	—	—	—	—	—	—	—	—
Total owner occupied real estate	**$ 11,916**	**$ 74,031**	**$ 104,959**	**$ 87,497**	**$ 44,002**	**$ 226,710**	**$ 94,401**	**$ 9,628**	**$ 653,144**
Gross charge–offs during period	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 1**	**$ —**	**$ —**	**$ 1**
Non–owner occupied real estate									
Pass	$ 9,444	$ 116,007	$ 192,469	$ 134,643	$ 103,726	$ 374,887	$ 282,938	$ 9,170	$ 1,223,284
Special Mention	—	1,359	18,768	1,313	—	38,012	—	—	59,452
Substandard	—	—	—	—	169	4,569	—	—	4,738
Doubtful	—	—	—	—	—	—	—	—	—
Total non–owner occupied real estate	**$ 9,444**	**$ 117,366**	**$ 211,237**	**$ 135,956**	**$ 103,895**	**$ 417,468**	**$ 282,938**	**$ 9,170**	**$ 1,287,474**
Gross charge–offs during period	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Residential spec homes									
Pass	$ —	$ —	$ —	$ 498	$ —	$ —	$ 3,487	$ 6,907	$ 10,892
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total residential spec homes	**$ —**	**$ —**	**$ —**	**$ 498**	**$ —**	**$ —**	**$ 3,487**	**$ 6,907**	**$ 10,892**
Gross charge–offs during period	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Development & spec land									
Pass	$ —	$ 4,269	$ 882	$ 505	$ 375	$ 2,065	$ 21,532	$ 170	$ 29,798
Special Mention	—	—	—	—	—	322	1,624	—	1,946
Substandard	—	748	—	—	—	102	619	—	1,469
Doubtful	—	—	—	—	—	—	—	—	—
Total development & spec land	**$ —**	**$ 5,017**	**$ 882**	**$ 505**	**$ 375**	**$ 2,489**	**$ 23,775**	**$ 170**	**$ 33,213**
Gross charge–offs during period	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Commercial & industrial									
Pass	$ 69,125	$ 116,433	$ 147,219	$ 87,982	$ 11,219	$ 76,964	$ 61,372	$ 155,096	$ 725,410
Special Mention	490	1,472	620	8	1,377	1,341	11,144	13,637	30,089
Substandard	—	1,690	625	415	204	3,134	775	2,701	9,544
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial & industrial	**$ 69,615**	**$ 119,595**	**$ 148,464**	**$ 88,405**	**$ 12,800**	**$ 81,439**	**$ 73,291**	**$ 171,434**	**$ 765,043**
Gross charge–offs during period	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

March 31, 2024	2024	2023	2022	2021	2020	Prior	Revolving Term Loans	Revolving Loans	Total
Real estate									
Residential mortgage									
Performing	$ 16,245	$ 127,785	$ 167,014	$ 154,308	$ 82,838	$ 200,845	$ —	$ —	$ 749,035
Non–performing	—	366	1,897	1,063	257	5,142	—	—	8,725
Total residential mortgage	**$ 16,245**	**$ 128,151**	**$ 168,911**	**$ 155,371**	**$ 83,095**	**$ 205,987**	**$ —**	**$ —**	**$ 757,760**
Gross charge–offs during period	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 1**	**$ —**	**$ —**	**$ 1**
Residential construction									
Performing	$ —	$ —	$ —	$ —	$ —	$ —	$ 24,311	$ —	$ 24,311
Non–performing	—	—	—	—	—	—	—	—	—
Total residential construction	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 24,311**	**$ —**	**$ 24,311**
Gross charge–offs during period	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Mortgage warehouse									
Performing	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 56,548	$ 56,548
Non–performing	—	—	—	—	—	—	—	—	—
Total mortgage warehouse	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 56,548**	**$ 56,548**
Gross charge–offs during period	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

March 31, 2024	2024	2023	2022	2021	2020	Prior	Revolving Term Loans	Revolving Loans	Total
Consumer									
Installment									
Performing	$ 3,533	$ 71,835	$ 12,263	$ 7,167	$ 3,845	$ 8,532	$ 16	$ 2,041	$ 109,232
Non–performing	—	8	44	55	—	31	—	—	138
Total installment	**$ 3,533**	**$ 71,843**	**$ 12,307**	**$ 7,222**	**$ 3,845**	**$ 8,563**	**$ 16**	**$ 2,041**	**$ 109,370**
Gross charge–offs during period	**$ —**	**$ 18**	**$ 124**	**$ 1**	**$ 17**	**$ 21**	**$ —**	**$ —**	**$ 181**
Indirect auto									
Performing	$ 643	$ 60,833	$ 176,167	$ 72,595	$ 30,750	$ 18,839	$ —	$ —	$ 359,827
Non–performing	—	74	366	227	196	145	—	—	1,008
Total indirect auto	**$ 643**	**$ 60,907**	**$ 176,533**	**$ 72,822**	**$ 30,946**	**$ 18,984**	**$ —**	**$ —**	**$ 360,835**
Gross charge–offs during period	**$ —**	**$ 43**	**$ 222**	**$ 81**	**$ 77**	**$ 42**	**$ —**	**$ —**	**$ 465**
Home equity									
Performing	$ 2,300	$ 25,932	$ 20,432	$ 2,922	$ 2,314	$ 12,729	$ 17,051	$ 472,108	$ 555,788
Non–performing	—	—	309	—	52	389	3,047	—	3,797
Total home equity	**$ 2,300**	**$ 25,932**	**$ 20,741**	**$ 2,922**	**$ 2,366**	**$ 13,118**	**$ 20,098**	**$ 472,108**	**$ 559,585**
Gross charge–offs during period	**$ —**	**$ 52**	**$ 88**	**$ —**	**$ 37**	**$ —**	**$ —**	**$ —**	**$ 177**

(Table Dollar Amounts in Thousands, Except Per Share Data)

The following tables present loans by credit grades and origination year at December 31, 2023.

December 31, 2023	2023	2022	2021	2020	2019	Prior	Revolving Term Loans	Revolving Loans	Total
Commercial									
Owner occupied real estate									
Pass	$ 66,814	$ 101,620	$ 73,199	$ 44,067	$ 41,726	$ 173,913	$ 93,432	$ 8,226	$ 602,997
Special Mention	3,920	490	3,777	—	2,038	8,128	—	452	18,805
Substandard	1,376	—	6,490	966	228	9,339	530	—	18,929
Doubtful	—	—	—	—	—	—	—	—	—
Total owner occupied real estate	**$ 72,110**	**$ 102,110**	**$ 83,466**	**$ 45,033**	**$ 43,992**	**$ 191,380**	**$ 93,962**	**$ 8,678**	**$ 640,731**
Gross charge-offs during period	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 3**	**$ 401**	**$ —**	**$ 404**
Non–owner occupied real estate									
Pass	$ 116,031	$ 197,702	$ 149,540	$ 104,591	$ 83,394	$ 303,191	$ 246,569	$ 9,878	$ 1,210,896
Special Mention	1,366	16,135	1,334	254	845	36,590	—	—	56,524
Substandard	—	—	—	185	—	6,233	—	—	6,418
Doubtful	—	—	—	—	—	—	—	—	—
Total non–owner occupied real estate	**$ 117,397**	**$ 213,837**	**$ 150,874**	**$ 105,030**	**$ 84,239**	**$ 346,014**	**$ 246,569**	**$ 9,878**	**$ 1,273,838**
Gross charge-offs during period	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 9**	**$ —**	**$ —**	**$ 9**
Residential spec homes									
Pass	$ —	$ —	$ 498	$ —	$ —	$ —	$ 5,852	$ 7,139	$ 13,489
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—
Total residential spec homes	**$ —**	**$ —**	**$ 498**	**$ —**	**$ —**	**$ —**	**$ 5,852**	**$ 7,139**	**$ 13,489**
Gross charge-offs during period	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 29**	**$ —**	**$ 29**
Development & spec land									
Pass	$ 5,133	$ 1,477	$ 990	$ 390	$ 247	$ 3,146	$ 20,236	$ 170	$ 31,789
Special Mention	—	—	—	—	—	—	1,529	—	1,529
Substandard	—	—	—	—	—	104	617	—	721
Doubtful	—	—	—	—	—	—	—	—	—
Total development & spec land	**$ 5,133**	**$ 1,477**	**$ 990**	**$ 390**	**$ 247**	**$ 3,250**	**$ 22,382**	**$ 170**	**$ 34,039**
Gross charge-offs during period	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Commercial & industrial									
Pass	$ 121,969	$ 151,847	$ 93,709	$ 12,154	$ 20,497	$ 59,041	$ 60,539	$ 147,773	$ 667,529
Special Mention	1,434	726	265	2,137	119	1,305	9,375	18,836	34,197
Substandard	1,595	703	223	211	768	2,404	2,863	2,370	11,137
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial & industrial	**$ 124,998**	**$ 153,276**	**$ 94,197**	**$ 14,502**	**$ 21,384**	**$ 62,750**	**$ 72,777**	**$ 168,979**	**$ 712,863**
Gross charge-offs during period	**$ —**	**$ 33**	**$ —**	**$ 123**	**$ 25**	**$ 72**	**$ 344**	**$ —**	**$ 597**

(Table Dollar Amounts in Thousands, Except Per Share Data)

December 31, 2023	2023	2022	2021	2020	2019	Prior	Revolving Term Loans	Revolving Loans	Total
Real estate									
Residential mortgage									
Performing	$ 40,920	$ 154,803	$ 157,480	$ 85,159	$ 30,464	$ 177,411	$ —	$ —	$ 646,237
Non–performing	118	1,591	748	259	647	4,695	—	—	8,058
Total residential mortgage	**$ 41,038**	**$ 156,394**	**$ 158,228**	**$ 85,418**	**$ 31,111**	**$ 182,106**	**$ —**	**$ —**	**$ 654,295**
Gross charge-offs during period	**$ —**	**$ 28**	**$ —**	**$ —**	**$ —**	**$ 20**	**$ —**	**$ —**	**$ 48**
Residential construction									
Performing	$ —	$ —	$ —	$ —	$ —	$ —	$ 26,841	$ —	$ 26,841
Non–performing	—	—	—	—	—	—	—	—	—
Total residential construction	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 26,841**	**$ —**	**$ 26,841**
Gross charge-offs during period	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Mortgage warehouse									
Performing	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 45,078	$ 45,078
Non–performing	—	—	—	—	—	—	—	—	—
Total mortgage warehouse	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 45,078**	**$ 45,078**
Gross charge-offs during period	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

December 31, 2023	2023	2022	2021	2020	2019	Prior	Revolving Term Loans	Revolving Loans	Total
Consumer									
Installment									
Performing	$ 14,835	$ 13,447	$ 7,859	$ 4,246	$ 4,449	$ 5,074	$ 6	$ 2,362	$ 52,278
Non–performing	—	44	10	—	27	7	—	—	88
Total installment	**$ 14,835**	**$ 13,491**	**$ 7,869**	**$ 4,246**	**$ 4,476**	**$ 5,081**	**$ 6**	**$ 2,362**	**$ 52,366**
Gross charge-offs during period	**$ 33**	**$ 28**	**$ 31**	**$ 10**	**$ 32**	**$ 27**	**$ 6**	**$ —**	**$ 167**
Indirect auto									
Performing	$ 65,260	$ 191,871	$ 80,773	$ 35,995	$ 16,690	$ 8,159	$ —	$ —	$ 398,748
Non–performing	49	424	312	229	124	60	—	—	1,198
Total indirect auto	**$ 65,309**	**$ 192,295**	**$ 81,085**	**$ 36,224**	**$ 16,814**	**$ 8,219**	**$ —**	**$ —**	**$ 399,946**
Gross charge-offs during period	**$ 86**	**$ 1,388**	**$ 708**	**$ 137**	**$ 58**	**$ 74**	**$ —**	**$ —**	**$ 2,451**
Home equity									
Performing	$ 26,376	$ 21,379	$ 5,121	$ 2,447	$ 3,885	$ 9,987	$ 12,713	$ 478,673	$ 560,581
Non–performing	—	212	—	54	177	260	2,860	—	3,563
Total home equity	**$ 26,376**	**$ 21,591**	**$ 5,121**	**$ 2,501**	**$ 4,062**	**$ 10,247**	**$ 15,573**	**$ 478,673**	**$ 564,144**
Gross charge-offs during period	**$ —**	**$ 10**	**$ —**	**$ 103**	**$ —**	**$ 91**	**$ 13**	**$ —**	**$ 217**

(Table Dollar Amounts in Thousands, Except Per Share Data)

Note 4 – 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 three months ended March 31, 2024 and 2023:

	Three Months Ended March 31, 2024				
	Commercial	Real Estate	Mortgage Warehouse	Consumer	Total
Balance, beginning of period	$ 29,736	$ 2,503	$ 481	$ 17,309	$ 50,029
Credit loss expense (recovery)	606	147	178	(262)	669
PCD loan charge–offs	115	—	—	—	115
Charge–offs	(1)	(1)	—	(823)	(825)
Recoveries	58	6	—	335	399
Balance, end of period	$ 30,514	$ 2,655	$ 659	$ 16,559	$ 50,387

	Three Months Ended March 31, 2023				
	Commercial	Real Estate	Mortgage Warehouse	Consumer	Total
Balance, beginning of period	$ 32,445	$ 5,577	$ 1,020	$ 11,422	$ 50,464
Credit loss expense (recovery)	(1,031)	(1,136)	(222)	1,984	(405)
PCD loan charge–offs	(154)	—	—	—	(154)
Charge–offs	(137)	(4)	—	(542)	(683)
Recoveries	33	10	—	261	304
Balance, end of period	$ 31,156	$ 4,447	$ 798	$ 13,125	$ 49,526

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 closed pool and compares those loan losses to the outstanding loan balance of that pool as of a specific point in time (“pool date”).

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 2009 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. The Company supplemented data for 2009 and 2010 with the use of adjusted Uniform Bank Performance Report peer group 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 Moody's economic forecast scenarios including both National and Regional econometrics, 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.

(Table Dollar Amounts in Thousands, Except Per Share Data)

Note 5 – 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 $1.460 billion and $1.479 billion at March 31, 2024 and December 31, 2023.

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. Mortgage servicing rights are included in other assets on the balance sheets as of March 31, 2024 and December 31, 2023.

	Three Months Ended	
	March 31, 2024	March 31, 2023
Mortgage servicing rights		
Balance, beginning of period	$ 18,807	$ 18,619
Servicing rights capitalized	207	228
Amortization of servicing rights	(476)	(247)
Balance, end of period	18,538	18,600
Impairment allowance		
Balance, beginning of period	—	—
Additions	—	—
Reductions	—	—
Balance, end of period	—	—
Mortgage servicing rights, net	$ 18,538	$ 18,600
Fair value, beginning of period	$ 19,891	$ 19,992
Fair value, end of period	19,149	19,336

Note 6 – Goodwill

The carrying amount of goodwill was $155.2 million as of March 31, 2024 and December 31, 2023, respectively. There were no changes in the carrying amount of goodwill for the three months ended March 31, 2024 and 2023. 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.

No goodwill impairment charges were recorded for the three months ended March 31, 2024 and 2023. During the first quarters of 2024 and 2023, Horizon considered the amount by which fair value exceeded book value by performing a quantitative analysis. The Company engaged a third-party valuation specialist in performing its quantitative impairment analysis during the third quarter of 2023, which included a combination of valuation approaches to determine the fair value of the Bank reporting unit. These valuation approaches required certain assumptions such as the discount rate, economic conditions impacting interest and growth rates, the control premium, and a relative weighting given to the fair value derived by each of the valuation approaches used. At the conclusion of the assessment, the Company determined that as of March 31, 2024, it was more likely than not that the fair value of goodwill exceeded its carrying value.

(Table Dollar Amounts in Thousands, Except Per Share Data)

Note 7 – 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.

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

	March 31, 2024				
	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater Than 90 Days	Total
Repurchase Agreements and repurchase-to-maturity transactions					
Federal agency collateralized mortgage obligations	$ 2,159	$ —	$ —	$ —	$ 2,159
Federal agency mortgage–backed pools	129,818	—	—	—	129,818
Private labeled mortgage–backed pools	7,332	—	—	—	7,332
Total borrowings	$ 139,309	$ —	$ —	$ —	$ 139,309

	December 31, 2023				
	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater Than 90 Days	Total
Repurchase Agreements and repurchase-to-maturity transactions					
Federal agency collateralized mortgage obligations	$ 2,245	$ —	$ —	$ —	$ 2,245
Federal agency mortgage–backed pools	126,349	—	—	—	126,349
Private labeled mortgage–backed pools	7,436	—	—	—	7,436
Total borrowings	$ 136,030	$ —	$ —	$ —	$ 136,030

Securities sold under agreements to repurchase are secured by securities with a carrying amount of $ 147.6 million and $145.2 million at March 31, 2024 and December 31, 2023, respectively.

Note 8 – 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 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.

On December 8, 2023, Horizon cancelled $3.5 million of the $60.0 million in Notes at a price of 89.5 recording a gain of $ 368,000. The balance net of unamortized issuance costs of the Notes was $55.6 million and $55.5 million at March 31, 2024 and December 31, 2023, respectively.

Note 9 – 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 on July 20, 2018. 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. Under the agreement, the Company paid or received the net interest amount monthly, with the monthly settlements included in interest expense. The Company terminated this interest rate swap agreement on May 23, 2023 and recorded a related gain of $1.5 million as a reduction of interest expense.

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.

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 March 31, 2024, 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.

(Table Dollar Amounts in Thousands, Except Per Share Data)

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 March 31, 2024, 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.

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

	Asset Derivatives March 31, 2024		Liability Derivatives March 31, 2024	
	Notional Amount	**Fair Value**	**Notional Amount**	**Fair Value**
Derivatives not designated as hedging instruments				
Interest rate contracts – fair value hedges	553,131	34,126	510,600	31,244
Mortgage loan contracts	7,906	9	—	—
Commitments to originate mortgage loans	3,172	88	—	—
Total derivatives not designated as hedging instruments	564,209	34,223	510,600	31,244
Total derivatives	$ 564,209	$ 34,223	$ 510,600	$ 31,244

	Asset Derivatives December 31, 2023		Liability Derivatives December 31, 2023	
	Notional Amount	**Fair Value**	**Notional Amount**	**Fair Value**
Derivatives not designated as hedging instruments				
Interest rate contracts – fair value hedges	558,164	26,556	514,881	24,024
Mortgage loan contracts	4,844	33	—	—
Commitments to originate mortgage loans	4,351	125	—	—
Total derivatives not designated as hedging instruments	567,359	26,714	514,881	24,024
Total derivatives	$ 567,359	$ 26,714	$ 514,881	$ 24,024

(Table Dollar Amounts in Thousands, Except Per Share Data)

The effect of the derivative instruments on the condensed consolidated statements of comprehensive income (loss) for the three–month periods ended March 31 is as follows:

	Amount of Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivative	
	Three Months Ended	
	March 31, 2024	March 31, 2023
Derivatives in cash flow hedging relationship		
Interest rate contracts	$ —	$ (442)

The effect of the derivative designated as a hedging instrument on the condensed consolidated statements of income for the three–month periods ended March 31 is as follows:

	Location of gain (loss) recognized on derivative	Amount of Gain (Loss) Recognized on Derivative	
		Three Months Ended	
		March 31, 2024	March 31, 2023
Derivative designated as hedging instruments			
Interest rate contracts – cash flow hedges	Interest expense – Borrowings	$ —	$ 209
Total		$ —	$ 209

The effect of derivatives not designated as hedging instruments on the condensed consolidated statements of income for the three–month periods ended March 31 is as follows:

	Location of gain (loss) recognized on derivative	Amount of Gain (Loss) Recognized on Derivative	
		Three Months Ended	
		March 31, 2024	March 31, 2023
Derivatives not designated as hedging instruments			
Interest rate contracts – fair value hedge	Interest income – loans receivable	$ 335	$ 166
Interest rate contracts – fair value hedge	Interest income – investment securities	71	49
Mortgage loan contracts	Non–interest income – Gain on sale of loans	(24)	87
Commitments to originate mortgage loans	Non–interest income – Gain on sale of loans	(38)	(17)
Total		$ 344	$ 285

Note 10 – 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 March 31, 2024. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

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.

(Table Dollar Amounts in Thousands, Except Per Share Data)

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:

	March 31, 2024			
	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	$ 62,926	$ —	$ 62,926	$ —
State and municipal	299,255	—	299,255	—
Federal agency collateralized mortgage obligations	3,450	—	3,450	—
Federal agency mortgage–backed pools	133,142	—	133,142	—
Corporate notes	36,546	—	36,546	—
Total available for sale securities	535,319	—	535,319	—
Interest rate swap agreements asset	34,126	—	34,126	—
Commitments to originate mortgage loans	88	—	88	—
Mortgage loan contracts	9	—	9	—
Interest rate swap agreements liability	(31,244)	—	(31,244)	—

	December 31, 2023			
	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	$ 64,377	$ —	$ 64,377	$ —
State and municipal	304,030	—	304,030	—
Federal agency collateralized mortgage obligations	3,580	—	3,580	—
Federal agency mortgage–backed pools	137,297	—	137,297	—
Corporate notes	37,967	—	37,967	—
Total available for sale securities	547,251	—	547,251	—
Interest rate swap agreements asset	26,556	—	26,556	—
Commitments to originate mortgage loans	125	—	125	—
Mortgage loan contracts	33	—	33	—
Interest rate swap agreements liability	(24,024)	—	(24,024)	—

(Table Dollar Amounts in Thousands, Except Per Share Data)

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):

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2024				
Collateral dependent loans	$ 622	$ —	$ —	$ 622
December 31, 2023				
Collateral dependent loans	$ 2,918	$ —	$ —	$ 2,918

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.

The following table presents qualitative information about unobservable inputs used in recurring and non–recurring Level 3 fair value measurements, other than goodwill.

	March 31, 2024			
	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Collateral dependent loans	$ 622	Collateral based measurement	Discount to reflect current market conditions and ultimate collectibility	15.4%-15.4% (15.4%)

	December 31, 2023			
	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Collateral dependent loans	$ 2,918	Collateral based measurement	Discount to reflect current market conditions and ultimate collectibility	16.9%-34.2%(21.5%)

Note 11 – 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 March 31, 2024 and December 31, 2023. 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.

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 and are classified within Level 1. 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 and are classified within Level 2.

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.

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

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.

	March 31, 2024			
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash and due from banks	$ 271,088	$ 271,088	$ —	$ —
Interest–earning time deposits	1,715	—	1,704	—
Investment securities, held to maturity	1,925,725	—	1,627,853	—
Loans held for sale	922	—	—	922
Loans, net	4,567,788	—	—	4,296,425
Stock in FHLB	53,826	—	53,826	—
Interest receivable	40,008	—	40,008	—
Liabilities				
Non–interest bearing deposits	$ 1,093,076	$ 1,093,076	$ —	$ —
Interest bearing deposits	4,486,794	3,350,673	1,129,271	—
Borrowings	1,359,121	—	1,347,385	—
Subordinated notes	55,634	—	53,374	—
Junior subordinated debentures issued to capital trusts	57,315	—	50,018	—
Interest payable	7,853	—	7,853	—

	December 31, 2023			
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash and due from banks	$ 526,515	$ 526,515	$ —	$ —
Interest–earning time deposits	2,205	—	2,190	—
Investment securities, held to maturity	1,945,638	—	1,668,601	—
Loans held for sale	1,418	—	—	1,418
Loans, net	4,367,601	—	—	4,072,568
Stock in FHLB	34,509	—	34,509	—
Interest receivable	38,710	—	38,710	—
Liabilities				
Non–interest bearing deposits	$ 1,116,005	$ 1,116,005	$ —	$ —
Interest bearing deposits	4,548,888	3,369,149	1,171,452	—
Borrowings	1,353,050	—	1,347,129	—
Subordinated notes	55,543	—	53,283	—
Junior subordinated debentures issued to capital trusts	57,258	—	50,063	—
Interest payable	22,249	—	22,249	—

(Table Dollar Amounts in Thousands, Except Per Share Data)

Note 12 – Accumulated Other Comprehensive Income (Loss)

	March 31, 2024	December 31, 2023
Unrealized gain (loss) on securities available for sale, net of tax	$ (73,559)	$ (69,018)
Unamortized gain (loss) on securities held to maturity, previously transferred from AFS, net of tax	2,283	2,409
Total accumulated other comprehensive income (loss)	$ (71,276)	$ (66,609)

Note 13 – 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.

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 March 31, 2024 and December 31, 2023, 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 first quarter of 2024 that management believes have changed the Bank's classification as well capitalized. There is no threshold for well capitalized status for bank holding companies.

(Table Dollar Amounts in Thousands, Except Per Share Data)

Horizon and the Bank's actual and required capital ratios as of March 31, 2024 and December 31, 2023 were as follows:

	Actual		Required for Capital Adequacy Purposes[1]		Required For Capital Adequacy Purposes with Capital Buffer[1]		Well Capitalized Under Prompt Corrective Action Provisions[1]	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
March 31, 2024								
Total capital (to risk–weighted assets)[1]								
Consolidated	$ 793,567	13.82 %	$ 459,485	8.00 %	$ 603,074	10.50 %	N/A	N/A
Bank	721,018	12.59 %	458,163	8.00 %	601,338	10.50 %	$ 572,703	10.00 %
Tier 1 capital (to risk–weighted assets)[1]								
Consolidated	742,430	12.93 %	344,614	6.00 %	488,203	8.50 %	N/A	N/A
Bank	669,881	11.70 %	343,622	6.00 %	486,798	8.50 %	458,163	8.00 %
Common equity tier 1 capital (to risk–weighted assets)[1]								
Consolidated	625,700	10.89 %	258,460	4.50 %	402,049	7.00 %	N/A	N/A
Bank	669,881	11.70 %	257,716	4.50 %	400,892	7.00 %	372,257	6.50 %
Tier 1 capital (to average assets)[1]								
Consolidated	742,430	9.68 %	306,716	4.00 %	306,716	4.00 %	N/A	N/A
Bank	669,881	8.63 %	310,592	4.00 %	310,592	4.00 %	388,240	5.00 %
December 31, 2023								
Total capital (to risk–weighted assets)[1]								
Consolidated	$ 786,436	14.11 %	$ 446,000	8.00 %	$ 585,374	10.50 %	N/A	N/A
Bank	714,402	12.87 %	444,147	8.00 %	582,943	10.50 %	$ 555,184	10.00 %
Tier 1 capital (to risk–weighted assets)[1]								
Consolidated	735,792	13.20 %	334,500	6.00 %	473,874	8.50 %	N/A	N/A
Bank	663,758	11.96 %	333,111	6.00 %	471,907	8.50 %	444,147	8.00 %
Common equity tier 1 capital (to risk–weighted assets)[1]								
Consolidated	619,153	11.11 %	250,875	4.50 %	390,250	7.00 %	N/A	N/A
Bank	663,758	11.96 %	249,833	4.50 %	388,629	7.00 %	360,870	6.50 %
Tier 1 capital (to average assets)[1]								
Consolidated	735,792	9.36 %	314,306	4.00 %	314,306	4.00 %	N/A	N/A
Bank	663,758	8.41 %	315,550	4.00 %	315,550	4.00 %	394,438	5.00 %

[1] As defined by regulatory agencies

Note 14 – General Litigation

As of April 20, 2023, a putative class action lawsuit entitled Chad Key, et al. v. Horizon Bancorp, Inc., et al., Case No. 1:23-cv-02961 ("Securities Action") was filed against the Company and two of its officers in the U.S. District Court for the Eastern District of New York. The Securities Action asserts claims under §§ 10(b) and 20(a) of the Securities Exchange Act of 1934 alleging, among other things, the Company made materially false and misleading statements and failed to disclose material adverse facts which allegedly resulted in harm to a putative class of purchasers of our securities from March 9, 2022 and March 10, 2023.

As of (1) August 28, 2023, a lawsuit related to the Securities Action was filed by Sally Hundley, derivatively on behalf of the Company, against the Company, as nominal defendant, and 2 of the Company's officers and 10 of its directors and (2) August 31, 2023, a lawsuit also related to the Securities Action was filed by Aziz Chowdhury, derivatively on behalf of the Company, against the Company, as nominal defendant, and 2 of the Company's officers and 10 of its directors (the “Derivatives Actions”) in the U.S. District Court for the Eastern District of New York. The Derivative Actions allege, among other things, breach of the officers and directors' fiduciary duties. The Derivative Actions have been consolidated and stayed pending resolution of any motion to dismiss in the Securities Action.

Based on our initial review of these actions, management believes that the Company has strong defenses to the claims and intends to vigorously defend against them. As of March 31, 2024, no liabilities related to the above matters were recorded because we have concluded such liabilities are not probable and the amounts of such liabilities are not reasonably estimable.

In addition to the matters described above, from time to time, 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 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:

- current financial conditions within the banking industry, including the effects of recent failures of other financial institutions, liquidity levels, and responses by the Federal Reserve, Department of the Treasury, and the Federal Deposit Insurance Corporation to address these issues;
- changes in the level and volatility of interest rates, spreads on earning assets and interest bearing liabilities, and interest rate sensitivity;
- the ability of the Company to remediate its material weaknesses in its internal control over financial reporting;
- continuing increases in inflation;
- loss of key Horizon personnel;
- economic conditions and their impact on Horizon and its customers, including local and global economic recovery from the pandemic;
- 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;
- the effect of interest rates on net interest rate margin and their impact on mortgage loan volumes and the outflow of deposits;
- increases in disintermediation, as new technologies allow consumers to complete financial transactions without the assistance of banks, which may have been accelerated by the COVID–19 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;
- 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;
- 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 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-Ukraine and Israel-Hamas conflicts, 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 2023 Annual Report on Form 10–K, in Item 1A of Part II of this Quarterly Report on Form 10–Q, and in the subsequent reports we file with the SEC.

Overview

Horizon 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, and other affiliated entities. 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.

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.

First Quarter 2024 Highlights

- Net interest margin increased to 2.50% compared to 2.43% in the linked quarter. Net interest income was $43.3 million compared to $42.3 million in the linked quarter. The net interest margin for the month ended March 31, 2024 was 2.53%.

- Commercial loans grew 11.2% annualized in the quarter, including $22.8 million in new equipment finance production and a $52.0 million increase in other commercial loans.

- Total loans were $4.62 billion at period end, increasing by 18.2% annualized during the quarter. Balances included the strategic deployment of excess liquidity into higher yielding and excellent credit quality residential mortgages of $94.7 million and consumer loans with credit protection of $59.1 million.

- Cash totaled $271.1 million at period end, providing significant flexibility to drive future net interest margin growth through deployment into higher yielding assets throughout 2024.

- Excellent asset quality with net charge-offs representing only 0.01% of average loans, as well as delinquent and non-performing loans representing 0.33% and 0.41%, respectively, at period end. The Company's first quarter credit loss expense of $805,000 was primarily attributable to loan growth and replacement of net charge-offs.

- Stable deposit base with continued pricing discipline. Deposits totaled $5.58 billion at quarter end, compared to $5.66 billion on December 31, 2023. Modest outflows were primarily attributed to public fund certificates of deposits.

- Solid fee income results, even with backdrop of lower BOLI income and mortgage seasonality. Expenses were well-managed in the quarter and at the lower end of guidance.

Financial Summary

	For the Three Months Ended		
Net Interest Income and Net Interest Margin	**March 31, 2024**	**December 31, 2023**	**March 31, 2023**
Net interest income	$ 43,288	$ 42,257	$ 45,237
Net interest margin	2.50 %	2.43 %	2.67 %
Adjusted net interest margin (See “Use of Non–GAAP Financial Measures”)	2.50 %	2.42 %	2.65 %

	For the Three Months Ended		
Asset Yields and Funding Costs	**March 31, 2024**	**December 31, 2023**	**March 31, 2023**
Interest earning assets	4.82 %	4.69 %	4.17 %
Interest bearing liabilities	2.84 %	2.74 %	1.85 %

Non–interest Income and Mortgage Banking Income	For the Three Months Ended March 31, 2024	December 31, 2023	March 31, 2023
Total non–interest income	$ 9,929	$ (20,449)	$ 9,620
Gain on sale of mortgage loans	626	951	785
Mortgage servicing income net of impairment or recovery	439	724	713

Non–interest Expense	For the Three Months Ended March 31, 2024	December 31, 2023	March 31, 2023
Total non–interest expense	$ 37,107	$ 39,330	$ 34,524
Annualized non–interest expense to average assets	1.90 %	1.98 %	1.79 %

Credit Quality	At or for the Three Months Ended March 31, 2024	December 31, 2023	March 31, 2023
Allowance for credit losses to total loans	1.09 %	1.13 %	1.17 %
Non–performing loans to total loans	0.41 %	0.46 %	0.47 %
Percent of net charge–offs to average loans outstanding for the period	0.01 %	0.02 %	0.01 %

Allowance for Credit Losses	March 31, 2024	Net Reserve 1Q24	December 31, 2023
Commercial	$ 30,514	$ 778	$ 29,736
Retail Mortgage	2,655	152	2,503
Warehouse	659	178	481
Consumer	16,559	(750)	17,309
Allowance for Credit Losses ("ACL")	$ 50,387	358	$ 50,029
ACL/Total Loans	1.09 %		1.13 %

Critical Accounting Policies

The notes to the consolidated financial statements included in Item 8 of the Company's 2023 Annual Report on Form 10–K 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 March 31, 2024, Horizon had core deposit intangibles of $12.8 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 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 the interest rate environment, 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 March 31, 2024, it was more likely than not that the fair value exceeded its carrying values. Horizon will continue to monitor developments regarding the current banking environment, 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 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 March 31, 2024, Horizon's total assets were $7.9 billion, a decrease of approximately $84.8 million compared to December 31, 2023. The decrease in total assets was primarily due to decreases in cash and due from banks of $255.4 million, investments held to maturity of $19.9 million and investments available for sale of $11.9 million offset by growth in net loans of $200.2 million.

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

	March 31, 2024		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available for sale				
U.S. Treasury and federal agencies	$ 71,943	$ 62,926	$ 72,938	$ 64,377
State and municipal	352,738	299,255	353,299	304,030
Federal agency collateralized mortgage obligations	3,819	3,450	3,931	3,580
Federal agency mortgage–backed pools	157,812	133,142	161,130	137,297
Corporate notes	42,119	36,546	43,317	37,967
Total available for sale investment securities	$ 628,431	$ 535,319	$ 634,615	$ 547,251
Held to maturity				
U.S. Treasury and federal agencies	$ 284,236	$ 241,037	$ 287,259	$ 245,960
State and municipal	1,078,388	911,630	1,088,499	939,361
Federal agency collateralized mortgage obligations	49,913	41,825	51,325	43,479
Federal agency mortgage–backed pools	319,181	268,852	323,649	275,028
Private labeled mortgage–backed pools	31,712	27,182	32,329	27,734
Corporate notes	162,453	137,327	162,734	137,196
Total held to maturity investment securities	$ 1,925,883	$ 1,627,853	$ 1,945,795	$ 1,668,758

Investment securities available for sale decreased $11.9 million since December 31, 2023 to $535.3 million as of March 31, 2024 primarily due to principal repayments and the sale of certain securities and investment securities held to maturity decreased $19.9 million since December 31, 2023 to $1.9 billion as of March 31, 2024. This decrease in investments held to maturity was due to cash flows received during the first three months of 2023.

Net loans increased $200.2 million since December 31, 2023 to $4.6 billion as of March 31, 2024. Commercial loans increased $74.8 million, consumer loans increased $13.3 million, residential mortgage loans increased $100.9 million and mortgage warehouse loans increased $11.5 million since December 31, 2023.

Total deposits decreased $85.0 million since December 31, 2023 to $5.6 billion as of March 31, 2024, primarily due to a reduction municipal and other public depositors of approximately $148.8 million, offset by an increase in consumer and commercial balances of $61.2 million and $2.6 million, respectively during the first three months of 2023.

Total borrowings increased slightly by $6.1 million to $1.4 billion as of March 31, 2024.

Stockholders' equity totaled $721.3 million at March 31, 2024 compared to $718.8 million at December 31, 2023. The increase in stockholders' equity during the period was primarily due to the generation of net income, offset by a decrease in accumulated other comprehensive loss of $4.7 million as unrealized losses on available for sale securities increased to $93.1 million and the amount of dividends paid during the quarter. Book value per common share at March 31, 2024 increased to $16.49 compared to $16.47 at December 31, 2023.

Results of Operations

Overview

Consolidated net income for the three–month period ended March 31, 2024 was $14.0 million, or $0.32 diluted earnings per share, compared to $18.2 million, or $0.42 diluted earnings per share for the same period in 2023. The decrease in net income for the three–month period ended March 31, 2024 when compared to the same prior year period reflects a decrease in net interest income of $1.9 million, an increase in credit loss expense of $563,000 and an increase in non–interest expense of $2.6 million, offset by an increase in non–interest income of $309,000 and a decrease in income tax expense of $549,000.

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 March 31, 2024 was $43.3 million, a decrease of $1.9 million from the $45.2 million earned during the same period in 2023. Yields on the Company's interest earning assets increased by 65 basis points to 4.82% for the three months ended March 31, 2024 from 4.17% for the three months ended March 31, 2023. Interest income increased $13.5 million from $71.8 million for the three months ended March 31, 2023 to $85.3 million for the same period in 2024. The increase in interest income was due to higher yields earned on interest earning assets and an increase in average balances of interest earning assets of $92.3 million during the three months ended March 31, 2024. Interest income from acquisition–related purchase accounting adjustments was $13,000 for the three months ended March 31, 2024 compared to $367,000 for the same period in 2023.

Rates paid on interest bearing liabilities increased by 99 basis points for the three–month period ended March 31, 2024 compared to the same period in 2023. Interest expense increased $15.4 million when compared to the three–month period ended March 31, 2023 to $42.0 million for the same period in 2024. This increase was due to higher rates paid on interest bearing liabilities. The cost of average interest bearing deposits increased 117 basis points while the cost of average borrowings increased 8 basis points. Average balances of interest bearing deposits decreased $2.1 million and average balances of borrowings increased $147.4 million for the three-month period ended March 31, 2024 when compared to the same period in 2023.

The net interest margin decreased 17 basis points from 2.67% for the three–month period ended March 31, 2023 to 2.50% for the same period in 2024. The decrease in the margin for the three–month period ended March 31, 2024 compared to the same period in 2023 was due to an increase in the cost of interest bearing liabilities, offset by an 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 2.50% for the three-month period ended March 31, 2024 compared to 2.65% for the same period in 2023. (See the "Non–GAAP Reconciliation of Net Interest Margin" table below.)

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

Average Balance Sheets

(Dollar Amount in Thousands, Unaudited)

	Three Months Ended March 31, 2024			Three Months Ended March 31, 2023		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Assets						
Interest earning assets						
Federal funds sold	$ 322,058	$ 4,387	5.48 %	$ 7,767	$ 83	4.33 %
Interest earning deposits	9,025	110	4.90 %	8,780	70	3.23 %
Investment securities – taxable	1,364,195	7,362	2.17 %	1,727,369	8,725	2.05 %
Investment securities – non–taxable [(1)]	1,149,957	6,451	2.86 %	1,314,129	7,556	2.95 %
Loans receivable [(2)] [(3)]	4,448,324	66,954	6.09 %	4,143,221	55,364	5.44 %
Total interest earning assets	7,293,559	85,264	4.82 %	7,201,266	71,798	4.17 %
Non–interest earning assets						
Cash and due from banks	105,795			103,563		
Allowance for credit losses	(49,960)			(50,337)		
Other assets	486,652			576,614		
Total average assets	$ 7,836,046			$ 7,831,106		
Liabilities and Stockholders' Equity						
Interest bearing liabilities						
Interest bearing deposits	$ 4,500,148	$ 27,990	2.50 %	$ 4,502,199	$ 14,819	1.33 %
Borrowings	1,200,728	10,904	3.65 %	1,053,317	9,268	3.57 %
Repurchase agreements	138,052	1,026	2.99 %	138,749	503	1.47 %
Subordinated notes	55,558	831	6.02 %	58,910	880	6.06 %
Junior subordinated debentures issued to capital trusts	57,279	1,225	8.60 %	57,048	1,091	7.76 %
Total interest bearing liabilities	5,951,765	41,976	2.84 %	5,810,223	26,561	1.85 %
Non–interest bearing liabilities						
Demand deposits	1,077,183			1,255,697		
Accrued interest payable and other liabilities	82,015			71,714		
Stockholders' equity	725,083			693,472		
Total average liabilities and stockholders' equity	$ 7,836,046			$ 7,831,106		
Net interest income/spread		$ 43,288	1.98 %		$ 45,237	2.32 %
Net interest income as a percent of average interest earning assets [(1)]			2.50 %			2.67 %

(1) 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.

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

(3) 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.

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 March 31, 2024 vs. Three Months Ended March 31, 2023		
	Total Change	Change Due to Volume	Change Due to Rate
Interest Income			
Federal funds sold	$ 4,304	$ 17,196	$ (12,892)
Interest earning deposits	40	8	32
Investment securities – taxable	(1,363)	(7,785)	6,422
Investment securities – non–taxable	(1,105)	(4,721)	3,616
Loans receivable	11,590	17,359	(5,769)
Total interest income	$ 13,466	$ 22,057	$ (8,591)
Interest Expense			
Interest bearing deposits	$ 13,171	$ (27)	$ 13,198
Borrowings	1,636	5,366	(3,730)
Repurchase agreements	523	(10)	533
Subordinated notes	(49)	(202)	153
Junior subordinated debentures issued to capital trusts	134	18	116
Total interest expense	15,415	5,145	10,270
Net Interest Income	$ (1,949)	$ 16,912	$ (18,861)

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 March 31, 2024, credit loss expense for loans totaled $669,000 compared to $242,000 for the same period in 2023. During the three–month period ended March 31, 2024, commercial loan net recoveries were $57,000, residential mortgage loan net recoveries were $5,000 and consumer loan net charge–offs were $488,000.

The ACL balance at March 31, 2024 was $50.4 million, or 1.09% of total loans compared to an ACL balance of $50.0 million at December 31, 2023 or 1.13% of total loans. The decrease in the ACL to total loans ratio was primarily due to the decrease in indirect consumer loans and continued favorable asset quality with non–performing loans at 0.41% of total loans at period end and net charge–offs to average loans represented 0.01% for the first quarter of 2024.

As of March 31, 2024, non–performing loans totaled $19.2 million, reflecting a $1.1 million decrease from $20.3 million in non–performing loans as of December 31, 2023. Non–performing commercial loans decreased by $1.9 million, non–performing real estate loans increased by $667,000 and non–performing consumer loans increased by $94,000 at March 31, 2024 compared to December 31, 2023.

Other Real Estate Owned ("OREO") and repossessed assets totaled $1.2 million at March 31, 2024 compared to $1.4 million at December 31, 2023.

Non–interest Income

The following is a summary of changes in non–interest income for the three months ended March 31, 2024 and 2023 (table dollar amounts in thousands):

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Amount Change	Percent Change
Non–interest Income				
Service charges on deposit accounts	**$ 3,214**	$ 3,028	$ 186	6.1 %
Wire transfer fees	**101**	109	(8)	(7.3)%
Interchange fees	**3,109**	2,867	242	8.4 %
Fiduciary activities	**1,315**	1,275	40	3.1 %
Gain on sale of investment securities	**—**	(500)	500	(100.0)%
Gain on sale of mortgage loans	**626**	785	(159)	(20.3)%
Mortgage servicing net of impairment	**439**	713	(274)	(38.4)%
Increase in cash surrender value of bank owned life insurance	**298**	981	(683)	(69.6)%
Other income	**827**	362	465	128.5 %
Total non–interest income	**$ 9,929**	$ 9,620	$ 309	3.2 %

Total non–interest income was $309,000 higher during the first quarter of 2024 compared to the same period in 2023. Other income was $465,000 higher during the first quarter of 2024 compared to the same period of 2023. Interchange fees were $242,000 higher during the first quarter of 2024 when compared to the prior year period. The cash surrender value of bank owned life insurance decreased $683,000 during the first quarter of 2024 when compared to the same period in 2023 due to the surrender of several policies during the fourth quarter of 2023. Residential mortgage loan activity during the first quarter of 2024 generated $626,000 of income from the gain on sale of mortgage loans, down from $785,000 for the same period in 2023. Mortgage servicing income, net of impairment, decreased $274,000 during the first quarter of 2024 compared to the same period in 2023.

Non–interest Expense

The following is a summary of changes in non–interest expense for the three months ended March 31, 2024 and 2023 (table dollar amounts in thousands):

	Three Months Ended			
	March 31, 2024	March 31, 2023	QTD $ Change	QTD % Change
Non–interest Expense				
Salaries and employee benefits	$ 20,268	$ 18,712	$ 1,556	8.3 %
Net occupancy expenses	3,546	3,563	(17)	(0.5)%
Data processing	2,464	2,669	(205)	(7.7)%
Professional fees	607	533	74	13.9 %
Outside services and consultants	3,359	2,717	642	23.6 %
Loan expense	719	1,118	(399)	(35.7)%
FDIC deposit insurance	1,320	540	780	144.4 %
Core deposit intangible amortization	872	903	(31)	(3.4)%
Other losses	16	221	(205)	(92.8)%
Other expenses	3,936	3,548	388	10.9 %
Total non–interest expense	$ 37,107	$ 34,524	$ 2,583	7.5 %
Annualized Non–interest Exp. to Avg. Assets	1.90 %	1.79 %		

Total non–interest expense was $2.6 million higher during the first quarter of 2024 when compared to the first quarter of 2023 primarily due to increases in salaries and employee benefits expense of $1.6 million, FDIC deposit insurance of $780,000, outside services and consultants expense of $642,000 and other expenses of $388,000, offset by decreases in loan expense of $399,000, data processing of $205,000 and other losses of $205,000. Annualized non–interest expense to average assets was 1.90% for the three months ended March 31, 2024 compared to 1.79% for the same period in 2022.

Income Taxes

Income tax expense totaled $1.3 million for the first quarter of 2024, a decrease of $549,000 when compared to the first quarter of 2023 due to a decrease in income before taxes of $4.8 million.

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 March 31, 2024, in addition to liquidity available from the normal operating, funding, and investing activities of Horizon, the Bank had approximately $1.56 billion in unused credit lines with various money center banks, including the FHLB and the FRB Discount Window compared to $1.41 billion at December 31, 2023. The Bank had approximately $581.1 million of unpledged investment securities at March 31, 2024 compared to $601.7 million at December 31, 2023.

Capital Resources

The capital resources of Horizon and the Bank exceeded regulatory capital ratios for "well capitalized" banks at March 31, 2024. Stockholders' equity totaled $721.3 million as of March 31, 2024, compared to $718.8 million as of December 31, 2023. For the three months ended March 31, 2024, the ratio of average stockholders' equity to average assets was 9.25% compared to 8.97% for the twelve months ended December 31, 2023. The increase in stockholders' equity during the period was due to net income generated during the period, offset by a decrease in accumulated other comprehensive income of $4.7 million and the amount of dividends paid.

Horizon declared common stock dividends in the amount of $0.16 per share during the first three months of 2024 and $0.16 per share for the same period in 2023. The dividend payout ratio (dividends as a percent of basic earnings per share) was 50.0% and 38.1% for the first three months of 2024 and 2023, respectively. For additional information regarding dividends, see Horizon's 2023 Annual Report on Form 10–K.

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, pre–tax pre–provision net income, net interest margin, tangible stockholders' equity, tangible book value per share, efficiency ratio, the return on average assets, the return on average common equity, and the return on average tangible equity. 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 and swap termination fees, 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.

HORIZON BANCORP, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition
And Results of Operations
For the Three Months ended March 31, 2024 and 2023

Non–GAAP Reconciliation of Net Income

(Dollars in Thousands, Unaudited)

	Three Months Ended				
	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Net income as reported	$ 13,991	$ (25,215)	$ 16,205	$ 18,763	$ 18,228
Gain on swap termination	—	—	—	(1,453)	—
Tax effect	—	—	—	305	—
Net income excluding gain on swap termination	13,991	(25,215)	16,205	17,615	18,228
(Gain)/loss on sale of investment securities	—	31,572	—	(20)	500
Tax effect	—	(6,630)	—	4	(105)
Tax valuation reserve	—	5,201	—	—	—
Net income excluding (gain)/loss on sale of investment securities	13,991	4,928	16,205	17,599	18,623
Extraordinary expenses	—	705	—	—	—
Tax effect	—	(148)	—	—	—
Net income excluding extraordinary expenses	13,991	5,485	16,205	17,599	18,623
BOLI tax expense and excise tax	—	8,597	—	—	—
Net income excluding BOLI tax expense and excise tax	13,991	14,082	16,205	17,599	18,623
Adjusted net income	$ 13,991	$ 14,082	$ 16,205	$ 17,599	$ 18,623

Non–GAAP Reconciliation of Diluted Earnings per Share

(Unaudited)

	Three Months Ended				
	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Diluted earnings per share ("EPS") as reported	$ 0.32	$ (0.58)	$ 0.37	$ 0.43	$ 0.42
Gain on swap termination	—	—	—	(0.03)	—
Tax effect	—	—	—	0.01	—
Diluted EPS excluding gain on swap termination	0.32	(0.58)	0.37	0.41	0.42
(Gain)/loss on sale of investment securities	—	0.72	—	—	0.01
Tax effect	—	(0.15)	—	—	—
Tax valuation reserve	—	0.12	—	—	—
Diluted EPS excluding (gain)/loss on investment securities	0.32	0.11	0.37	0.41	0.43
Extraordinary expenses	—	0.02	—	—	—
Tax effect	—	—	—	—	—
Diluted EPS excluding extraordinary expenses	0.32	0.13	0.37	0.41	0.43
BOLI tax expense and excise tax	—	0.20	—	—	—
Diluted EPS excluding BOLI tax expense and excise tax	0.32	0.33	0.37	0.41	0.43
Adjusted Diluted EPS	$ 0.32	$ 0.33	$ 0.37	$ 0.41	$ 0.43

Non–GAAP Reconciliation of Pre–Tax, Pre–Provision Net Income

(Dollars in Thousands, Unaudited)

	Three Months Ended				
	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Pre–tax income	$ 15,305	$ (18,796)	$ 17,489	$ 20,215	$ 20,091
Credit loss expense (recovery)	805	1,274	263	680	242
Pre–tax, pre–provision net income	$ 16,110	$ (17,522)	$ 17,752	$ 20,895	$ 20,333
Pre–tax, pre–provision net income	$ 16,110	$ (17,522)	$ 17,752	$ 20,895	$ 20,333
Gain on swap termination	—	—	—	(1,453)	—
(Gain)/loss on sale of investment securities	—	31,572	—	(20)	500
Extraordinary expenses	—	705	—	—	—
Adjusted pre–tax, pre–provision net income	$ 16,110	$ 14,755	$ 17,752	$ 19,422	$ 20,833

HORIZON BANCORP, INC. AND SUBSIDIARIES
Management's Discussion and Analysis of Financial Condition
And Results of Operations
For the Three Months ended March 31, 2024 and 2023

Non–GAAP Reconciliation of Net Interest Margin

(Dollars in Thousands, Unaudited)

	Three Months Ended				
	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Net interest income as reported	$ 43,288	$ 42,257	$ 42,090	$ 46,160	$ 45,237
Average interest earning assets	7,293,559	7,239,034	7,286,611	7,212,640	7,201,266
Net interest income as a percentage of average interest earning assets ("Net Interest Margin")	2.50 %	2.43 %	2.41 %	2.69 %	2.67 %
Net interest income as reported	$ 43,288	$ 42,257	$ 42,090	$ 46,160	$ 45,237
Acquisition–related purchase accounting adjustments ("PAUs")	(13)	(175)	(435)	(651)	(367)
Gain on swap termination	—	—	—	(1,453)	—
Prepayment penalties on borrowings	—	—	—	—	—
Adjusted net interest income	$ 43,275	$ 42,082	$ 41,655	$ 44,056	$ 44,870
Adjusted net interest margin	2.50 %	2.42 %	2.38 %	2.57 %	2.65 %

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

(Dollars in Thousands Except per Share Data, Unaudited)

	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Total stockholders' equity	$ 721,250	$ 718,812	$ 693,369	$ 709,243	$ 702,559
Less: Intangible assets	167,965	168,837	169,741	170,644	171,547
Total tangible stockholders' equity	$ 553,285	$ 549,975	$ 523,628	$ 538,599	$ 531,012
Common shares outstanding	43,726,380	43,652,063	43,648,501	43,645,216	43,621,422
Book value per common share	$ 16.49	$ 16.47	$ 15.89	$ 16.25	$ 16.11
Tangible book value per common share	$ 12.65	$ 12.60	$ 12.00	$ 12.34	$ 12.17

Non–GAAP Calculation and Reconciliation of Efficiency Ratio and Adjusted Efficiency Ratio

(Dollars in Thousands, Unaudited)

	Three Months Ended				
	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Non–interest expense as reported	$ 37,107	$ 39,330	$ 36,168	$ 36,262	$ 34,524
Net interest income as reported	43,288	42,257	42,090	46,160	45,237
Non–interest income as reported	$ 9,929	$ (20,449)	$ 11,830	$ 10,997	$ 9,620
Non–interest expense/(Net interest income + Non–interest income) ("Efficiency Ratio")	69.73 %	180.35 %	67.08 %	63.44 %	62.93 %
Non–interest expense as reported	$ 37,107	$ 39,330	$ 36,168	$ 36,262	$ 34,524
Extraordinary expenses	—	(705)	—	—	—
Non–interest expense excluding acquisition expenses and DOL ESOP settlement expenses	37,107	38,625	36,168	36,262	34,524
Net interest income as reported	43,288	42,257	42,090	46,160	45,237
Gain on swap termination	—	—	—	(1,453)	—
Net interest income excluding gain on swap termination	43,288	42,257	42,090	44,707	45,237
Non–interest income as reported	9,929	(20,449)	11,830	10,997	9,620
(Gain)/loss on sale of investment securities	—	31,572	—	(20)	500
Non–interest income excluding (gain)/loss on sale of investment securities	$ 9,929	$ 11,123	$ 11,830	$ 10,977	$ 10,120
Adjusted efficiency ratio	69.73 %	72.36 %	67.08 %	65.12 %	62.37 %

Non–GAAP Reconciliation of Return on Average Assets

(Dollars in Thousands, Unaudited)

	Three Months Ended				
	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Average assets	$ 7,836,046	$ 7,880,816	$ 7,924,751	$ 7,840,026	$ 7,831,106
Return on average assets ("ROAA") as reported	0.72 %	(1.27)%	0.81 %	0.96 %	0.94 %
Gain on swap termination	—	—	—	(0.07)	—
Tax effect	—	—	—	0.02	—
ROAA excluding gain on swap termination	0.72	(1.27)	0.81	0.91	0.94
(Gain)/loss on sale of investment securities	—	1.59	—	—	0.03
Tax effect	—	(0.33)	—	—	(0.01)
Tax valuation reserve	—	0.26	—	—	—
ROAA excluding (gain)/loss on sale of investment securities	0.72	0.25	0.81	0.91	0.96
Extraordinary expenses	—	0.04	—	—	—
Tax effect	—	(0.01)	—	—	—
ROAA excluding extraordinary expenses	0.72	0.28	0.81	0.91	0.96
BOLI tax expense and excise tax	—	0.43	—	—	—
ROAA excluding BOLI tax expense and excise tax	0.72	0.71	0.81	0.91	0.96
Adjusted ROAA	0.72 %	0.71 %	0.81 %	0.91 %	0.96 %

Non–GAAP Reconciliation of Return on Average Common Equity

(Dollars in Thousands, Unaudited)

	Three Months Ended				
	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Average common equity	$ 725,083	$ 702,793	$ 715,485	$ 710,953	$ 693,472
Return on average common equity ("ROACE") as reported	7.76 %	(14.23)%	8.99 %	10.59 %	10.66 %
Gain on swap termination	—	—	—	(0.82)	—
Tax effect	—	—	—	0.17	—
ROACE excluding gain on swap termination	7.76	(14.23)	8.99	9.94	10.66
(Gain)/loss on sale of investment securities	—	17.82	—	(0.01)	0.29
Tax effect	—	(3.74)	—	—	(0.06)
Tax valuation reserve	—	2.94	—	—	—
ROACE excluding (gain)/loss on sale of investment securities	7.76	2.79	8.99	9.93	10.89
Extraordinary expenses	—	0.40	—	—	—
Tax effect	—	(0.08)	—	—	—
ROACE excluding extraordinary expenses	7.76	3.11	8.99	9.93	10.89
BOLI tax expense and excise tax	—	4.85	—	—	—
ROACE excluding BOLI tax expense and excise tax	7.76	7.96	8.99	9.93	10.89
Adjusted ROACE	7.76 %	7.96 %	8.99 %	9.93 %	10.89 %

Non–GAAP Reconciliation of Return on Average Tangible Equity

(Dollars in Thousands, Unaudited)

	Three Months Ended				
	March 31, 2024	**December 31, 2023**	**September 30, 2023**	**June 30, 2023**	**March 31, 2023**
Average common equity	$ 725,083	$ 702,793	$ 715,485	$ 710,953	$ 693,472
Less: Average intangible assets	168,519	169,401	170,301	171,177	172,139
Average tangible equity	$ 556,564	$ 533,392	$ 545,184	$ 539,776	$ 521,333
Return on average common equity ("ROATE")	10.11 %	(18.76)%	11.79 %	13.94 %	14.18 %
Gain on swap termination	—	—	—	(1.08)	—
Tax effect	—	—	—	0.23	—
ROATE excluding gain on swap termination	10.11	(18.76)	11.79	13.09	14.18
(Gain)/loss on sale of investment securities	—	23.48	—	(0.01)	0.39
Tax effect	—	(4.93)	—	—	(0.08)
Tax valuation reserve	—	3.87	—	—	—
ROATE excluding (gain)/loss on sale of investment securities	10.11	3.66	11.79	13.08	14.49
Extraordinary expenses	—	0.52	—	—	—
Tax effect	—	(0.11)	—	—	—
ROATE excluding extraordinary expenses	10.11	4.07	11.79	13.08	14.49
BOLI tax expense and excise tax	—	6.39	—	—	—
ROATE excluding BOLI tax expense and excise tax	10.11	10.46	11.79	13.08	14.49
Adjusted ROATE	10.11 %	10.46 %	11.79 %	13.08 %	14.49 %

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We refer you to Horizon's 2023 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 2023 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 March 31, 2024, 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's 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 disclosures.

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 March 31, 2024, 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

ITEM 1. LEGAL PROCEEDINGS

As of April 20, 2023, a putative class action lawsuit entitled Chad Key, et al. v. Horizon Bancorp, Inc., et al., Case No. 1:23-cv-02961 ("Securities Action") was filed against the Company and two of its officers in the U.S. District Court for the Eastern District of New York. The Securities Action asserts claims under §§ 10(b) and 20(a) of the Securities Exchange Act of 1934 alleging, among other things, the Company made materially false and misleading statements and failed to disclose material adverse facts which allegedly resulted in harm to a putative class of purchasers of our securities from March 9, 2022 and March 10, 2023.

As of (1) August 28, 2023, a lawsuit related to the Securities Action was filed by Sally Hundley, derivatively on behalf of the Company, against the Company, as nominal defendant, and 2 of the Company's officers and 10 of its directors and (2) August 31, 2023, a lawsuit also related to the Securities Action was filed by Aziz Chowdhury, derivatively on behalf of the Company, against the Company, as nominal defendant, and 2 of the Company's officers and 10 of its directors (the "Derivatives Actions") in the U.S. District Court for the Eastern District of New York. The Derivative Actions allege, among other things, breach of the officers and directors' fiduciary duties. The Derivative Actions have been consolidated and stayed pending resolution of any motion to dismiss in the Securities Action.

Based on our initial review of these actions, management believes that the Company has strong defenses to the claims and intends to vigorously defend against them. As of March 31, 2024, no liabilities related to the above matters were recorded because we have concluded such liabilities are not probable and the amounts of such liabilities are not reasonably estimable.

In addition to the matters described above, from time to time, 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, 2023.

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

None

ITEM 6. EXHIBITS

(a) Exhibits

Exhibit No.	Description	Location
31.1	Certification of Thomas M. Prame	Attached
31.2	Certification of Mark E. Secor	Attached
32	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	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 March 31, 2024, 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.
May 10, 2024	/s/ Thomas M. Prame
Date	Thomas M. Prame
	Chief Executive Officer
May 10, 2024	/s/ Mark E. Secor
Date	Mark E. Secor
	Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION OF THOMAS M. PRAME

I, Thomas M. Prame, 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 registrants'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.

May 10, 2024	/s/ Thomas M. Prame
Date	Thomas M. Prame
	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 registrants'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.

May 10, 2024	/s/ Mark E. Secor
Date	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 March 31, 2024 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.

May 10, 2024	/s/ Thomas M. Prame
Date	Thomas M. Prame
	Chief Executive Officer
May 10, 2024	/s/ Mark E. Secor
Date	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.