

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

FORM 10-Q

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

For the quarterly period ended September 30, 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	<input type="checkbox"/>	Accelerated Filer	<input checked="" type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 43,715,218 shares of Common Stock, no par value, at November 11, 2024.

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**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Balance Sheets**

(Dollar Amounts in Thousands)

	September 30, 2024	December 31, 2023
	(Unaudited)	
<b>Assets</b>		
Cash and due from banks	\$ 108,815	\$ 112,772
Interest earning deposits	12,107	12,071
Federal funds sold	113,912	401,672
Total cash and cash equivalents	234,834	526,515
Interest earning time deposits	735	2,205
Investment securities, available for sale	541,170	547,251
Investment securities, held to maturity (fair value of \$1,640,447 and \$1,668,758)	1,888,379	1,945,638
Loans held for sale	2,069	1,418
Loans, net of allowance for credit losses of \$52,881 and \$50,029	4,751,115	4,367,601
Premises and equipment, net	93,544	94,583
Federal Home Loan Bank stock	53,826	34,509
Goodwill	155,211	155,211
Other intangible assets	11,067	13,626
Interest receivable	39,366	38,710
Cash value of life insurance	37,115	36,157
Other assets	119,026	177,061
Total assets	<u><u>\$ 7,927,457</u></u>	<u><u>\$ 7,940,485</u></u>
<b>Liabilities</b>		
Deposits		
Non-interest bearing	\$ 1,085,535	\$ 1,116,005
Interest bearing	4,641,480	4,548,888
Total deposits	5,727,015	5,664,893
Borrowings	1,265,143	1,353,050
Subordinated notes	55,703	55,543
Junior subordinated debentures issued to capital trusts	57,423	57,258
Interest payable	11,400	22,249
Other liabilities	55,951	68,680
Total liabilities	<u><u>7,172,635</u></u>	<u><u>7,221,673</u></u>
<b>Commitments and contingent liabilities</b>		
<b>Stockholders' Equity</b>		
Preferred stock, Authorized, 1,000,000 shares, Issued 0 shares	—	—
Common stock, no par value, Authorized 99,000,000 shares	—	—
43,712,059 shares issued and outstanding at September 30, 2024 and 43,652,063 shares issued and outstanding at December 31, 2023	—	—
Additional paid-in capital	358,453	356,400
Retained earnings	454,050	429,021
Accumulated other comprehensive loss	(57,681)	(66,609)
Total stockholders' equity	754,822	718,812
Total liabilities and stockholders' equity	<u><u>\$ 7,927,457</u></u>	<u><u>\$ 7,940,485</u></u>

See notes to condensed consolidated financial statements

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
<b>Interest Income</b>				
Loans receivable	\$ 75,488	\$ 63,003	\$ 214,322	\$ 178,961
Investment securities – taxable	8,133	8,788	23,481	26,253
Investment securities – tax exempt	6,310	7,002	19,138	21,617
Other	957	1,332	6,192	1,960
Total interest income	<b>90,888</b>	80,125	<b>263,133</b>	228,791
<b>Interest Expense</b>				
Deposits	30,787	24,704	87,224	58,481
Borrowed funds	11,131	11,224	34,274	30,713
Subordinated notes	830	880	2,490	2,641
Junior subordinated debentures issued to capital trusts	1,230	1,227	3,668	3,469
Total interest expense	<b>43,978</b>	38,035	<b>127,656</b>	95,304
<b>Net Interest Income</b>	<b>46,910</b>	42,090	<b>135,477</b>	133,487
Credit loss expense	1,044	263	4,218	1,185
<b>Net Interest Income after Credit Loss Expense</b>	<b>45,866</b>	41,827	<b>131,259</b>	132,302
<b>Non-interest Income</b>				
Service charges on deposit accounts	3,320	3,086	9,664	9,135
Wire transfer fees	123	120	337	345
Interchange fees	3,511	3,186	10,446	9,637
Fiduciary activities	1,394	1,206	4,081	3,728
(Loss) on sale of investment securities	—	—	—	(480)
Gain on sale of mortgage loans	1,622	1,582	3,144	3,372
Mortgage servicing income, net	412	631	1,301	1,984
Increase in cash value of bank owned life insurance	349	1,055	965	3,051
Other income	780	964	1,987	1,675
Total non-interest income	<b>11,511</b>	11,830	<b>31,925</b>	32,447
<b>Non-interest Expense</b>				
Salaries and employee benefits	21,829	20,058	62,680	58,932
Net occupancy expenses	3,207	3,283	9,945	10,095
Data processing	2,977	2,999	8,020	8,684
Professional fees	676	707	1,997	1,873
Outside services and consultants	3,677	2,316	10,094	7,548
Loan expense	1,034	1,120	2,791	3,635
FDIC insurance expense	1,204	1,300	3,839	2,680
Core deposit intangible amortization	844	903	2,560	2,709
Other losses	297	188	828	543
Other expense	3,527	3,294	11,147	10,255
Total non-interest expense	<b>39,272</b>	36,168	<b>113,901</b>	106,954
<b>Income Before Income Taxes</b>	<b>18,105</b>	17,489	<b>49,283</b>	57,795
Income tax expense (benefit)	(75)	1,284	2,972	4,599
<b>Net Income</b>	<b>\$ 18,180</b>	\$ 16,205	<b>\$ 46,311</b>	\$ 53,196
<b>Basic Earnings Per Share</b>	\$ 0.42	\$ 0.37	\$ 1.06	\$ 1.22
<b>Diluted Earnings Per Share</b>	<b>0.41</b>	0.37	<b>1.05</b>	1.21

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30	
	2024	2023	2024	2023
<b>Net Income</b>	<b>\$ 18,180</b>	<b>\$ 16,205</b>	<b>\$ 46,311</b>	<b>\$ 53,196</b>
<b>Other Comprehensive Income (Loss)</b>				
Change in fair value of derivative instruments:				
Change in fair value of derivative instruments for the period	—	—	—	(523)
Reclassification adjustment for swap termination gain realized in income	—	—	—	(1,453)
Income tax effect	—	—	—	415
Changes from derivative instruments	—	—	—	(1,561)
Change in securities:				
Unrealized gain (loss) for the period on available for sale securities	20,800	(32,139)	11,791	(19,790)
Accretion from transfer of securities from available for sale to held to maturity securities	(162)	(158)	(490)	(531)
Reclassification adjustment for securities losses realized in income	—	—	—	480
Income tax effect	(4,334)	6,782	(2,373)	4,166
Unrealized gains (losses) on securities	16,304	(25,515)	8,928	(15,675)
<b>Other Comprehensive Income (Loss), Net of Tax</b>	<b>16,304</b>	<b>(25,515)</b>	<b>8,928</b>	<b>(17,236)</b>
<b>Comprehensive Income (Loss)</b>	<b>\$ 34,484</b>	<b>\$ (9,310)</b>	<b>\$ 55,239</b>	<b>\$ 35,960</b>

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**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	Other Comprehensive Income (Loss)		
			Paid-in Capital	Retained Earnings				
<b>Balances, July 1, 2023</b>	\$ —	\$ —	\$ 354,953	\$ 452,209	\$ (97,919)	\$ 709,243		
Net income	—	—	—	16,205	—	16,205		
Other comprehensive income, net of tax	—	—	—	—	(25,515)	(25,515)		
Amortization of unearned compensation	—	—	944	—	—	944		
Net settlement of share awards	—	—	(482)	—	—	(482)		
Stock retirement plans	—	—	63	—	—	63		
Cash dividends on common stock (\$0.16 per share)	—	—	—	(7,089)	—	(7,089)		
<b>Balances, September 30, 2023</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 355,478</b>	<b>\$ 461,325</b>	<b>\$ (123,434)</b>	<b>\$ 693,369</b>		
<b>Balances, July 1, 2024</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 357,673</b>	<b>\$ 442,977</b>	<b>\$ (73,985)</b>	<b>\$ 726,665</b>		
Net income	—	—	—	18,180	—	18,180		
Other comprehensive loss, net of tax	—	—	—	—	16,304	16,304		
Amortization of unearned compensation	—	—	853	—	—	853		
Net settlement of share awards	—	—	(73)	—	—	(73)		
Cash dividends on common stock (\$0.16 per share)	—	—	—	(7,107)	—	(7,107)		
<b>Balances, September 30, 2024</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 358,453</b>	<b>\$ 454,050</b>	<b>\$ (57,681)</b>	<b>\$ 754,822</b>		

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

	Nine Months Ended						
	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)		Total
<b>Balances, January 1, 2023</b>	\$ —	\$ —	\$ 354,188	\$ 429,385	\$ (106,198)		\$ 677,375
Net income	—	—	—	53,196	—		53,196
Other comprehensive income, net of tax	—	—	—	—	(17,236)		(17,236)
Amortization of unearned compensation	—	—	2,647	—	—		2,647
Net settlement of share awards	—	—	(1,204)	—	—		(1,204)
Stock retirement plans	—	—	(153)	—	—		(153)
Cash dividends on common stock (\$0.48 per share)	—	—	—	(21,256)	—		(21,256)
<b>Balances, September 30, 2023</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 355,478</u>	<u>\$ 461,325</u>	<u>\$ (123,434)</u>		<u>\$ 693,369</u>
<b>Balances, January 1, 2024</b>	\$ —	\$ —	\$ 356,400	\$ 429,021	\$ (66,609)		\$ 718,812
Net income	—	—	—	46,311	—		46,311
Other comprehensive loss, net of tax	—	—	—	—	8,928		8,928
Amortization of unearned compensation	—	—	2,893	—	—		2,893
Net settlement of share awards	—	—	(840)	—	—		(840)
Cash dividends on common stock (\$0.48 per share)	—	—	—	(21,282)	—		(21,282)
<b>Balances, September 30, 2024</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 358,453</u>	<u>\$ 454,050</u>	<u>\$ (57,681)</u>		<u>\$ 754,822</u>

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

	Nine Months Ended	
	September 30	
	2024	2023
<b>Operating Activities</b>		
Net income	\$ 46,311	\$ 53,196
Items not requiring (providing) cash		
Credit loss expense	4,218	1,185
Depreciation and amortization	7,684	7,920
Share based compensation	2,893	2,647
Amortization of mortgage servicing rights	1,435	832
Net amortization of premiums and discounts	6,496	7,742
Loss on sale of investment securities	—	480
Gain on sale of mortgage loans	(3,144)	(3,372)
Proceeds from sales of loans held for sale	91,515	107,436
Loans originated for sale	(89,978)	(101,948)
Gain on cash value life insurance	(965)	(3,051)
Gain on sale of other real estate owned	(74)	(234)
Net change in:		
Interest receivable	(656)	(2,556)
Interest payable	(10,849)	10,901
Other assets	12,677	(1,048)
Other liabilities	(12,822)	(6,174)
Net cash provided by operating activities	<u>\$ 54,741</u>	<u>\$ 73,956</u>
<b>Investing Activities</b>		
Purchases of securities available for sale	\$ —	\$ (1,435)
Proceeds from sales of securities available for sale	—	88,194
Proceeds from maturities, calls and principal repayments of securities available for sale	14,721	22,783
Purchases of securities held to maturity	(312)	(10,141)
Proceeds from maturities, calls and principal repayments of securities held to maturity	52,586	61,191
Net change in interest earning time deposits	1,470	605
Purchase of FHLB stock	(19,317)	(7,832)
Purchase of loans	(240,020)	(99,594)
Net change in loans	(173,382)	(105,373)
Proceeds on the sale of OREO and repossessed assets	1,067	2,280
Premises and equipment expenditures	(3,286)	(6,440)
Proceeds from bank owned life insurance	44,043	14
Net cash used in investing activities	<u>\$ (322,430)</u>	<u>\$ (55,748)</u>
<b>Financing Activities</b>		
Net change in deposits	62,122	(157,677)
Proceeds from borrowings	512,759	587,853
Repayment of borrowings	(563,120)	(378,914)
Net change in repurchase agreements	(13,631)	4,622
Net settlement of share awards	(840)	(1,204)
Dividends paid on common stock	(21,282)	(21,256)
Net cash provided by financing activities	<u>\$ (23,992)</u>	<u>\$ 33,424</u>
<b>Net Change in Cash and Cash Equivalents</b>	<b><u>(291,681)</u></b>	<b><u>51,632</u></b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>526,515</b>	<b>123,505</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b><u>\$ 234,834</u></b>	<b><u>\$ 175,137</u></b>
<b>Additional Supplemental Information</b>		
Interest paid	\$ 138,505	\$ 84,403
Income taxes paid	9,505	1,554
Transfer of loans to other real estate and repossessed assets	1,845	2,342

See notes to condensed consolidated financial statements

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

## **Note 1 - Accounting Policies**

### **Reclassifications**

Certain reclassifications have been made to the 2023 condensed consolidated financial statements to be comparable to 2024. These reclassifications were not material and had no effect on net income.

### **Rewvisions to Previously Issued Financial Statements**

In connection with the preparation of its financial statements for the second quarter of 2024, management corrected a prior computation of the Company's total capital (to risk-weighted assets), Tier 1 capital (to risk-weighted assets), and Tier 1 capital (to average assets) ratios for purposes of the Company's consolidated financial statements for holding companies filed with the Federal Reserve (the "Regulatory Filings"), which involved an incorrect classification of the Company's subordinated notes as Tier 1 capital. This incorrect classification affected the Company's regulatory capital disclosures in certain prior period filings with the SEC, as those disclosures were sourced from the Regulatory Filings. The Company evaluated the effects of the incorrect classification to its previously filed Regulatory Filings and previously issued financial statements in accordance with SEC Staff Accounting Bulletins No. 99 and No. 108 and, based upon qualitative and quantitative factors, determined the errors were not material to the previously filed Regulatory Filings or the previously issued financial statements and disclosures included in our Annual Reports on Form 10-K for the years ended December 31, 2020, 2021, 2022 and 2023, or for any of the quarterly reports included therein or through our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024. The Company has amended its Regulatory Filings for the periods ended March 31, 2024 and December 31, 2023 to reclassify the subordinated notes balance from Tier 1 capital into Tier 2 capital. The correction of the classification had no effect on the Company's consolidated financial statements and related disclosures or the amounts or disclosure of the regulatory capital ratios of the Bank as included in its call reports. The Company continues to exceed regulatory proxy ratios to be considered "well capitalized", plus the capital conservation buffer, at September 30, 2024.

### **Nature of Business and Basis of Reporting**

The accompanying unaudited condensed consolidated financial statements include the accounts of Horizon Bancorp, Inc. ("Horizon" or the "Company") and its wholly-owned subsidiaries, including Horizon Bank ("Horizon Bank" or the "Bank"), which is an Indiana commercial bank. All inter-company balances and transactions have been eliminated. The results of operations for the periods ended September 30, 2024 and September 30, 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 September 30, 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.

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**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**

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

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

(dollars in thousands, except per share data)	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<b>Basic earnings per share</b>				
Net income	\$ 18,180	\$ 16,205	\$ 46,311	\$ 53,196
Weighted average common shares outstanding	<b>43,712,059</b>	43,646,609	<b>43,695,968</b>	43,623,614
<b>Basic earnings per share</b>	<b>\$ 0.42</b>	\$ 0.37	<b>\$ 1.06</b>	\$ 1.22
<b>Diluted earnings per share</b>				
Net income	\$ 18,180	\$ 16,205	\$ 46,311	\$ 53,196
Weighted average common shares outstanding	<b>43,712,059</b>	43,646,609	<b>43,695,968</b>	43,623,614
Effect of dilutive securities:				
Restricted stock	394,939	143,673	392,976	182,559
Stock options	<b>5,323</b>	5,787	<b>4,551</b>	7,774
Weighted average common shares outstanding	<b>44,112,321</b>	43,796,069	<b>44,093,495</b>	43,813,947
<b>Diluted earnings per share</b>	<b>\$ 0.41</b>	\$ 0.37	<b>\$ 1.05</b>	\$ 1.21

There were 87,012 and 87,012 shares for the three and nine months ended September 30, 2024 which were not included in the computation of diluted earnings per share because they were non-dilutive. There were 665,063 and 624,189 shares for the three and nine months ended September 30, 2023 which were not included in the computation of diluted earnings per share because they were non-dilutive.

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**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**

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

**Note 2 – Securities**

The fair value of securities is as follows:

	September 30, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	
<b>Available for sale</b>					
U.S. Treasury and federal agencies	\$ 69,421	\$ —	\$ (6,176)	\$ 63,245	
State and municipal	351,507	14	(45,496)	306,025	
Federal agency collateralized mortgage obligations	3,413	—	(261)	3,152	
Federal agency mortgage-backed pools	151,844	—	(19,148)	132,696	
Corporate notes	40,559	—	(4,507)	36,052	
<b>Total available for sale investment securities</b>	<u>\$ 616,744</u>	<u>\$ 14</u>	<u>\$ (75,588)</u>	<u>\$ 541,170</u>	

	September 30, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	
<b>Held to maturity</b>					
U.S. Treasury and federal agencies	\$ 283,851	\$ —	\$ (31,817)	\$ 252,034	
State and municipal	1,056,869	1,713	(150,262)	908,320	
Federal agency collateralized mortgage obligations	47,232	—	(6,441)	40,791	
Federal agency mortgage-backed pools	308,725	—	(37,641)	271,084	
Private labeled mortgage-backed pools	29,975	—	(3,436)	26,539	
Corporate notes	161,885	—	(20,206)	141,679	
<b>Total held to maturity investment securities</b>	<u>\$ 1,888,537</u>	<u>\$ 1,713</u>	<u>\$ (249,803)</u>	<u>\$ 1,640,447</u>	
Less: Allowance for credit losses	(158)				
<b>Held to maturity securities, net of allowance for credit losses</b>	<u>\$ 1,888,379</u>				

	December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	
<b>Available for sale</b>					
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	
<b>Total available for sale investment securities</b>	<u>\$ 634,615</u>	<u>\$ 455</u>	<u>\$ (87,819)</u>	<u>\$ 547,251</u>	

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

The amortized cost and fair value of securities available for sale and held to maturity at September 30, 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.

	September 30, 2024		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<b>Available for sale</b>				
Within one year	\$ 448	\$ 447	\$ 5,505	\$ 5,408
One to five years	148,408	135,879	100,301	89,650
Five to ten years	217,000	184,540	167,764	141,203
After ten years	<u>95,631</u>	<u>84,456</u>	<u>195,984</u>	<u>170,113</u>
	<u>461,487</u>	<u>405,322</u>	<u>469,554</u>	<u>406,374</u>
Federal agency collateralized mortgage obligations	3,413	3,152	3,931	3,580
Federal agency mortgage-backed pools	151,844	132,696	161,130	137,297
Total available for sale investment securities	<u>\$ 616,744</u>	<u>\$ 541,170</u>	<u>\$ 634,615</u>	<u>\$ 547,251</u>
<b>Held to maturity</b>				
Within one year	\$ 49,801	\$ 49,143	\$ 33,483	\$ 33,169
One to five years	309,583	294,552	225,957	216,354
Five to ten years	360,008	316,813	350,843	304,067
After ten years	<u>783,213</u>	<u>641,525</u>	<u>928,209</u>	<u>768,927</u>
	<u>1,502,605</u>	<u>1,302,033</u>	<u>1,538,492</u>	<u>1,322,517</u>
Federal agency collateralized mortgage obligations	47,232	40,791	51,325	43,479
Federal agency mortgage-backed pools	308,725	271,084	323,649	275,028
Private labeled mortgage-backed pools	29,975	26,539	32,329	27,734
Total held to maturity investment securities	<u>\$ 1,888,537</u>	<u>\$ 1,640,447</u>	<u>\$ 1,945,795</u>	<u>\$ 1,668,758</u>

As of September 30, 2024, investment securities with a fair value of \$ 415.2 million were pledged as collateral against outstanding FHLB borrowings.

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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.

	September 30, 2024					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>Available for Sale Investment Securities</b>						
U.S. Treasury and federal agencies	\$ 447	\$ (1)	\$ 62,798	\$ (6,175)	\$ 63,245	\$ (6,176)
State and municipal	1,718	(237)	303,628	(45,259)	305,346	(45,496)
Federal agency collateralized mortgage obligations	—	—	3,152	(261)	3,152	(261)
Federal agency mortgage-backed pools	—	—	132,696	(19,148)	132,696	(19,148)
Corporate notes	—	—	36,052	(4,507)	36,052	(4,507)
<b>Total available for sale investment securities</b>	<b>\$ 2,165</b>	<b>\$ (238)</b>	<b>\$ 538,326</b>	<b>\$ (75,350)</b>	<b>\$ 540,491</b>	<b>\$ (75,588)</b>

	December 31, 2023					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>Available for Sale Investment Securities</b>						
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)
<b>Total available for sale investment securities</b>	<b>\$ 2,387</b>	<b>\$ (236)</b>	<b>\$ 543,248</b>	<b>\$ (87,583)</b>	<b>\$ 545,635</b>	<b>\$ (87,819)</b>

Certain investments in debt securities are reported in the consolidated financial statements at an amount less than their historical cost. As of September 30, 2024 and December 31, 2023, the Company had 2,338 and 2,290 securities, respectively, with market values below their cost basis. The total fair value of these investments at September 30, 2024 and December 31, 2023 was \$2.2 billion and \$2.1 billion, which is approximately 89.7% 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 September 30, 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 Condensed 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

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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 September 30, 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 September 30, 2024 and December 31, 2023, respectively.

On a quarterly basis, the Company refreshes the credit quality indicator of each held-to-maturity security. The Company applies ratings derived from Nationally Recognized Statistical Rating Organizations ("NRSRO"), specifically Moody's and Standard & Poor's. For state and municipal securities where no rating is available from the NRSROs, a consistent internally-assigned rating methodology is applied. The amortized cost of these securities in the following tables subject to this methodology totaled \$132.5 million as of September 30, 2024, and \$ 143.7 million as of December 31, 2023.

The following table summarizes credit ratings of our held-to-maturity securities at amortized cost for the periods indicated:

<b>September 30, 2024</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>BB</b>	<b>Not Rated</b>	<b>Total</b>
U.S. Treasury and federal agencies	\$ —	\$ 283,851	\$ —	\$ —	\$ —	\$ —	\$ 283,851
State and municipal	253,333	689,162	112,192	2,182	—	—	1,056,869
Federal agency collateralized mortgage obligations	47,232	—	—	—	—	—	47,232
Federal agency mortgage-backed pools	308,725	—	—	—	—	—	308,725
Private labeled mortgage-backed pools	29,975	—	—	—	—	—	29,975
Corporate notes	—	6,184	11,620	75,765	4,546	63,770	161,885
<b>Total</b>	<b>\$ 639,265</b>	<b>\$ 979,197</b>	<b>\$ 123,812</b>	<b>\$ 77,947</b>	<b>\$ 4,546</b>	<b>\$ 63,770</b>	<b>\$ 1,888,537</b>

  

<b>December 31, 2023</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>BB</b>	<b>Not Rated</b>	<b>Total</b>
U.S. Treasury and federal agencies	\$ —	\$ 287,259	\$ —	\$ —	\$ —	\$ —	\$ 287,259
State and municipal	285,748	730,907	69,658	2,186	—	—	1,088,499
Federal agency collateralized mortgage obligations	51,325	—	—	—	—	—	51,325
Federal agency mortgage-backed pools	323,649	—	—	—	—	—	323,649
Private labeled mortgage-backed pools	32,329	—	—	—	—	—	32,329
Corporate notes	—	4,260	11,831	78,197	4,556	63,890	162,734
<b>Total</b>	<b>\$ 693,051</b>	<b>\$ 1,022,426</b>	<b>\$ 81,489</b>	<b>\$ 80,383</b>	<b>\$ 4,556</b>	<b>\$ 63,890</b>	<b>\$ 1,945,795</b>

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The following table details activity in the allowance for credit losses on held-to-maturity securities during the three and nine months ended September 30, 2024 and 2023.

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Beginning balance	\$ 158	\$ 164	\$ 157	\$ 257
Credit loss expense (benefit)	—	(5)	1	(98)
Ending balance	<u>\$ 158</u>	<u>\$ 159</u>	<u>\$ 158</u>	<u>\$ 159</u>

Accrued interest receivable on available for sale debt securities and held to maturity securities totaled \$13.8 million at September 30, 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 available for sale 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. No allowance for credit losses was recognized for available for sale debt securities at September 30, 2024 and December 31, 2023.

Information regarding security proceeds, gross gains and gross losses, based on specific identification method, are presented below.

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<b>Sales of securities available for sale</b>				
Proceeds	\$ —	\$ —	\$ —	\$ 88,194
Gross gains	—	—	—	215
Gross losses	—	—	—	(695)

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**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

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 September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
<b>Commercial</b>		
Owner occupied real estate	\$ 634,470	\$ 640,731
Non-owner occupied real estate	1,424,248	1,273,838
Residential spec homes	16,447	13,489
Development & spec land	30,294	34,039
Commercial and industrial	808,600	712,863
<b>Total commercial</b>	<b>2,914,059</b>	<b>2,674,960</b>
<b>Real estate</b>		
Residential mortgage	783,957	654,295
Residential construction	17,399	26,841
Mortgage warehouse	80,437	45,078
<b>Total real estate</b>	<b>881,793</b>	<b>726,214</b>
<b>Consumer</b>		
Installment	101,554	52,366
Indirect auto	341,979	399,946
Home equity	564,611	564,144
<b>Total consumer</b>	<b>1,008,144</b>	<b>1,016,456</b>
<b>Total loans</b>	<b>4,803,996</b>	<b>4,417,630</b>
<b>Allowance for credit losses</b>	<b>(52,881)</b>	<b>(50,029)</b>
<b>Net loans</b>	<b>\$ 4,751,115</b>	<b>\$ 4,367,601</b>

Total loans include net deferred loan costs of \$ 19.1 million at September 30, 2024 and \$ 21.9 million at December 31, 2023, respectively.

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**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 September 30, 2024:

	<b>September 30, 2024</b>			
	<b>Loans Past</b>		<b>Non-accruing Loans</b>	<b>with no Allowance</b>
	<b>Non-accrual</b>	<b>Due Over 90 Days Still Accruing</b>		
<b>Commercial</b>				
Owner occupied real estate	\$ 3,854	\$ —	\$ 2,976	—
Non-owner occupied real estate	456	—	—	456
Residential spec homes	—	—	—	—
Development & spec land	574	—	—	574
Commercial and industrial	1,946	—	—	949
<b>Total commercial</b>	<b>6,830</b>	<b>—</b>	<b>—</b>	<b>4,955</b>
<b>Real estate</b>				
Residential mortgage	9,529	71	—	—
Residential construction	—	—	—	—
Mortgage warehouse	—	—	—	—
<b>Total real estate</b>	<b>9,529</b>	<b>71</b>	<b>—</b>	<b>—</b>
<b>Consumer</b>				
Installment	371	27	—	—
Indirect auto	1,304	228	—	—
Home equity	5,533	493	—	—
<b>Total consumer</b>	<b>7,208</b>	<b>748</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>\$ 23,567</b>	<b>\$ 819</b>	<b>\$ 4,955</b>	<b>—</b>

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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			
			Loans Past Due Over 90 Days Still Accruing	Non-accruing Loans with no Allowance for Credit Losses
	Non-accrual	—	—	—
<b>Commercial</b>				
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	
<b>Total commercial</b>	<b>7,362</b>	<b>—</b>	<b>3,668</b>	
<b>Real estate</b>				
Residential mortgage	8,058	—	—	
Residential construction	—	—	—	
Mortgage warehouse	—	—	—	
<b>Total real estate</b>	<b>8,058</b>	<b>—</b>	<b>—</b>	
<b>Consumer</b>				
Installment	88	—	—	
Indirect auto	899	299	—	
Home equity	3,303	260	—	
<b>Total consumer</b>	<b>4,290</b>	<b>559</b>	<b>—</b>	
<b>Total</b>	<b>\$ 19,710</b>	<b>\$ 559</b>	<b>\$ 3,668</b>	

There was no interest income recognized on non-accrual loans during the three and nine months ended September 30, 2024 and 2023, respectively, while the loans were in non-accrual status.

The amount of accrued interest receivable written off by the Company by reversing interest income was not material for the three and nine months ended September 30, 2024 and September 30, 2023, respectively.

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The following table presents the payment status by class of loan at September 30, 2024:

	September 30, 2024						Total Loans
	Current	30–59 Days Past Due		60–89 Days Past Due		90 Days or Greater Past Due	
		30–59 Days Past Due	60–89 Days Past Due	90 Days or Greater Past Due			
<b>Commercial</b>							
Owner occupied real estate	\$ 630,542	\$ 806	\$ 1,782	\$ 1,340	\$ 3,928	\$ 634,470	
Non-owner occupied real estate	1,423,495	150	302	301	753	1,424,248	
Residential spec homes	16,447	—	—	—	—	—	16,447
Development & spec land	30,294	—	—	—	—	—	30,294
Commercial and industrial	806,547	579	126	1,348	2,053	808,600	
<b>Total commercial</b>	<b>2,907,325</b>	<b>1,535</b>	<b>2,210</b>	<b>2,989</b>	<b>6,734</b>	<b>2,914,059</b>	
<b>Real estate</b>							
Residential mortgage	775,653	89	3,130	5,085	8,304	783,957	
Residential construction	17,399	—	—	—	—	17,399	
Mortgage warehouse	80,437	—	—	—	—	80,437	
<b>Total real estate</b>	<b>873,489</b>	<b>89</b>	<b>3,130</b>	<b>5,085</b>	<b>8,304</b>	<b>881,793</b>	
<b>Consumer</b>							
Installment	100,294	821	167	272	1,260	101,554	
Indirect auto	336,038	4,310	971	660	5,941	341,979	
Home equity	552,498	6,170	2,246	3,697	12,113	564,611	
<b>Total consumer</b>	<b>988,830</b>	<b>11,301</b>	<b>3,384</b>	<b>4,629</b>	<b>19,314</b>	<b>1,008,144</b>	
<b>Total</b>	<b>\$ 4,769,644</b>	<b>\$ 12,925</b>	<b>\$ 8,724</b>	<b>\$ 12,703</b>	<b>\$ 34,352</b>	<b>\$ 4,803,996</b>	

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

	December 31, 2023							Total		
	Current		30–59 Days Past Due		60–89 Days Past Due		90 Days or Greater Past Due			
	Past Due	Past Due	Past Due	Past Due	Past Due	Past Due	Past Due			
<b>Commercial</b>										
Owner occupied real estate	\$ 638,389	\$ 2,342	\$ —	\$ —	\$ —	\$ 2,342	\$ 640,731			
Non-owner occupied real estate	1,273,791	—	—	—	47	47	47	1,273,838		
Residential spec homes	13,489	—	—	—	—	—	—	13,489		
Development & spec land	33,036	—	1,003	—	—	1,003	1,003	34,039		
Commercial and industrial	710,567	1,659	54	583	2,296	712,863				
<b>Total commercial</b>	<b>2,669,272</b>	<b>4,001</b>	<b>1,057</b>	<b>630</b>	<b>5,688</b>	<b>2,674,960</b>				
<b>Real estate</b>										
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			
<b>Total real estate</b>	<b>718,903</b>	<b>2,823</b>	<b>2,353</b>	<b>2,135</b>	<b>7,311</b>	<b>726,214</b>				
<b>Consumer</b>										
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				
<b>Total consumer</b>	<b>1,003,678</b>	<b>9,010</b>	<b>1,963</b>	<b>1,805</b>	<b>12,778</b>	<b>1,016,456</b>				
<b>Total</b>	<b>\$ 4,391,853</b>	<b>\$ 15,834</b>	<b>\$ 5,373</b>	<b>\$ 4,570</b>	<b>\$ 25,777</b>	<b>\$ 4,417,630</b>				

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

**Modified Loans**

The following tables detail the amortized cost at September 30, 2024 of loans that were modified to borrowers experiencing financial difficulty during the three and nine months ended September 30, 2024 and the amortized cost at September 30, 2023, of loans that were modified to borrowers experiencing financial difficulty during the three and nine months ended September 30, 2023:

	Three Months Ended September 30, 2024								% of Loans Held for Investment	
	Principal Forgiveness	Term Extension	Interest Rate Reduction	Other-Than-Insignificant Payment Delay	Term Extension and Interest Rate Reduction					
					Multiple <sup>1</sup>	Total	Multiple <sup>1</sup>	Total		
<b>Commercial</b>										
Owner occupied real estate	—	\$ 2,038	\$ —	\$ —	—	\$ 2,038	—	\$ 2,038	0.3 %	
Commercial and industrial	—	1,111	—	—	—	—	—	1,111	0.1 %	
<b>Total</b>	<b>\$ —</b>	<b>\$ 3,149</b>	<b>\$ —</b>	<b>\$ —</b>	<b>—</b>	<b>\$ 3,149</b>	<b>—</b>	<b>\$ 3,149</b>	<b>0.1 %</b>	

<sup>1</sup> Multiple modifications represents modifications to borrowers in the form of term extensions and other-than-insignificant payment deferrals.

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**Nine Months Ended September 30, 2024**

	Principal Forgiveness	Term Extension	Interest Rate Reduction	Other-Than-Insignificant Payment Delay	Term Extension and Interest Rate Reduction			Multiple <sup>1</sup>	Total	% of Loans Held for Investment
					Term Extension and Interest Rate Reduction	Multiple <sup>1</sup>	Total			
<b>Commercial</b>										
Owner occupied real estate	\$ —	\$ 3,986	\$ —	\$ —	\$ —	\$ —	\$ 3,986		0.6 %	
Non-owner occupied real estate	—	1,720	—	651	—	—	2,371		0.2 %	
Commercial and industrial	—	2,205	—	—	437	—	2,642		0.3 %	
<b>Total</b>	<b>\$ —</b>	<b>\$ 7,911</b>	<b>\$ —</b>	<b>\$ 651</b>	<b>\$ 437</b>	<b>\$ —</b>	<b>\$ 8,999</b>		0.3 %	

<sup>1</sup> Multiple modifications represents modifications to borrowers in the form of term extensions and other-than-insignificant payment deferrals.

**Three Months Ended September 30, 2023**

	Principal Forgiveness	Term Extension	Interest Rate Reduction	Other-Than-Insignificant Payment Delay	Term Extension and Interest Rate Reduction			Multiple <sup>1</sup>	Total	% of Loans Held for Investment
					Term Extension and Interest Rate Reduction	Multiple <sup>1</sup>	Total			
<b>Commercial</b>										
Owner occupied real estate	\$ —	\$ 2,082	\$ —	\$ —	\$ —	\$ —	\$ 2,082		0.3 %	
Commercial and industrial	—	1,278	—	—	171	69	1,518		0.2 %	
<b>Total</b>	<b>\$ —</b>	<b>\$ 3,360</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 171</b>	<b>\$ 69</b>	<b>\$ 3,600</b>		0.1 %	

<sup>1</sup> Multiple modifications represents modifications to borrowers in the form of term extensions and other-than-insignificant payment deferrals.

**Nine Months Ended September 30, 2023**

	Principal Forgiveness	Term Extension	Interest Rate Reduction	Other-Than-Insignificant Payment Delay	Term Extension and Interest Rate Reduction			Multiple <sup>1</sup>	Total	% of Loans Held for Investment
					Term Extension and Interest Rate Reduction	Multiple <sup>1</sup>	Total			
<b>Commercial</b>										
Owner occupied real estate	\$ —	\$ 2,762	\$ —	\$ —	\$ —	\$ —	\$ 2,762		0.4 %	
Commercial and industrial	—	1,347	—	—	1,243	165	2,755		0.3 %	
<b>Total</b>	<b>\$ —</b>	<b>\$ 4,109</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,243</b>	<b>\$ 165</b>	<b>\$ 5,517</b>		0.2 %	

<sup>1</sup> Multiple modifications represents modifications to borrowers in the form of term extensions and other-than-insignificant payment deferrals.

The following tables summarize the financial impacts of loan modifications and payment deferrals, as applicable, during the three and nine months ended September 30, 2024 and September 30, 2023:

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Three Months Ended September 30, 2024			
	Weighted Average Term Extension (In Months)	Weighted Average Payment Delay (In Months)	Term Extension (In Months) & Rate Reduction (In Percentage Terms)
<b>Commercial</b>			
Owner occupied real estate	6	—	—
Commercial and industrial	21	—	—
Nine Months Ended September 30, 2024			
	Weighted Average Term Extension (In Months)	Weighted Average Payment Delay (In Months)	Term Extension (In Months) & Rate Reduction (In Percentage Terms)
<b>Commercial</b>			
Owner occupied real estate	7	—	—
Non-owner occupied real estate	15	5	—
Commercial and industrial	15	—	Weighted average term extension of 14 months & Weighted-average interest rate reduction of 2.03%

  

Three Months Ended September 30, 2023			
	Weighted Average Term Extension (In Months)	Term Extension (In Months) & Rate Reduction (In Percentage Terms)	Multiple <sup>1</sup>
<b>Commercial</b>			
Owner occupied real estate	6	—	—
Commercial and industrial	4	Weighted average term extension of 96 months and weighted average rate reduction of 1.95%	Weighted Average term extension of 36 months and weighted average payment delay of 4 months

  

Nine Months Ended September 30, 2023			
	Weighted Average Term Extension (In Months)	Term Extension (In Months) & Rate Reduction (In Percentage Terms)	Multiple <sup>1</sup>
<b>Commercial</b>			
Owner occupied real estate	15	—	—
Commercial and industrial	6	Weighted average term extension of 75 months and weighted average rate reduction of 1.04%	Weighted Average term extension of 40 months and weighted average payment delay of 7 months

<sup>1</sup> Multiple modifications represents modifications to borrowers in the form of term extensions and other-than-insignificant payment deferrals.

Nine Months Ended September 30, 2023			
	Weighted Average Term Extension (In Months)	Term Extension (In Months) & Rate Reduction (In Percentage Terms)	Multiple <sup>1</sup>
<b>Commercial</b>			
Owner occupied real estate	15	—	—
Commercial and industrial	6	Weighted average term extension of 75 months and weighted average rate reduction of 1.04%	Weighted Average term extension of 40 months and weighted average payment delay of 7 months

<sup>1</sup> Multiple modifications represents modifications to borrowers in the form of term extensions and other-than-insignificant payment deferrals.

The financial impacts of the modifications did not significantly impact our determination of the allowance for credit losses during the periods presented above.

The Company had commitments to commercial and industrial borrowers of \$ 0.3 million and \$0.1 million at September 30, 2024 and December 31, 2023, respectively, to lend additional funds to borrowers experiencing financial difficulty and for whom the Company has modified the terms of loans in the form of an interest rate reduction; an other-than-insignificant payment delay; forgiveness of principal, or a term extension during the current reporting period.

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The following table presents the amortized cost basis at September 30, 2024 of loans to borrowers experiencing financial difficulty that had been modified within the previous 12 months:

	September 30, 2024			
	Current	30-89 Days Past Due	90 Days Past Due	Total
<b>Commercial</b>				
Owner occupied real estate	\$ 3,986	\$ —	\$ —	\$ 3,986
Non-owner occupied real estate	2,371	—	—	2,371
Commercial and industrial	2,641	—	—	2,641
<b>Total commercial</b>	<b>8,998</b>	—	—	<b>8,998</b>
<b>Total</b>	<b>\$ 8,998</b>	\$ —	\$ —	<b>\$ 8,998</b>

The following table presents the amortized cost basis at September 30, 2023 of loans to borrowers experiencing financial difficulty that had been modified on or after January 1, 2023 (the date we adopted ASU 2022-02) through September 30, 2023:

	September 30, 2023			
	Current	30-89 Days Past Due	90 Days Past Due	Total
<b>Commercial</b>				
Owner occupied real estate	\$ 2,762	\$ —	\$ —	\$ 2,762
Commercial and industrial	2,755	—	—	2,755
<b>Total</b>	<b>\$ 5,517</b>	\$ —	\$ —	<b>\$ 5,517</b>

The Company did not have any loans to borrowers experiencing financial difficulty that had a payment default during the three and nine months ended September 30, 2024 and were modified within the twelve months prior to the payment default. For purposes of this disclosure, the Company considers "default" to mean 30 days or more past due of contractual interest or principal.

The Company did not have any loans to borrowers experiencing financial difficulty that had a payment default during the three and nine month ended September 30, 2023 and had been modified on or after January 1, 2023 (date the Company adopted ASU 2022-02).

#### **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 September 30, 2024 and December 31, 2023.

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	September 30, 2024					
	Real Estate	Accounts Receivable/Equipment	Other	Total <sup>(1)</sup>	ACL Allocation	
<b>Commercial</b>						
Owner occupied real estate	\$ 3,854	\$ —	\$ —	\$ 3,854	\$ 234	
Non-owner occupied real estate	456	—	—	456	—	
Residential spec homes	—	—	—	—	—	
Development & spec land	574	—	—	574	—	
Commercial and industrial	1,437	509	—	1,946	799	
<b>Total commercial</b>	<b>6,321</b>	<b>509</b>	<b>—</b>	<b>6,830</b>	<b>1,033</b>	
<b>Total collateral dependent loans</b>	<b>\$ 6,321</b>	<b>\$ 509</b>	<b>\$ —</b>	<b>\$ 6,830</b>	<b>\$ 1,033</b>	

<sup>(1)</sup> Collateral dependent loans had a collateral fair value of \$3.0 million at September 30, 2024

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

<sup>(1)</sup> Collateral dependent loans had a collateral fair value of \$6.3 million at December 31, 2023

As of September 30, 2024, the Company had a carrying value of \$1.2 million of repossessed assets. As of September 30, 2024, the Company had a recorded net investment of \$0.6 million of consumer mortgage loans in which foreclosure proceedings have commenced.

**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

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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 repossession. 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)**

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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.

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- 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.

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The following tables present loans by credit grades and origination year at September 30, 2024.

September 30, 2024	2024	2023	2022	2021	2020	Prior	Revolving	Revolving	Total							
							Term Loans	Loans								
<b>Commercial</b>																
<b>Owner occupied real estate</b>																
Pass	\$ 45,932	\$ 71,649	\$ 91,609	\$ 68,549	\$ 38,369	\$ 186,270	\$ 79,812	\$ 10,369	\$ 592,559							
Special Mention	128	222	2,217	3,657	143	9,316	—	451	16,134							
Substandard	552	8,574	1,056	6,346	—	8,749	—	500	25,777							
Doubtful	—	—	—	—	—	—	—	—	—							
<b>Total owner occupied real estate</b>	<b>\$ 46,612</b>	<b>\$ 80,445</b>	<b>\$ 94,882</b>	<b>\$ 78,552</b>	<b>\$ 38,512</b>	<b>\$ 204,335</b>	<b>\$ 79,812</b>	<b>\$ 11,320</b>	<b>\$ 634,470</b>							
<b>Gross charge-offs for the nine months ended</b>																
September 30, 2024	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ 1							
<b>Non-owner occupied real estate</b>																
Pass	\$ 138,309	\$ 118,039	\$ 223,155	\$ 136,689	\$ 102,129	\$ 356,777	\$ 274,678	\$ 12,486	\$ 1,362,262							
Special Mention	—	1,344	19,090	1,270	—	37,481	—	—	59,185							
Substandard	84	302	—	—	137	2,278	—	—	2,801							
Doubtful	—	—	—	—	—	—	—	—	—							
<b>Total non-owner occupied real estate</b>	<b>\$ 138,393</b>	<b>\$ 119,685</b>	<b>\$ 242,245</b>	<b>\$ 137,959</b>	<b>\$ 102,266</b>	<b>\$ 396,536</b>	<b>\$ 274,678</b>	<b>\$ 12,486</b>	<b>\$ 1,424,248</b>							
<b>Gross charge-offs for the nine months ended</b>																
September 30, 2024	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ 1							
<b>Residential spec homes</b>																
Pass	\$ 364	\$ 500	\$ —	\$ 420	\$ —	\$ —	\$ 6,932	\$ 8,231	\$ 16,447							
Special Mention	—	—	—	—	—	—	—	—	—							
Substandard	—	—	—	—	—	—	—	—	—							
Doubtful	—	—	—	—	—	—	—	—	—							
<b>Total residential spec homes</b>	<b>\$ 364</b>	<b>\$ 500</b>	<b>\$ —</b>	<b>\$ 420</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 6,932</b>	<b>\$ 8,231</b>	<b>\$ 16,447</b>							
<b>Gross charge-offs for the nine months ended</b>																
September 30, 2024	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —							
<b>Development &amp; spec land</b>																
Pass	\$ 721	\$ 4,152	\$ 796	\$ 119	\$ 343	\$ 1,986	\$ 20,894	\$ 292	\$ 29,303							
Special Mention	—	—	—	—	—	320	—	—	320							
Substandard	—	—	—	—	—	97	574	—	671							
Doubtful	—	—	—	—	—	—	—	—	—							
<b>Total development &amp; spec land</b>	<b>\$ 721</b>	<b>\$ 4,152</b>	<b>\$ 796</b>	<b>\$ 119</b>	<b>\$ 343</b>	<b>\$ 2,403</b>	<b>\$ 21,468</b>	<b>\$ 292</b>	<b>\$ 30,294</b>							
<b>Gross charge-offs for the nine months ended</b>																
September 30, 2024	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —							
<b>Commercial &amp; industrial</b>																
Pass	\$ 148,245	\$ 108,640	\$ 133,693	\$ 77,002	\$ 8,122	\$ 66,359	\$ 54,988	\$ 169,710	\$ 766,759							
Special Mention	1,043	905	1,235	28	907	1,556	10,249	12,948	28,871							
Substandard	191	1,813	853	365	292	3,780	1,325	4,351	12,970							
Doubtful	—	—	—	—	—	—	—	—	—							
<b>Total commercial &amp; industrial</b>	<b>\$ 149,479</b>	<b>\$ 111,358</b>	<b>\$ 135,781</b>	<b>\$ 77,395</b>	<b>\$ 9,321</b>	<b>\$ 71,695</b>	<b>\$ 66,562</b>	<b>\$ 187,009</b>	<b>\$ 808,600</b>							
<b>Gross charge-offs for the nine months ended</b>																
September 30, 2024	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 40	\$ 108	\$ —	\$ 148							

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September 30, 2024	2024	2023	2022	2021	2020	Prior	Revolving			Total							
							Term Loans	Revolving Loans									
<b>Real estate</b>																	
<b>Residential mortgage</b>																	
Performing	\$ 52,449	\$ 149,467	\$ 163,825	\$ 142,833	\$ 80,086	\$ 185,697	\$ —	\$ —	\$ —	\$ 774,357							
Non-performing	—	925	1,965	1,190	342	5,178	—	—	—	9,600							
<b>Total residential mortgage</b>	<b>\$ 52,449</b>	<b>\$ 150,392</b>	<b>\$ 165,790</b>	<b>\$ 144,023</b>	<b>\$ 80,428</b>	<b>\$ 190,875</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 783,957</b>							
<b>Gross charge-offs for the nine months ended September 30, 2024</b>																	
<b>Residential construction</b>																	
Performing	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 17,359	\$ 40	\$ 40	\$ 17,399							
Non-performing	—	—	—	—	—	—	—	—	—	—							
<b>Total residential construction</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 17,359</b>	<b>\$ 40</b>	<b>\$ 40</b>	<b>\$ 17,399</b>							
<b>Gross charge-offs for the nine months ended September 30, 2024</b>																	
<b>Mortgage warehouse</b>																	
Performing	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 80,437	\$ 80,437	\$ 80,437	\$ 80,437							
Non-performing	—	—	—	—	—	—	—	—	—	—							
<b>Total mortgage warehouse</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 80,437</b>	<b>\$ 80,437</b>	<b>\$ 80,437</b>	<b>\$ 80,437</b>							
<b>Gross charge-offs for the nine months ended September 30, 2024</b>																	
September 30, 2024	2024	2023	2022	2021	2020	Prior	Revolving	Term	Revolving	Total							
							Loans	Loans									
<b>Consumer</b>																	
<b>Installment</b>																	
Performing	\$ 9,771	\$ 63,461	\$ 10,359	\$ 5,899	\$ 3,010	\$ 6,719	\$ 5	\$ 1,932	\$ 101,156								
Non-performing	—	302	23	52	—	21	—	—	—	398							
<b>Total installment</b>	<b>\$ 9,771</b>	<b>\$ 63,763</b>	<b>\$ 10,382</b>	<b>\$ 5,951</b>	<b>\$ 3,010</b>	<b>\$ 6,740</b>	<b>\$ 5</b>	<b>\$ 1,932</b>	<b>\$ 101,554</b>								
<b>Gross charge-offs for the nine months ended September 30, 2024</b>																	
<b>Indirect auto</b>																	
Performing	\$ 29,177	\$ 76,552	\$ 145,560	\$ 57,303	\$ 21,587	\$ 10,268	\$ —	\$ —	\$ —	\$ 340,447							
Non-performing	120	237	601	227	213	134	—	—	—	1,532							
<b>Total indirect auto</b>	<b>\$ 29,297</b>	<b>\$ 76,789</b>	<b>\$ 146,161</b>	<b>\$ 57,530</b>	<b>\$ 21,800</b>	<b>\$ 10,402</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 341,979</b>							
<b>Gross charge-offs for the nine months ended September 30, 2024</b>																	
<b>Home equity</b>																	
Performing	\$ 10,936	\$ 23,248	\$ 17,222	\$ 5,498	\$ 1,992	\$ 10,142	\$ 18,999	\$ 470,548	\$ 558,585								
Non-performing	—	190	318	—	31	324	5,163	—	—	6,026							
<b>Total home equity</b>	<b>\$ 10,936</b>	<b>\$ 23,438</b>	<b>\$ 17,540</b>	<b>\$ 5,498</b>	<b>\$ 2,023</b>	<b>\$ 10,466</b>	<b>\$ 24,162</b>	<b>\$ 470,548</b>	<b>\$ 564,611</b>								
<b>Gross charge-offs for the nine months ended September 30, 2024</b>																	

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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			Total							
							Loans	Revolving Loans									
<b>Commercial</b>																	
<b>Owner occupied real estate</b>																	
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	—	—	—	—	—	—	—	—	—								
<b>Total owner occupied real estate</b>	<b>\$ 72,110</b>	<b>\$ 102,110</b>	<b>\$ 83,466</b>	<b>\$ 45,033</b>	<b>\$ 43,992</b>	<b>\$ 191,380</b>	<b>\$ 93,962</b>	<b>\$ 8,678</b>	<b>\$ 640,731</b>								
<b>Gross charge-offs for the year ended</b>																	
December 31, 2023	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 15	\$ 401	\$ —	\$ —	\$ 416							
<b>Non-owner occupied real estate</b>																	
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	—	—	—	—	—	—	—	—	—								
<b>Total non-owner occupied real estate</b>	<b>\$ 117,397</b>	<b>\$ 213,837</b>	<b>\$ 150,874</b>	<b>\$ 105,030</b>	<b>\$ 84,239</b>	<b>\$ 346,014</b>	<b>\$ 246,569</b>	<b>\$ 9,878</b>	<b>\$ 1,273,838</b>								
<b>Gross charge-offs for the year ended</b>																	
December 31, 2023	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 10	\$ —	\$ —	\$ —	\$ 10							
<b>Residential spec homes</b>																	
Pass	\$ —	\$ —	\$ 498	\$ —	\$ —	\$ —	\$ 5,852	\$ 7,139	\$ 13,489								
Special Mention	—	—	—	—	—	—	—	—	—								
Substandard	—	—	—	—	—	—	—	—	—								
Doubtful	—	—	—	—	—	—	—	—	—								
<b>Total residential spec homes</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 498</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 5,852</b>	<b>\$ 7,139</b>	<b>\$ 13,489</b>								
<b>Gross charge-offs for the year ended</b>																	
December 31, 2023	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 29	\$ —	\$ —	\$ 29							
<b>Development &amp; spec land</b>																	
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	—	—	—	—	—	—	—	—	—								
<b>Total development &amp; spec land</b>	<b>\$ 5,133</b>	<b>\$ 1,477</b>	<b>\$ 990</b>	<b>\$ 390</b>	<b>\$ 247</b>	<b>\$ 3,250</b>	<b>\$ 22,382</b>	<b>\$ 170</b>	<b>\$ 34,039</b>								
<b>Gross charge-offs for the year ended</b>																	
December 31, 2023	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 73	\$ —	\$ —	\$ —	\$ 73							
<b>Commercial &amp; industrial</b>																	
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	—	—	—	—	—	—	—	—	—								
<b>Total commercial &amp; industrial</b>	<b>\$ 124,998</b>	<b>\$ 153,276</b>	<b>\$ 94,197</b>	<b>\$ 14,502</b>	<b>\$ 21,384</b>	<b>\$ 62,750</b>	<b>\$ 72,777</b>	<b>\$ 168,979</b>	<b>\$ 712,863</b>								
<b>Gross charge-offs for the year ended</b>																	
December 31, 2023	\$ —	\$ —	\$ 33	\$ —	\$ 123	\$ 25	\$ 344	\$ —	\$ —	\$ 876							

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December 31, 2023	2023	2022	2021	2020	2019	Prior	Revolving Term		Total							
							Loans	Revolving Loans								
<b>Real estate</b>																
<b>Residential mortgage</b>																
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							
<b>Total residential mortgage</b>	<b>\$ 41,038</b>	<b>\$ 156,394</b>	<b>\$ 158,228</b>	<b>\$ 85,418</b>	<b>\$ 31,111</b>	<b>\$ 182,106</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 654,295</b>							
<b>Gross charge-offs for the year ended</b>																
December 31, 2023	\$ —	\$ 28	\$ —	\$ —	\$ —	\$ 20	\$ —	\$ —	\$ 48							
<b>Residential construction</b>																
Performing	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 26,841	\$ —	\$ 26,841							
Non-performing	—	—	—	—	—	—	—	—	—							
<b>Total residential construction</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 26,841</b>	<b>\$ —</b>	<b>\$ 26,841</b>							
<b>Gross charge-offs for the year ended</b>																
December 31, 2023	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —							
<b>Mortgage warehouse</b>																
Performing	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 45,078	\$ 45,078							
Non-performing	—	—	—	—	—	—	—	—	—							
<b>Total mortgage warehouse</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 45,078</b>	<b>\$ 45,078</b>							
<b>Gross charge-offs for the year ended</b>																
December 31, 2023	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —							
December 31, 2023	2023	2022	2021	2020	2019	Prior	Revolving Term		Total							
							Loans	Revolving Loans								
<b>Consumer</b>																
<b>Installment</b>																
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							
<b>Total installment</b>	<b>\$ 14,835</b>	<b>\$ 13,491</b>	<b>\$ 7,869</b>	<b>\$ 4,246</b>	<b>\$ 4,476</b>	<b>\$ 5,081</b>	<b>\$ 6</b>	<b>\$ 2,362</b>	<b>\$ 52,366</b>							
<b>Gross charge-offs for the year ended</b>																
December 31, 2023	\$ 33	\$ 28	\$ 31	\$ 10	\$ 32	\$ 27	\$ 6	\$ —	\$ 167							
<b>Indirect auto</b>																
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							
<b>Total indirect auto</b>	<b>\$ 65,309</b>	<b>\$ 192,295</b>	<b>\$ 81,085</b>	<b>\$ 36,224</b>	<b>\$ 16,814</b>	<b>\$ 8,219</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 399,946</b>							
<b>Gross charge-offs for the year ended</b>																
December 31, 2023	\$ 86	\$ 1,388	\$ 708	\$ 137	\$ 58	\$ 74	\$ —	\$ —	\$ 2,451							
<b>Home equity</b>																
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							
<b>Total home equity</b>	<b>\$ 26,376</b>	<b>\$ 21,591</b>	<b>\$ 5,121</b>	<b>\$ 2,501</b>	<b>\$ 4,062</b>	<b>\$ 10,247</b>	<b>\$ 15,573</b>	<b>\$ 478,673</b>	<b>\$ 564,144</b>							
<b>Gross charge-offs for the year ended</b>																
December 31, 2023	\$ —	\$ 10	\$ —	\$ 103	\$ —	\$ 91	\$ 13	\$ —	\$ 217							

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**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 and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30, 2024				
	Commercial	Real Estate	Mortgage Warehouse	Consumer	Total
Balance, beginning of period	\$ 31,941	\$ 2,588	\$ 736	\$ 16,950	\$ 52,215
Credit loss expense (reversal)	861	78	126	(21)	1,044
Charge-offs	(38)	(2)	—	(731)	(771)
Recoveries	90	11	—	292	393
Balance, end of period	<u><u>\$ 32,854</u></u>	<u><u>\$ 2,675</u></u>	<u><u>\$ 862</u></u>	<u><u>\$ 16,490</u></u>	<u><u>\$ 52,881</u></u>

	Three Months Ended September 30, 2023				
	Commercial	Real Estate	Mortgage Warehouse	Consumer	Total
Balance, beginning of period	\$ 30,354	\$ 3,648	\$ 893	\$ 15,081	\$ 49,976
Credit loss expense (reversal)	(665)	(893)	(179)	2,257	520
Charge-offs	(263)	(15)	—	(927)	(1,205)
Recoveries	46	54	—	308	408
Balance, end of period	<u><u>\$ 29,472</u></u>	<u><u>\$ 2,794</u></u>	<u><u>\$ 714</u></u>	<u><u>\$ 16,719</u></u>	<u><u>\$ 49,699</u></u>

	Nine Months Ended September 30, 2024				
	Commercial	Real Estate	Mortgage Warehouse	Consumer	Total
Balance, beginning of period	\$ 29,736	\$ 2,503	\$ 481	\$ 17,309	\$ 50,029
Credit loss expense (reversal)	2,951	154	381	642	4,128
Charge-offs	(149)	(5)	—	(2,295)	(2,449)
Recoveries	316	23	—	834	1,173
Balance, end of period	<u><u>\$ 32,854</u></u>	<u><u>\$ 2,675</u></u>	<u><u>\$ 862</u></u>	<u><u>\$ 16,490</u></u>	<u><u>\$ 52,881</u></u>

	Nine Months Ended September 30, 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 (reversal)	(2,380)	(2,838)	(306)	6,380	856
Charge-offs	(767)	(19)	—	(1,941)	(2,727)
Recoveries	174	74	—	858	1,106
Balance, end of period	<u><u>\$ 29,472</u></u>	<u><u>\$ 2,794</u></u>	<u><u>\$ 714</u></u>	<u><u>\$ 16,719</u></u>	<u><u>\$ 49,699</u></u>

The accrued interest receivable on our loan receivables is excluded from the allowance for credit loss estimate and is included in interest receivable on our consolidated balance sheets. As of September 30, 2024 and December 31, 2023, the accrued interest on our loan portfolio was \$18.2 million and \$23.7 million, respectively.

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").

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

The Company's expected loss estimate is anchored in historical credit loss experience, with an emphasis on all available portfolio data. The Company's historical look-back period includes January 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.

**Liability for Commitments to Extend Credit and Standby Letters of Credit**

The following tables represent, by loan portfolio segment, a summary of changes in the activity in the liability for commitments to extend credit and standby letters of credit (please see note 14):

<b>Three Months Ended</b>									
	<b>September 30, 2024</b>				<b>September 30, 2023</b>				
	<b>Balance, beginning of period</b>	<b>Credit loss expense (reversal)</b>	<b>Ending balance</b>	<b>Balance, beginning of period</b>	<b>Credit loss expense (reversal)</b>	<b>Ending balance</b>			
Commercial	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Real Estate	41	—	41	61	(8)	53			
Mortgage Warehouse	—	—	—	—	—	—	—	—	
Consumer	664	—	664	928	(249)	679			
<b>Total</b>	<b>\$ 705</b>	<b>\$ —</b>	<b>\$ 705</b>	<b>\$ 989</b>	<b>\$ (257)</b>	<b>\$ 732</b>			

  

<b>Nine Months Ended</b>									
	<b>September 30, 2024</b>				<b>September 30, 2023</b>				
	<b>Balance, beginning of period</b>	<b>Credit loss expense (reversal)</b>	<b>Ending balance</b>	<b>Balance, beginning of period</b>	<b>Credit loss expense (reversal)</b>	<b>Ending balance</b>			
Commercial	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Real Estate	64	(23)	41	161	(108)	53			
Mortgage Warehouse	—	—	—	—	—	—	—	—	
Consumer	551	113	664	242	437	679			
<b>Total</b>	<b>\$ 615</b>	<b>\$ 90</b>	<b>\$ 705</b>	<b>\$ 403</b>	<b>\$ 329</b>	<b>\$ 732</b>			

**Note 5 – Loan Servicing**

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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 \$1.44 billion and \$1.479 billion at September 30, 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 September 30, 2024 and December 31, 2023.

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2024	2023	2024	2023
<b>Mortgage servicing rights</b>				
Balance, beginning of period	\$ 18,432	\$ 18,507	\$ 18,807	\$ 18,619
Servicing rights capitalized	398	428	956	863
Amortization of servicing rights	(502)	(285)	(1,435)	(832)
Balance, end of period	<u>18,328</u>	<u>18,650</u>	<u>18,328</u>	<u>18,650</u>
<b>Impairment allowance</b>				
Balance, beginning of period	—	—	—	—
Additions	—	—	—	—
Reductions	—	—	—	—
Balance, end of period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Mortgage servicing rights, net</b>	<b>\$ 18,328</b>	<b>\$ 18,650</b>	<b>\$ 18,328</b>	<b>\$ 18,650</b>
<b>Fair value, beginning of period</b>	<b>\$ 19,091</b>	<b>\$ 19,659</b>	<b>\$ 19,891</b>	<b>\$ 18,619</b>
<b>Fair value, end of period</b>	<b>18,449</b>	<b>19,571</b>	<b>18,449</b>	<b>19,571</b>

#### **Note 6 – Goodwill**

The carrying amount of goodwill was \$155.2 million as of September 30, 2024 and December 31, 2023, respectively. There were no changes in the carrying amount of goodwill for the three and nine months ended September 30, 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 and nine months ended September 30, 2024 and 2023. During the third quarter of 2024, Horizon considered the amount by which fair value exceeded book value by performing a qualitative 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 and supported that the fair value of goodwill exceeded its carrying value. At the conclusion of the quantitative analysis for the third quarter of 2023, the Company determined that as of September 30, 2023, it was more likely than not that the fair value of goodwill exceeded its carrying value.

#### **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

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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:

<b>September 30, 2024</b>						
	<b>Remaining Contractual Maturity of the Agreements</b>					
	<b>Overnight</b>		<b>Greater Than 90</b>			<b>Total</b>
	<b>and</b>	<b>Continuous</b>	<b>Up to 30 Days</b>	<b>30-90 Days</b>	<b>Days</b>	
<b>Repurchase Agreements and repurchase-to-maturity transactions</b>						
Federal agency collateralized mortgage obligations	\$ 2,179	\$ —	\$ —	\$ —	\$ —	\$ 2,179
Federal agency mortgage-backed pools	112,573	—	—	—	—	112,573
Private labeled mortgage-backed pools	7,647	—	—	—	—	7,647
<b>Total borrowings</b>	<b>\$ 122,399</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 122,399</b>
<b>Repurchase Agreements subject to offsetting arrangements</b>						
						—
<b>December 31, 2023</b>						
	<b>Remaining Contractual Maturity of the Agreements</b>					
	<b>Overnight</b>		<b>Greater Than 90</b>			<b>Total</b>
	<b>and</b>	<b>Continuous</b>	<b>Up to 30 Days</b>	<b>30-90 Days</b>	<b>Days</b>	
<b>Repurchase Agreements and repurchase-to-maturity transactions</b>						
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
<b>Total borrowings</b>	<b>\$ 136,030</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 136,030</b>
<b>Repurchase Agreements subject to offsetting arrangements</b>						
						—

Securities sold under agreements to repurchase are secured by securities with a carrying amount of \$ 146.9 million and \$145.2 million at September 30, 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.

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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 \$55.7 million and \$55.5 million at September 30, 2024 and December 31, 2023, respectively.

**Note 9 – Derivative Financial Instruments**

Our hedging policy allows the use of interest rate derivative instruments to manage our exposure to interest rate risk or hedge specified assets and liabilities. All derivative instruments are carried on the balance sheet at their estimated fair value and are recorded in other assets or other liabilities, as appropriate.

**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. Additionally, the Company entered into fair value hedges for certain of our fixed rate AFS municipal securities. The instruments are designated as fair value hedges as the changes in the fair value of the interest rate swap are expected to offset changes in the fair value of the hedged item attributable to changes in the SOFR swap rate, the designated benchmark interest 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. The change in fair value of both the hedge instruments and the underlying hedged item are recorded as gains or losses in non-interest income. At September 30, 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.

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**Other Derivative Instruments**

From time to time, we may enter into certain interest rate swaps that are not designated as hedging instruments. These interest rate derivative contracts relate to transactions in which we enter into an interest rate swap with a customer while concurrently entering into an offsetting interest rate swap with a third-party financial institution. We agree to pay interest to the customer on a notional amount at a variable rate and receive interest from the customer on a similar notional amount at a fixed interest rate. At the same time, we agree to pay a third-party financial institution the same fixed interest rate on the same notional amount and receive the same variable interest rate on the same notional amount. These interest rate derivative contracts allow our customers to effectively convert a variable rate loan to a fixed rate loan.

The Company enters into non-hedging derivatives in the form of mortgage loan forward sale commitments with investors and commitments to originate mortgage loans as part of its mortgage banking business. At September 30, 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 our derivative financial instruments utilized by Horizon on a gross basis for the periods indicated.

	Asset Derivatives		Liability Derivatives	
	September 30, 2024	September 30, 2024	September 30, 2024	September 30, 2024
	Notional Amount	Fair Value	Notional Amount	Fair Value
<b>Derivatives designated as hedging instruments</b>				
Interest rate contracts – fair value hedges	\$ 40,113	\$ 1,797	\$ 1,445	\$ 4
Total derivatives designated as hedging instruments	<u>40,113</u>	<u>1,797</u>	<u>1,445</u>	<u>4</u>
<b>Derivatives not designated as hedging instruments</b>				
Interest rate contracts – customer accommodation	524,919	15,427	524,919	15,427
Mortgage loan contracts	—	—	14,794	8
Commitments to originate mortgage loans	15,549	451	—	—
Total derivatives not designated as hedging instruments	<u>540,468</u>	<u>15,878</u>	<u>539,713</u>	<u>15,435</u>
Total derivatives	<u>\$ 580,581</u>	<u>\$ 17,675</u>	<u>\$ 541,158</u>	<u>\$ 15,439</u>
Total derivatives subject to enforceable master netting arrangements, gross	<u>\$ 580,581</u>	<u>\$ 17,675</u>	<u>\$ 541,158</u>	<u>\$ 15,439</u>
Less: Gross amounts offset	—	—	—	—
Total derivatives subject to enforceable master netting arrangements, net	<u>\$ 580,581</u>	<u>\$ 17,675</u>	<u>\$ 541,158</u>	<u>\$ 15,439</u>

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	Asset Derivatives		Liability Derivatives	
	December 31, 2023		December 31, 2023	
	Notional Amount	Fair Value	Notional Amount	Fair Value
<b>Derivatives designated as hedging instruments</b>				
Interest rate contracts – fair value hedges	\$ 53,468	\$ 2,950	\$ —	\$ —
Total derivatives designated as hedging instruments	<u>53,468</u>	<u>2,950</u>	<u>—</u>	<u>—</u>
<b>Derivatives not designated as hedging instruments</b>				
Interest rate contracts – customer accommodation	504,696	23,606	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	<u>513,891</u>	<u>23,764</u>	<u>514,881</u>	<u>24,024</u>
Total derivatives	<u><u>\$ 567,359</u></u>	<u><u>\$ 26,714</u></u>	<u><u>\$ 514,881</u></u>	<u><u>\$ 24,024</u></u>
Total derivatives subject to enforceable master netting arrangements, gross	<u>\$ 567,359</u>	<u>\$ 26,714</u>	<u>\$ 514,881</u>	<u>\$ 24,024</u>
Less: Gross amounts offset	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total derivatives subject to enforceable master netting arrangements, net	<u><u>\$ 567,359</u></u>	<u><u>\$ 26,714</u></u>	<u><u>\$ 514,881</u></u>	<u><u>\$ 24,024</u></u>

While the Company is party to master netting arrangements with most of its swap derivative counterparties, the Company has elected to not offset derivative assets and liabilities under these agreements on its consolidated balance sheets. Collateral exchanged between the Company and dealer bank counterparties is generally subject to thresholds and transfer minimums, and usually consists of marketable securities. At September 30, 2024, the Company pledged marketable securities as collateral with a carrying value of \$19.0 million.

The effect of the derivative instruments on the condensed consolidated statements of comprehensive income (loss) for the three and nine month periods ended September 30 is as follows:

	Amount of Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivative			
	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<b>Derivatives in cash flow hedging relationship</b>				
Interest rate contracts	\$ —	\$ —	\$ —	\$ (1,561)

The effect of the derivatives in cash flow hedging relationships on the condensed consolidated statements of income for three and nine month periods ended September 30 is as follows:

	Location of gain (loss) recognized	Amount of Gain (Loss) Recognized			
		Three Months Ended		Nine Months Ended	
		September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<b>Derivatives in cash flow hedging relationship</b>					
Interest rate contracts – cash flow hedges	Interest expense – Borrowings	\$ —	\$ —	\$ —	\$ 1,832

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The effect of the derivative and the hedged item in fair value hedging relationships on the condensed consolidated statements of income for three and nine month periods ended September 30 is as follows:

	Location of gain (loss) recognized on derivative and hedged item	Amount of Gain (Loss) Recognized on Derivative and Hedged Item			
		Three Months Ended		Nine Months Ended	
		September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<b>Derivatives designated as hedging instruments</b>					
Interest rate contracts - fair value hedge	Interest income - loans	\$ 317	\$ 340	\$ 982	\$ 774
Hedged item	receivable	(317)	(340)	(982)	(774)
Interest rate contracts - fair value hedge	Interest income -	—	53	—	163
Hedged item	investment securities	—	(53)	—	(163)
<b>Total</b>		<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>

The effect of derivatives not designated as hedging instruments on the condensed consolidated statements of income for the three and nine month periods ended September 30 is as follows:

	Location of gain (loss) recognized on derivative	Amount of Gain (Loss) Recognized on Derivative			
		Three Months Ended		Nine Months Ended	
		September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<b>Derivatives not designated as hedging instruments</b>					
Mortgage loan contracts	Non-interest income - Gain on sale of loans	\$ (24)	\$ (6)	\$ 34	\$ 26
Commitments to originate mortgage loans	Non-interest income - Gain on sale of loans	378	182	181	118
<b>Total</b>		<u><u>\$ 354</u></u>	<u><u>\$ 176</u></u>	<u><u>\$ 215</u></u>	<u><u>\$ 144</u></u>

The following tables summarize the carrying amount and associated cumulative basis adjustment related to the application of hedge accounting that is included in the carrying amount of hedged assets and liabilities in fair value hedging relationships.

		Cumulative Amount of Fair Value Hedging Adjustments Included in the Carrying			
		Amortized Cost of Hedged Items		Amount of the Hedged Items	
		September 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Loans		\$ 38,787	\$ 40,788	\$ (1,793)	\$ (2,532)

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**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 September 30, 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.

***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.

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

	September 30, 2024					
	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	
	Fair Value	(Level 1)	(Level 2)	(Level 3)		
<b>Assets:</b>						
Available for sale securities						
U.S. Treasury and federal agencies	\$ 63,245	\$ —	\$ 63,245	\$ —		
State and municipal	306,025	—	306,025	—		
Federal agency collateralized mortgage obligations	3,152	—	3,152	—		
Federal agency mortgage-backed pools	132,696	—	132,696	—		
Corporate notes	36,052	—	36,052	—		
Total available for sale securities	541,170	—	541,170	—		
Equity securities	573	573	—	—		
Interest rate swap agreements asset	17,224	—	17,224	—		
Commitments to originate mortgage loans	451	—	451	—		
<b>Liabilities:</b>						
Mortgage loan contracts liability	8	—	8	—		
Interest rate swap agreements liability	15,431	—	15,431	—		
	December 31, 2023					
	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	
	Fair Value	(Level 1)	(Level 2)	(Level 3)		
<b>Assets:</b>						
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	—		
Equity securities <sup>(1)</sup>	628	628	—	—		
Interest rate swap agreements asset	26,556	—	26,556	—		
Commitments to originate mortgage loans	125	—	125	—		
Mortgage loan contracts	33	—	33	—		
<b>Liabilities:</b>						
Interest rate swap agreements liability	24,024	—	24,024	—		

(1) Prior period securities were included in available-for-sale. Updated to align with comparable period.

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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):

	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>September 30, 2024</b>				
Collateral dependent loans	\$ 3,455	\$ —	\$ —	\$ 3,455
<b>December 31, 2023</b>				
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.

	<b>September 30, 2024</b>			
	<b>Fair Value</b>	<b>Valuation Technique</b>	<b>Unobservable Inputs</b>	<b>Range (Weighted Average)</b>
Collateral dependent loans	\$ 3,455	Collateral based measurement	Discount to reflect current market conditions and ultimate collectibility	16.1%-40.6% (36.8%)
<b>December 31, 2023</b>				
	<b>Fair Value</b>	<b>Valuation Technique</b>	<b>Unobservable Inputs</b>	<b>Range (Weighted Average)</b>
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.

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The estimated fair values of financial instruments, as shown below, are not intended to reflect the estimated liquidation or market value of Horizon taken as a whole. The disclosed fair value estimates are limited to Horizon's significant financial instruments at September 30, 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 Cash Equivalents** – Cash and cash equivalents are composed of: cash and due from banks, interest earning deposits, and federal funds sold. The carrying amounts approximate fair value.

**Interest-Earning Time Deposits** – The carrying amounts approximate fair value.

**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 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.

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

	September 30, 2024					
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)
<b>Assets</b>						
Cash and due from banks	\$ 108,815	\$ 108,815	\$ —	\$ —	\$ —	\$ —
Interest earning deposits	12,107	12,107	—	—	—	—
Federal funds sold	113,912	113,912	—	—	—	—
Cash and cash equivalents	234,834	234,834	—	—	—	—
Interest earning time deposits	735	—	735	—	—	—
Investment securities, held to maturity	1,888,379	—	1,640,443	—	—	—
Loans held for sale	2,069	—	—	—	2,069	—
Loans, net	4,751,115	—	—	—	4,562,006	—
Stock in FHLB	53,826	—	53,826	—	—	—
<b>Liabilities</b>						
Non-interest bearing deposits	\$ 1,085,535	\$ 1,085,535	\$ —	\$ —	\$ —	\$ —
Interest bearing deposits	4,641,480	3,420,831	1,217,361	—	—	—
Borrowings	1,265,143	—	1,269,946	—	—	—
Subordinated notes	55,703	—	53,443	—	—	—
Junior subordinated debentures issued to capital trusts	57,423	—	49,983	—	—	—
Interest payable	11,400	—	11,400	—	—	—

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	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)	
<b>Assets</b>					
Cash and due from banks	\$ 112,772	\$ 112,772	\$ —	\$ —	\$ —
Interest earning deposits	12,071	12,071	—	—	—
Federal funds sold	401,672	401,672	—	—	—
Cash and cash equivalents	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	—	—
<b>Liabilities</b>					
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	—	—

### Note 12 – Stockholders' Equity

On September 17, 2024, the Company declared a quarterly dividend to common shareholders of \$ 0.16 per share, which was paid on October 18, 2024 to shareholders of record on October 04, 2024.

Dividends declared were \$0.16 and \$0.48 per share during the three and nine months ended September 30, 2024, and \$ 0.16 and \$0.48 per share during the three and nine months ended September 30, 2023.

### Accumulated Other Comprehensive Income (Loss)

	September 30, 2024	December 31, 2023
Unrealized gain (loss) on securities available for sale, net of tax	\$ (59,704)	\$ (69,018)
Unamortized gain (loss) on securities held to maturity, previously transferred from AFS, net of tax	2,023	2,409
<b>Total accumulated other comprehensive income (loss)</b>	<b>\$ (57,681)</b>	<b>\$ (66,609)</b>

### 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

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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 September 30, 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 third 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.

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The following table presents Horizon and the Bank's actual and required capital ratios as of September 30, 2024 and December 31, 2023, as well as the revisions to Horizon's regulatory capital ratios to reflect the correction of the capital computations for the foregoing periods:

	Actual				Required For Capital Adequacy Purposes <sup>(1)</sup>		Required For Capital Adequacy Purposes with Capital Buffer <sup>(1)</sup>		Well Capitalized Under Prompt Corrective Action Provisions <sup>(1)</sup>	
	Amount		Ratio		Amount		Ratio		Amount	
	Consolidated	Bank	Consolidated	Bank	Consolidated	Bank	Consolidated	Bank	Consolidated	Bank
<b><u>September 30, 2024</u></b>										
Total capital (to risk-weighted assets) <sup>(1)</sup>										
Consolidated	\$ 809,747	13.45 %	\$ 481,633	8.00 %	\$ 632,143	10.50 %	N/A	N/A	N/A	N/A
Bank	739,221	12.33	479,729	8.00	629,644	10.50	\$ 599,661	10.00 %		
Tier 1 capital (to risk-weighted assets) <sup>(1)</sup>										
Consolidated	700,300	11.63	361,225	6.00	511,735	8.50	N/A	N/A	N/A	N/A
Bank	685,477	11.43	359,797	6.00	509,712	8.50	479,729	8.00		
Common equity tier 1 capital (to risk-weighted assets) <sup>(1)</sup>										
Consolidated	642,877	10.68	270,918	4.50	421,429	7.00	N/A	N/A	N/A	N/A
Bank	685,477	11.43	269,848	4.50	419,763	7.00	389,780	6.50		
Tier 1 capital (to total assets) <sup>(1)</sup>										
Consolidated	700,300	9.02	310,523	4.00	310,523	4.00	N/A	N/A	N/A	N/A
Bank	685,477	8.84	310,096	4.00	310,096	4.00	387,621	5.00		
<b><u>December 31, 2023</u></b>										
Total capital (to risk-weighted assets) <sup>(1)</sup>										
Consolidated (As Revised)*	\$ 782,598	14.04 %	\$ 446,000	8.00 %	\$ 585,374	10.50 %	N/A	N/A	N/A	N/A
Consolidated (As Reported)	786,436	14.11	446,000	8.00	585,374	10.50	N/A	N/A	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) <sup>(1)</sup>										
Consolidated (As Revised)*	676,411	12.13	334,500	6.00	473,874	8.50	N/A	N/A	N/A	N/A
Consolidated (As Reported)	735,792	13.20	334,500	6.00	473,874	8.50	N/A	N/A	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) <sup>(1)</sup>										
Consolidated	619,153	11.11	250,875	4.50	390,250	7.00	N/A	N/A	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 total assets) <sup>(1)</sup>										
Consolidated (As Revised)*	676,411	8.61	314,306	4.00	314,306	4.00	N/A	N/A	N/A	N/A
Consolidated (As Reported)	735,792	9.36	314,306	4.00	314,306	4.00	N/A	N/A	N/A	N/A
Bank	663,758	8.41	315,550	4.00	315,550	4.00	394,438	5.00		

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

\*Prior periods have been revised (see disclosures above)

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### **Note 14 – Off-Balance Sheet Arrangements, Commitments, and Contingencies**

#### **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 September 30, 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.

#### **Financial Instruments with Off-Balance Sheet Risk**

In the normal course of business, the Company is a party to financial instruments with off-balance sheet risk to meet the financing needs of its clients. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of amounts recorded in the consolidated balance sheets.

Commitments to extend credit are legally binding agreements to lend to a client, so long as there is no violation of any condition established in the commitment contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a client to a third party. The credit risk involved in issuing letters of credit is essentially the same as the credit risk involved in extending loan facilities to clients. The Company's policy for obtaining collateral, and determining the nature of such collateral, is essentially the same as in the Company's policies for making commitments to extend credit. The methodology for estimating the liability for unfunded loan commitments is consistent with the allowance for credit losses on loans.

The following table represents the commitments to extend credit and standby letters of credit as of September 30, 2024 and December 31, 2023, respectively:

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Commitments to extend credit	1,025,186	1,118,417
Standby letters of credit	24,378	16,493
<b>Total</b>	<b>\$ 1,049,564</b>	<b>1,134,910</b>

### **Note 15 - Subsequent Events**

In October, the Company sold certain available-for-sale securities with a total fair market value of \$293.1 million, and an amortized cost of \$332.2 million. As a result, the Company incurred a net realized loss on sale of securities of \$39.1 million.

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Additionally, in October, the Company has signed a letter of intent to sell its mortgage warehouse business, which is expected to generate a gain-on-sale.

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**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;
- changes in the level and volatility of interest rates, spreads on earning assets and interest bearing liabilities, and interest rate sensitivity;
- the aggregate effects of elevated inflation levels in recent years;
- loss of key Horizon personnel;
- macroeconomic conditions and their impact on Horizon and its customers;
- 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;
- 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;
- changes in prepayment speeds, loan originations, credit losses and market values, collateral securing loans and other assets;
- changes in 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;

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- litigation, regulatory enforcement, tax, and legal compliance risk and costs, as applicable generally and specifically to the financial and fiduciary (generally and as an ESOP fiduciary) environment, especially if materially different from the amount we expect to incur or have accrued for, and any disruptions caused by the same;
- the effects and costs of governmental investigations or related actions by third parties;
- rapid technological developments and changes;
- the risks presented by cyber terrorism and data security breaches;
- the rising costs of effective cybersecurity;
- containing costs and expenses;
- the ability of the U.S. federal government to manage federal debt limits;
- the potential influence on the U.S. financial markets and economy from the effects of climate change and social justice initiatives;
- the 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.

### **Critical Accounting Estimates**

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. The Company considers these policies to be its critical accounting estimates. Management has identified as critical accounting policies the allowance for credit losses, goodwill and intangible assets, mortgage servicing rights, hedge accounting and valuation measurements.

For additional information regarding critical accounting estimates, see Note 1 – Nature of Operations and Summary of Significant Accounting Policies included in Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2023. There have been no material changes in the Company's application of critical accounting estimates since December 31, 2023.

### **Results of Operations**

#### **Net Income**

Net income increased \$2.0 million to \$18.2 million, or \$0.42 per share, during the three months ended September 30, 2024 when compared to \$16.2 million, or \$0.37 per share, for the same period in 2023. The increase from the year ago period was primarily driven by an increase in net interest income and a reduction in the effective tax rate in the current period, partially offset by an increase in non-interest expense when compared to the year ago period. Net interest income

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increased by \$4.8 million, or 11.5% when compared with the year ago period, driven by a modest increase in average earning assets and a 25 basis point increase in the net FTE interest margin<sup>1</sup>, to 2.66% in the current period.

Net income declined \$6.9 million to \$46.3 million, or \$1.06 per share, during the nine months ended September 30, 2024 when compared to \$53.2 million, or \$1.22 per share, for the same period in 2023. The decrease from the year ago period was primarily a result of growth in non-interest expense, a decline in non-interest income and increased provision for loan loss related to loan growth in the current period.

***Net Interest Income***

Net interest income increased \$4.8 million during the three months ended September 30, 2024, to \$46.9 million, when compared to the same period in 2023. While average earning asset growth was modest, the reported net FTE interest margin<sup>1</sup> increased by 25 basis points, to 2.66% for the three months ended September 30, 2024 compared to the year ago period, attributable to the favorable mix shift in both average interest earning assets toward higher-yielding loans and the funding mix toward lower cost deposit liabilities, in addition to a higher contribution to the net FTE interest margin<sup>1</sup> from interest-free funds. Interest accretion from the fair value of acquired loans did not contribute significantly to the third quarter net interest income, or net FTE interest margin<sup>1</sup>.

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<sup>1</sup>Non-GAAP financial metric. See non-GAAP reconciliation included herein for the most directly comparable GAAP measure.

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

Average Balance Sheet						
(Dollars in Thousands, Unaudited)						
Three Months Ended						
	September 30, 2024			September 30, 2023		
	Average Balance <sup>(8)</sup>	Average Interest <sup>(4)</sup>	Average Rate <sup>(4)</sup>	Average Balance <sup>(8)</sup>	Average Interest <sup>(4)</sup>	Average Rate <sup>(4)</sup>
<b>Assets</b>						
Interest earning assets						
Federal funds sold	\$ 64,743	\$ 860	5.28 %	\$ 92,305	\$ 1,247	5.36 %
Interest earning deposits <sup>(7)</sup>	8,781	97	4.39 %	8,018	85	4.21 %
Federal Home Loan Bank stock <sup>(6)</sup>	53,826	1,607	11.88 %	34,509	618	7.10 %
Investment securities - taxable <sup>(1)</sup>	1,301,830	6,526	1.99 %	1,650,081	8,170	1.96 %
Investment securities - non-taxable <sup>(1)</sup>	1,125,295	7,987	2.82 %	1,220,998	8,863	2.88 %
Total investment securities	2,427,125	14,513	2.38 %	2,871,079	17,033	2.35 %
Loans receivable <sup>(2)(3)</sup>	4,775,788	75,828	6.32 %	4,280,700	63,254	5.86 %
Total interest earning assets	7,330,263	92,905	5.04 %	7,286,611	82,237	4.48 %
Non-interest earning assets						
Cash and due from banks	108,609			100,331		
Allowance for credit losses	(52,111)			(49,705)		
Other assets	471,259			587,514		
Total average assets	<u><u>\$ 7,858,020</u></u>			<u><u>\$ 7,924,751</u></u>		
<b>Liabilities and Stockholders' Equity</b>						
Interest bearing liabilities						
Interest bearing deposits	\$ 3,386,177	\$ 18,185	2.14 %	\$ 3,267,594	\$ 12,661	1.54 %
Time deposits	1,189,148	12,602	4.22 %	1,271,104	12,043	3.76 %
Borrowings	1,149,952	10,221	3.54 %	1,180,452	10,399	3.50 %
Repurchase agreements	123,524	910	2.93 %	136,784	825	2.39 %
Subordinated notes	55,681	830	5.93 %	58,983	880	5.92 %
Junior subordinated debentures issued to capital trusts	57,389	1,230	8.53 %	57,166	1,227	8.52 %
Total interest bearing liabilities	5,961,871	43,978	2.93 %	5,972,083	38,035	2.53 %
Non-interest bearing liabilities						
Demand deposits	1,083,214			1,159,241		
Accrued interest payable and other liabilities	74,563			77,942		
Stockholders' equity	<u><u>\$ 738,372</u></u>			<u><u>\$ 715,485</u></u>		
Total average liabilities and stockholders' equity	<u><u>\$ 7,858,020</u></u>			<u><u>\$ 7,924,751</u></u>		
Net FTE interest income (non-GAAP) <sup>(5)</sup>	\$ 48,927			\$ 44,202		
Less FTE adjustments <sup>(4)</sup>	2,017			2,112		
Net Interest Income	<u><u>\$ 46,910</u></u>			<u><u>\$ 42,090</u></u>		
Net FTE interest margin (Non-GAAP) <sup>(4)(5)</sup>			2.66 %			2.41 %
<sup>(1)</sup> Securities balances represent daily average balances for the fair value of securities. The average rate is calculated based on the daily average balance for the amortized cost of securities.						
<sup>(2)</sup> Includes fees on loans held for sale and held for investment. The inclusion of loan fees does not have a material effect on the average interest rate.						
<sup>(3)</sup> Non-accruing loans for the purpose of the computation above are included in the daily average loan amounts outstanding. Loan totals are shown net of unearned income and deferred loan fees.						
<sup>(4)</sup> Management believes fully taxable equivalent, or FTE, interest income is useful to investors in evaluating the Company's performance as a comparison of the returns between a tax-free investment and a taxable alternative. The Company adjusts interest income and average rates for tax-exempt loans and securities to an FTE basis utilizing a 21% tax rate						
<sup>(5)</sup> Non-GAAP financial metric. See non-GAAP reconciliation included herein for the most directly comparable GAAP measure.						
<sup>(6)</sup> Dividends on FHLB stock.						
<sup>(7)</sup> Includes interest earning deposits and interest earning time deposits.						
<sup>(8)</sup> Average balances are calculated on a daily average basis						



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Net interest income increased \$2.0 million during the nine months ended September 30, 2024, to \$135.5 million, when compared to the same period in 2023. Growth in average earning asset balances and a 1 basis point increase in the reported net FTE interest margin<sup>2</sup>, to 2.60% for the nine months ended September 30, 2024 compared to the year ago period drove the net interest income growth versus the year ago comparable period. The net FTE interest margin expansion over the nine months ended September 30, 2024 was modest, as the increased contribution from interest-free funds was largely offset by the contraction in the net spread between the yield on earning assets and interest-bearing liabilities.

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<sup>2</sup> Non-GAAP financial metric. See non-GAAP reconciliation included herein for the most directly comparable GAAP measure.

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

Average Balance Sheet							
(Dollars in Thousands, Unaudited)							
Nine months ended							
	September 30, 2024				September 30, 2023		
	Average Balance <sup>(8)</sup>	Interest <sup>(4)</sup>	Average Rate <sup>(4)</sup>	Average Balance <sup>(8)</sup>	Average Interest <sup>(4)</sup>	Average Rate <sup>(4)</sup>	Average Rate <sup>(4)</sup>
<strong>Assets</strong>							
Interest earning assets							
Federal funds sold	\$ 144,576	\$ 5,892	5.44 %	\$ 43,976	\$ 1,706	5.19 %	
Interest earning deposits <sup>(7)</sup>	8,602	300	4.66 %	8,597	254	3.95 %	
Federal Home Loan Bank stock <sup>(6)</sup>	48,553	3,911	10.76 %	32,909	1,531	6.22 %	
Investment securities - taxable <sup>(1)</sup>	1,312,421	19,570	1.99 %	1,673,174	24,722	1.98 %	
Investment securities - non-taxable <sup>(1)</sup>	1,135,734	24,225	2.85 %	1,258,345	27,363	2.91 %	
Total investment securities	2,448,155	43,795	2.39 %	2,931,519	52,085	2.38 %	
Loans receivable <sup>(2) (3)</sup>	4,629,363	215,343	6.21 %	4,216,817	179,697	5.70 %	
Total interest earning assets	7,279,249	269,241	4.94 %	7,233,818	235,273	4.35 %	
Non-interest earning assets							
Cash and due from banks	107,578			102,264			
Allowance for credit losses	(50,806)			(49,839)			
Other assets	485,693			579,203			
Total average assets	\$ 7,821,714			\$ 7,865,446			
Liabilities and Stockholders' Equity							
Interest bearing liabilities							
Interest bearing deposits	\$ 3,348,104	\$ 50,889	2.03 %	\$ 3,362,006	\$ 31,197	1.24 %	
Time deposits	1,166,968	36,335	4.16 %	1,132,815	27,284	3.22 %	
Borrowings	1,178,180	31,403	3.56 %	1,137,289	28,702	3.37 %	
Repurchase agreements	128,887	2,871	2.98 %	138,706	2,011	1.94 %	
Subordinated notes	55,629	2,490	5.98 %	58,947	2,641	5.99 %	
Junior subordinated debentures issued to capital trusts	57,334	3,668	8.55 %	57,108	3,469	8.12 %	
Total interest bearing liabilities	5,935,102	127,656	2.87 %	5,886,871	95,304	2.16 %	
Non-interest bearing liabilities							
Demand deposits	1,080,367			1,200,133			
Accrued interest payable and other liabilities	79,154			71,280			
Stockholders' equity	727,091			707,162			
Total average liabilities and stockholders' equity	\$ 7,821,714			\$ 7,865,446			
Net FTE interest income (non-GAAP) <sup>(5)</sup>	\$ 141,585			\$ 139,969			
Less FTE adjustments <sup>(4)</sup>	6,108			6,482			
Net Interest Income	\$ 135,477			\$ 133,487			
Net FTE interest margin (Non-GAAP) <sup>(4)(5)</sup>	2.60 %			2.59 %			
(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.							
(2) Includes fees on loans held for sale and held for investment. 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.							
(4) Management believes fully taxable equivalent, or FTE, interest income is useful to investors in evaluating the Company's performance as a comparison of the returns between a tax-free investment and a taxable alternative. The Company adjusts interest income and average rates for tax-exempt loans and securities to an FTE basis utilizing a 21% tax rate							
(5) Non-GAAP financial metric. See non-GAAP reconciliation included herein for the most directly comparable GAAP measure.							
(6) Dividends on FHLB stock.							
(7) Includes interest earning deposits and interest earning time deposits.							

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

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

<sup>(3)</sup> Non-accruing loans for the purpose of the computation above are included in the daily average loan amounts outstanding. Loan totals are shown net of unearned income and deferred loan fees.

<sup>(4)</sup> Management believes fully taxable equivalent, or FTE, interest income is useful to investors in evaluating the Company's performance as a comparison of the returns between a tax-free investment and a taxable alternative. The Company adjusts interest income and average rates for tax-exempt loans and securities to an FTE basis utilizing a 21% tax rate

<sup>(5)</sup> Non-GAAP financial metric. See non-GAAP reconciliation included herein for the most directly comparable GAAP measure.

(6) Dividends on FHLB stock.

<sup>(7)</sup> Includes interest earning deposits and interest earning time deposits.

<sup>(8)</sup> Average balances are calculated on a daily average basis.



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

	Three Months Ended September 30, 2024 vs.			Nine Months Ended September 30, 2024 vs.		
	Three Months Ended September 30, 2023			Nine Months Ended September 30, 2023		
	Total Change	Change Due to Volume	Change Due to Rate	Total Change	Change Due to Volume	Change Due to Rate
<b>Interest Income</b>						
Federal funds sold	\$ (387)	\$ (366)	\$ (21)	\$ 4,186	\$ 4,096	\$ 90
Interest earning deposits	12	8	4	46	—	\$ 46
Federal Home Loan Bank stock	989	451	538	2,380	938	\$ 1,442
Investment securities - taxable	(1,644)	(1,744)	100	(5,152)	(5,377)	\$ 225
Investment securities - non-taxable	(692)	(683)	(9)	(2,479)	(2,623)	\$ 144
Loans receivable	12,485	7,646	4,839	35,361	18,412	\$ 16,949
<b>Total interest income</b>	<b>\$ 10,763</b>	<b>\$ 5,312</b>	<b>\$ 5,451</b>	<b>\$ 34,342</b>	<b>\$ 15,446</b>	<b>\$ 18,896</b>
<b>Interest Expense</b>						
Interest bearing deposits	5,524	474	\$ 5,050	\$ 19,692	\$ (130)	\$ 19,822
Time deposits	559	(2,027)	2,586	9,051	846	\$ 8,205
Borrowings	(178)	(772)	594	2,701	1,055	\$ 1,646
Repurchase agreements	85	(201)	286	860	(151)	\$ 1,011
Subordinated notes	(50)	(148)	98	(151)	(149)	\$ (2)
Junior subordinated debentures issued to capital trusts	3	14	(11)	199	14	\$ 185
<b>Total interest expense</b>	<b>5,943</b>	<b>(2,660)</b>	<b>8,603</b>	<b>32,352</b>	<b>1,485</b>	<b>30,867</b>
<b>Net interest income</b>	<b>\$ 4,820</b>	<b>\$ 7,972</b>	<b>\$ (3,152)</b>	<b>\$ 1,990</b>	<b>\$ 13,961</b>	<b>\$ (11,971)</b>

**Non-Interest Income**

(Dollars in Thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
<b>Non-interest Income</b>				
Service charges on deposit accounts	\$ 3,320	\$ 3,086	\$ 9,664	\$ 9,135
Wire transfer fees	123	120	337	345
Interchange fees	3,511	3,186	10,446	9,637
Fiduciary activities	1,394	1,206	4,081	3,728
Gains (losses) on sale of investment securities	—	—	—	(480)
Gain on sale of mortgage loans	1,622	1,582	3,144	3,372
Mortgage servicing income net of impairment	412	631	1,301	1,984
Increase in cash value of bank owned life insurance	349	1,055	965	3,051
Other income	780	964	1,987	1,675
<b>Total non-interest income</b>	<b>\$ 11,511</b>	<b>\$ 11,830</b>	<b>\$ 31,925</b>	<b>\$ 32,447</b>

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Total non-interest income declined \$0.3 million for the three months ended September 30, 2024 compared to the same period in 2023, and declined \$0.5 million for the nine months ended September 30, 2024 compared to the same period in 2023. Primary drivers of the periodic changes are noted below.

Service charges on deposit accounts increased \$0.2 million for the three months ended September 30, 2024 and \$0.5 million for the nine months ended September 30, 2024, as compared to the same periods in 2023. The increases compared to the year ago periods were primarily a result of higher transaction-based fee activity in the current period.

Interchange fees, which include fees earned on qualified debit card volume and merchant processing fees, increased \$0.3 million for the three months ended September 30, 2024 and \$0.8 million for the nine months ended September 30, 2024, as compared to the same periods in 2023. The increases were primarily driven by growth in qualified debit card volume for both periods.

Mortgage servicing income decreased \$0.2 million for the three months ended September 30, 2024 and \$0.7 million for the nine months ended September 30, 2024, as compared to the same periods in 2023. The decrease was primarily driven by higher levels of amortization expense of mortgage servicing rights in the current period.

Cash value of bank owned life insurance decreased \$0.7 million for the three months ended September 30, 2024 and \$2.1 million for the nine months ended September 30, 2024, as compared to the same periods in 2023. The declines were due to the surrender of several policies during the fourth quarter of 2023.

Other income, which includes various miscellaneous income items as well as fair market value adjustments to certain other assets, increased by \$0.3 million during the nine months ended September 30, 2024 primarily related to positive fair market value adjustments on certain marketable securities.

**Non-Interest Expense**

(Dollars in Thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<b>Non-interest Expense</b>				
Salaries and employee benefits	\$ 21,829	\$ 20,058	\$ 62,680	\$ 58,932
Net occupancy expenses	3,207	3,283	9,945	10,095
Data processing	2,977	2,999	8,020	8,684
Professional fees	676	707	1,997	1,873
Outside services and consultants	3,677	2,316	10,094	7,548
Loan expense	1,034	1,120	2,791	3,635
FDIC insurance expense	1,204	1,300	3,839	2,680
Core deposit intangible amortization	844	903	2,560	2,709
Other losses	297	188	828	543
Other expense	3,527	3,294	11,147	10,255
<b>Total non-interest expense</b>	<b>\$ 39,272</b>	<b>\$ 36,168</b>	<b>\$ 113,901</b>	<b>\$ 106,954</b>

Non-interest expense increased \$3.1 million for the three months ended September 30, 2024 compared to the same period in 2023, primarily the result of higher expenses related to outside services and consultants, salaries and employee benefits, and other expenses, which was partially mitigated by lower expenses related to FDIC insurance expense and net occupancy expense. Non-interest expense increased \$6.9 million for the nine months ended September 30, 2024 compared to the same period in 2023, primarily the result of higher expenses related to salaries and employee benefits, outside services and consultants, FDIC insurance, and other expense.

Salaries and employee benefits expense increased by \$1.8 million for the three months ended September 30, 2024, and \$3.7 million for the nine months ended September 30, 2024, when compared to the same periods a year ago. The increase

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in both periods is partially attributable to growth in salary expense related to ongoing hiring efforts in revenue generating roles in commercial lending, equipment finance and treasury management. In addition, the current period was unfavorably impacted by an expense related to a legacy benefits program and additional compensation-related accrual relative to the prior periods.

Outside services and consultant expense increased by \$1.4 million for the three months ended September 30, 2024, and \$2.5 million for the nine months ended September 30, 2024, when compared to the same periods a year ago. The increase in both periods is related to ongoing strategic initiatives.

FDIC insurance expense increased by \$1.2 million in the nine months ended September 30, 2024 compared to the year ago period. The increase in the period related to higher incurred assessment rates.

Other expenses, which includes corporate and other service expenses, increased by \$0.2 million for the three months ended September 30, 2024 when compared to the same period in 2023, and increased by \$0.9 million for the nine months ended September 30, 2024 when compared to the same period in 2023.

***Provision and Allowance for Credit Losses on Loans and Liability for Unfunded Lending Commitments***

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<b>Allowance for Credit Losses on Loans</b>				
Balance at beginning of period	\$ 52,215	\$ 49,976	\$ 50,029	\$ 50,464
Provision for credit losses on loans	1,044	520	4,128	856
Net loan (charge-offs) recoveries:				
Commercial	\$ 52	\$ (217)	\$ 167	\$ (593)
Residential Real estate	9	39	18	55
Mortgage warehouse	—	—	—	—
Consumer	(439)	(619)	(1,461)	(1,083)
<b>Total net loan charge-offs</b>	<b>\$ (378)</b>	<b>\$ (797)</b>	<b>\$ (1,276)</b>	<b>\$ (1,621)</b>
<b>Balance at end of period</b>	<b>\$ 52,881</b>	<b>\$ 49,699</b>	<b>\$ 52,881</b>	<b>\$ 49,699</b>
<b>Liability for Unfunded Lending Commitments</b>				
Balance at beginning of period	\$ 705	\$ 989	\$ 615	\$ 403
Provision (reversal) for credit losses on unfunded lending commitments	—	(257)	90	329
<b>Balance at end of period</b>	<b>\$ 705</b>	<b>\$ 732</b>	<b>\$ 705</b>	<b>\$ 732</b>
<b>Allowance for Credit Losses on Loans and Liability for Unfunded Lending Commitments</b>				
	<b>\$ 53,586</b>	<b>\$ 50,431</b>	<b>\$ 53,586</b>	<b>\$ 50,431</b>

Horizon assesses the adequacy of its Allowance for Credit Losses ("ACL") by regularly reviewing the performance of its loan portfolio against various economic backdrops, which periodically change. During the third quarter of 2024, the Company recorded a provision for credit losses on loans of \$1.0 million. This compares to a provision for credit losses on loans of \$0.3 million during the third quarter of 2023. The increase in the provision for credit losses when compared to the year ago period was primarily attributable to changes in loan mix and in the economic forecast.

For the three months ended September 30, 2024, net loan charge-offs decreased by \$0.4 million to \$0.4 million, compared to \$0.8 million in the third quarter of last year.

The provision for credit losses on loans of \$4.2 million for the nine months ended September 30, 2024 increased by \$3.0 million when compared to the prior year period, which is primarily attributable to loan growth and the change in loan mix.

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For the nine months ended September 30, 2024, net loan charge-offs decreased by \$0.3 million to \$1.3 million compared to \$1.6 million in the prior year period.

The Company's allowance for credit losses as a percentage of period-end loans HFI was 1.10% at September 30, 2024, compared to 1.14% at September 30, 2023.

As of September 30, 2024, the liability for unfunded lending commitments was relatively unchanged at \$0.7 million when compared to the third quarter of last year.

#### **Income Taxes**

The Company's income tax expense for the third quarter of 2024 was \$0.1 million compared to \$1.3 million for the third quarter of 2023, resulting in effective tax rates of 0.4% and 7.3%, respectively. The decrease in the effective tax rate for the third quarter 2024 is primarily due to the increase in the net realizable tax credits for the current year.

The Company's income tax expense for the first nine months of 2024 was \$3.0 million compared to \$4.6 million for the same period in 2023, resulting in effective tax rates of 6.0% and 8.0%, respectively. The decrease in the effective tax rate for the first nine months 2024 is primarily due to the increase in net realizable tax credits in the current period.

The effective income tax rates differed from the U.S. statutory federal income tax rates of 21% during the comparable periods primarily due to the effect of tax exempt income from securities, loans, and life insurance policies, and net tax benefits from tax credit investments.

#### **Financial Condition**

Total assets decreased by \$13.0 million, or 0.2%, as of September 30, 2024, from \$7.9 billion as of December 31, 2023. The decrease in total assets is primarily due to decreases in cash and cash equivalents of \$291.7 million over the period, or 55.4%, to \$234.8 million as of September 30, 2024, and a decrease in total securities balances of \$63.3 million, to \$2.4 billion, partially offset by growth in loans HFI of \$383.5 million, or 8.8%, to \$4.8 billion as of September 30, 2024.

Total investment securities decreased \$63.3 million, or 2.5%, to \$2.4 billion as of September 30, 2024 from \$2.5 billion as of December 31, 2023, primarily as a result of amortization and maturities. There were no purchases of investment securities during the first nine months of 2024.

Total loans HFI increased to \$4.8 billion as of September 30, 2024 compared to \$4.4 billion as of December 31, 2023, led by organic commercial loan growth of \$239.1 million. The company continues to maintain a balanced growth profile across various geographies, products and industries, and holds a diverse lending portfolio consisting primarily of commercial real estate, consumer, residential and commercial and industrial portfolios.

Total deposit balances increased by \$62.1 million, or 1.1%, to \$5.7 billion on September 30, 2024 when compared to balances as of December 31, 2023. The Company maintains a granular and tenured deposit base, with a continued focus on core commercial and consumer deposit gathering.

Total borrowings decreased by \$87.9 million, or 6.5%, to \$1.3 billion as of September 30, 2024 when compared to balances as of December 31, 2023, primarily related to repayment of a portion of Federal Home Loan Bank advances in August.

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

	September 30, 2024		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<b>Available for sale</b>				
U.S. Treasury and federal agencies	\$ 69,421	\$ 63,245	\$ 72,938	\$ 64,377
State and municipal	351,507	306,025	353,299	304,030
Federal agency collateralized mortgage obligations	3,413	3,152	3,931	3,580
Federal agency mortgage-backed pools	151,844	132,696	161,130	137,297
Corporate notes	40,559	36,052	43,317	37,967
<b>Total available for sale investment securities</b>	<b>\$ 616,744</b>	<b>\$ 541,170</b>	<b>\$ 634,615</b>	<b>\$ 547,251</b>
<b>Held to maturity</b>				
U.S. Treasury and federal agencies	\$ 283,851	\$ 252,034	\$ 287,259	\$ 245,960
State and municipal	1,056,869	908,320	1,088,499	939,361
Federal agency collateralized mortgage obligations	47,232	40,791	51,325	43,479
Federal agency mortgage-backed pools	308,725	271,084	323,649	275,028
Private labeled mortgage-backed pools	29,975	26,539	32,329	27,734
Corporate notes	161,885	141,679	162,734	137,196
<b>Total held to maturity investment securities</b>	<b>\$ 1,888,537</b>	<b>\$ 1,640,447</b>	<b>\$ 1,945,795</b>	<b>\$ 1,668,758</b>

Investment securities available for sale decreased \$6.1 million since December 31, 2023 to \$541.2 million as of September 30, 2024, and securities held to maturity decreased \$57.3 million since December 31, 2023 to \$1.9 billion as of September 30, 2024. The decrease in total investments was due to principal amortization and maturities, and there were no purchases of investment securities through the first nine months of 2024.

### Credit Quality

The ACL balance at September 30, 2024 was \$52.9 million, or 1.10% of period-end loans HFI compared to an ACL balance of \$50.0 million at December 31, 2023 or 1.09% of loans HFI. The increase in the ACL was primarily due to the growth in commercial loans.

As of September 30, 2024, total non-accrual loans increased by \$3.9 million, or 19.6%, from December 31, 2023, to 0.49% of total loans HFI. Total non-performing assets increased \$3.8 million, or 17.4%, from December 31, 2023, to 0.32% of total assets.

During the three months ended September 30, 2024, net charge-offs were \$0.4 million, or 3 basis points annualized of average loans in the period, down from \$0.7 million, or 7 basis point annualized of average loans in the year ago comparable period. During the nine months ended September 30, 2024, net charge-offs were \$1.3 million, or 4 basis points annualized of average loans in the period, compared with \$1.6 million, or 4 basis point annualized of average loans in the year ago comparable period.

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	Credit Quality		
	(Dollars in Thousands Except Ratios, Unaudited)		
	Quarter Ended		
	September 30,		December 31,
	2024		2023
<b>Non-accrual loans</b>			
Commercial	\$ 6,830	\$ 7,362	
Residential Real estate	9,529	8,058	
Mortgage warehouse	—	—	
Consumer	7,208	4,290	
<b>Total non-accrual loans</b>	<b>\$ 23,567</b>	<b>\$ 19,710</b>	
90 days and greater delinquent - accruing interest	\$ 819	\$ 559	
<b>Total non-performing loans</b>	<b>\$ 24,386</b>	<b>\$ 20,269</b>	
<b>Other real estate owned</b>			
Commercial	\$ 1,158	\$ 1,124	
Residential Real estate	—	182	
Mortgage warehouse	—	—	
Consumer	36	205	
<b>Total other real estate owned</b>	<b>\$ 1,194</b>	<b>\$ 1,511</b>	
<b>Total non-performing assets</b>	<b>\$ 25,580</b>	<b>\$ 21,780</b>	
<b>Net charge-offs (recoveries)</b>			
Commercial	\$ (52)	\$ 233	
Residential Real estate	(9)	21	
Mortgage warehouse	—	—	
Consumer	439	531	
<b>Total net charge-offs</b>	<b>\$ 378</b>	<b>\$ 785</b>	
<b>Allowance for credit losses</b>			
Commercial	\$ 32,854	\$ 29,736	
Residential Real estate	2,675	2,503	
Mortgage warehouse	862	481	
Consumer	16,490	17,309	
<b>Total allowance for credit losses</b>	<b>\$ 52,881</b>	<b>\$ 50,029</b>	
<b>Credit quality ratios</b>			
Non-accrual loans to HFI loans	0.49 %	0.45 %	
Non-performing assets to total assets	0.32 %	0.27 %	
Annualized net charge-offs of average total loans	0.03 %	0.07 %	
Allowance for credit losses to HFI loans	1.10 %	1.13 %	

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## **Liquidity**

The Bank maintains a stable base of core deposits provided by long-standing relationships with individuals and local businesses. These deposits are the principal source of liquidity for Horizon. Other sources of liquidity for Horizon include earnings, loan repayment, investment security sales and maturities, proceeds from the sale of residential mortgage loans, unpledged investment securities and borrowing relationships with correspondent banks, including the FHLB. At September 30, 2024, in addition to liquidity available from the normal operating, funding, and investing activities of Horizon, the Bank had approximately \$1.52 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 cash flows from the operating, investing and financing activities of the Company resulted in a net decrease in cash, cash equivalents and restricted cash of \$291.7 million during the first nine months of 2024, as reported in the consolidated statements of cash flows in this report. Operating activities, consisting mainly of net income adjusted for certain non-cash items, provided cash flow of \$54.7 million and have historically been a stable source of funds. Investing activities, which occur mainly in the loan and investment securities portfolios, used cash of \$322.4 million mainly due to growth in the loan portfolio, which used cash of \$413.4 million. Financing activities used cash of \$24.0 million, largely resulting from the repayment of long-term borrowings of \$563.1 million and \$21.3 million in dividends paid on common stock during the first nine months of 2024.

## **Capital Resources**

The capital resources of Horizon and the Bank exceeded regulatory capital ratios for "well capitalized" banks at September 30, 2024. Stockholders' equity totaled \$754.8 million as of September 30, 2024, compared to \$718.8 million as of December 31, 2023. For the nine months ended September 30, 2024, the ratio of average stockholders' equity to average assets was 9.30% 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 and the improved market value of securities available for sale, offset by cash dividends paid to common shareholders.

As of September 30, 2024, the ratio of total stockholders' equity to total assets is 9.52%. Book value per common share was \$17.27, increasing \$0.80 compared to December 31, 2023.

Tangible common equity<sup>1</sup> totaled \$588.5 million at September 30, 2024, and the ratio of tangible common equity to tangible assets<sup>1</sup> was 7.58% at September 30, 2024. Tangible book value, which excludes intangible assets from total equity, per common share<sup>1</sup> was \$13.46, increasing \$0.87 compared to December 31, 2023.

Horizon declared common stock dividends in the amount of \$0.48 per share during the first nine months of 2024 and \$0.48 per share for the same period in 2023. The dividend payout ratio (dividends as a percent of basic earnings per share) was 45.3% and 39.3% for the first nine months of 2024 and 2023, respectively. For additional information regarding dividends, see Horizon's 2023 Annual Report on Form 10-K.

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<sup>1</sup> Non-GAAP financial metric. See non-GAAP reconciliation included herein for the most directly comparable GAAP measure.

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**Use of Non-GAAP Financial Measures**

In addition to financial measures presented in accordance with GAAP, this document refers to non-GAAP financial measures, which Horizon believes are helpful to investors and provide a greater understanding of our business and financial results without the impact of items or events that may obscure trends in the Company's underlying performance. 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 document for reconciliations of the non-GAAP information identified herein and its most comparable GAAP measures.

**Non-GAAP Reconciliation of Net Fully-Taxable Equivalent ("FTE") Interest Margin**

(Dollars in Thousands, Unaudited)

	(A)	Three Months Ended						Nine Months Ended		
		September 30,		June 30,		March 31,		December 31,	September 30,	September 30,
		2024	2024	2024	2024	2023	2023	2023	2024	2023
Interest income (GAAP)	(A)	\$ 90,888	\$ 86,981	\$ 85,264	\$ 83,514	\$ 80,125	\$ 263,133	\$ 228,791		
Taxable-equivalent adjustment:										
Investment securities - tax exempt <sup>(1)</sup>		\$ 1,677	\$ 1,695	\$ 1,715	\$ 1,799	\$ 1,861		5,087		5,746
Loan receivable <sup>(2)</sup>		340	328	353	314	251		1,021		736
Total taxable-equivalent adjustment <sup>(3)</sup>		\$ 2,017	\$ 2,023	\$ 2,068	\$ 2,113	\$ 2,112	\$ 6,108	\$ 6,482		
Interest income (non-GAAP)	(B)	\$ 92,905	\$ 89,004	\$ 87,332	\$ 85,627	\$ 82,237	\$ 269,241	\$ 235,273		
Interest expense (GAAP)	(C)	\$ 43,978	\$ 41,702	\$ 41,976	\$ 41,257	\$ 38,035	\$ 127,656	\$ 95,304		
(D) = (A) -										
Net interest income (GAAP)	(C)	\$ 46,910	\$ 45,279	\$ 43,288	\$ 42,257	\$ 42,090	\$ 135,477	\$ 133,487		
Net FTE interest income (non-GAAP)	(E) = (B) - (C)	\$ 48,927	\$ 47,302	\$ 45,356	\$ 44,370	\$ 44,202	\$ 141,585	\$ 139,969		
Average interest earning assets	(F)	\$ 7,330,263	\$ 7,212,788	\$ 7,293,559	\$ 7,239,034	\$ 7,286,611	\$ 7,279,249	\$ 7,233,818		
Net FTE interest margin (non-GAAP)	(G) = (E*) / (F)	2.66 %	2.64 %	2.50 %	2.43 %	2.41 %	2.60 %	2.59 %		

(1) The following represents municipal securities interest income for investment securities classified as available-for-sale and held-to-maturity

(2) The following represents municipal loan interest income for loan receivables classified as held for sale and held for investment

(3) Management believes fully taxable equivalent, or FTE, interest income is useful to investors in evaluating the Company's performance as a comparison of the returns between a tax-free investment and a taxable alternative. The Company adjusts interest income for tax-exempt loans and securities to an FTE basis utilizing a 21% tax rate

\*Annualized

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**HORIZON BANCORP, INC. AND SUBSIDIARIES**  
**Management's Discussion and Analysis of Financial Condition**  
**And Results of Operations**  
**For the Three and Nine Months ended September 30, 2024 and 2023**

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

(Dollars in Thousands, Unaudited)

		Three Months Ended					Nine Months Ended		
		September 30,		June 30,		March 31,	December 31,	September 30,	September 30,
		2024		2024		2024	2023	2023	2023
Net income (loss) (GAAP)	(A)	\$ 18,180	\$ 14,140	\$ 13,991	\$ (25,215)	\$ 16,205	\$ 46,311	\$ 53,196	
Average stockholders' equity	(B)	\$ 738,372	\$ 726,332	\$ 725,083	\$ 702,793	\$ 715,485	\$ 727,091	\$ 707,162	
Average intangible assets	(C)	166,819	167,659	168,519	169,401	170,301	\$ 167,663	\$ 171,199	
Average tangible equity (Non-GAAP)	(D) = (B) - (C)	\$ 571,553	\$ 558,673	\$ 556,564	\$ 533,392	\$ 545,184	\$ 559,428	\$ 535,963	
Return on average tangible common equity ("ROACE") (non-GAAP)	(E) = (A) / (D)	12.65 %	10.18 %	10.11 %	(18.76)%	11.79 %	11.06 %	13.27 %	

\*Annualized

**Non-GAAP Reconciliation of Tangible Common Equity to Tangible Assets**

(Dollars in Thousands, Unaudited)

		Three Months Ended						
		September 30,		June 30,		March 31,	December 31,	September 30,
		2024		2024		2024	2023	2023
Total stockholders' equity (GAAP)	(A)	\$ 754,822	\$ 726,665	\$ 721,250	\$ 718,812	\$ 693,369		
Intangible assets (end of period)	(B)	166,278	167,121	167,965	168,837	169,741		
Total tangible common equity (non-GAAP)	(C) = (A) - (B)	\$ 588,544	\$ 559,544	\$ 553,285	\$ 549,975	\$ 523,628		
Total assets (GAAP)	(D)	7,927,457	7,912,527	7,855,707	7,940,485	7,959,434		
Intangible assets (end of period)	(B)	166,278	167,121	167,965	168,837	169,741		
Total tangible assets (non-GAAP)	(E) = (D) - (B)	\$ 7,761,179	\$ 7,745,406	\$ 7,687,742	\$ 7,771,648	\$ 7,789,693		
Tangible common equity to tangible assets (Non-GAAP)	(G) = (C) / (E)	7.58 %	7.22 %	7.20 %	7.08 %	6.72 %		

**Non-GAAP Reconciliation of Tangible Book Value Per Share**

(Dollars in Thousands, Unaudited)

		Three Months Ended						
		September 30,		June 30,		March 31,	December 31,	September 30,
		2024		2024		2024	2023	2023
Total stockholders' equity (GAAP)	(A)	\$ 754,822	\$ 726,665	\$ 721,250	\$ 718,812	\$ 693,369		
Intangible assets (end of period)	(B)	166,278	167,121	167,965	168,837	169,741		
Total tangible common equity (non-GAAP)	(C) = (A) - (B)	\$ 588,544	\$ 559,544	\$ 553,285	\$ 549,975	\$ 523,628		
Common shares outstanding	(D)	43,712,059	43,712,059	43,726,380	43,652,063	43,648,501		
Tangible book value per common share (non-GAAP)	(E) = (C) / (D)	\$ 13.46	\$ 12.80	\$ 12.65	\$ 12.60	\$ 12.00		

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

Interest rate risk management focuses on monitoring and maintaining variances in the Company's net interest income profile due to changes in interest rates to within Board-approved policy limits. The Company primarily uses earnings simulation models to expose net interest income to 12- and 24- month sensitivities to various movements in rates. Simulations are modeled quarterly to include scenarios where market rates change instantaneously up or down in a parallel or non-parallel manner, which account for the periodic changes in the balance sheet composition. For further discussion of the Company's market risk, see the Interest Rate Sensitivity section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's 2023 Annual Report on Form 10-K.

The table below shows the modelled effects of an immediate and parallel shift in interest rates on the Company's net interest income profile over a one-year horizon versus the base case net interest income in a flat rate scenario. The simulation model assumes a static balance sheet over that twelve month period, and utilizes various non-maturity interest bearing deposit beta assumptions, based on the underlying products, ranging from 12% to 80% in the disclosed model outputs below. Deposit beta is an estimate for how quickly interest-bearing deposit pricing will change for a given change in interest rates. Because of limitations inherent in any approach used to measure interest rate risk, simulation results are not intended as a forecast of the actual effect of a change in market interest rates on our results, but rather to provide insight into our current interest rate exposure and to assist in the execution of appropriate asset/liability management strategies. As shown below, the model output would indicate that as of September 30, 2024, the Company's interest-bearing liabilities are projected to reprice at a faster pace than interest-earning assets for the next 100 basis points of declining interest rates.

<b>September 30, 2024</b>		
<i>(Dollars in millions)</i>	<b>\$ Change in Net Interest Income</b>	<b>% Change in Net Interest Income</b>
200 basis points rising	\$ (17.7)	(7.9) %
100 basis points rising	(7.9)	(3.5) %
100 basis points falling	\$ 2.8	1.3 %
200 basis points falling	(2.7)	(1.2) %

**ITEM 4. CONTROLS AND PROCEDURES**Evaluation of Disclosure Controls and Procedures

Based on an evaluation of disclosure controls and procedures as of September 30, 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 September 30, 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**

For information regarding the Company's legal proceedings, see "Part I. Item 1. Note 14 – General Litigation," which is incorporated herein by reference.

**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	<a href="#">Certification of Thomas M. Prame</a>	Attached
31.2	<a href="#">Certification of John R. Stewart</a>	Attached
32	<a href="#">Certification of Chief Executive and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>	Attached
101	Inline Interactive Data Files	Attached
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, has been formatted in Inline XBRL	Within the Inline XBRL document

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**SIGNATURES**

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

HORIZON BANCORP, INC.

November 12, 2024

\_\_\_\_\_  
Date

/s/ Thomas M. Prame

\_\_\_\_\_  
Thomas M. Prame  
Chief Executive Officer

November 12, 2024

\_\_\_\_\_  
Date

/s/ John R. Stewart

\_\_\_\_\_  
John R. Stewart  
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 registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

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November 12, 2024

Date

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/s/ Thomas M. Prame

Thomas M. Prame

Chief Executive Officer

**EXHIBIT 31.2**

**CERTIFICATION OF John R. Stewart**

I, John R. Stewart, certify that:

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

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November 12, 2024

Date

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/s/ John R. Stewart

John R. Stewart

Chief Financial Officer

**EXHIBIT 32**

**HORIZON BANCORP, INC.**

**Certification of Periodic Financial Report**

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Horizon Bancorp, Inc. (the "Company") certifies that the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 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.

November 12, 2024

Date

/s/ Thomas M. Prame

Thomas M. Prame

Chief Executive Officer

November 12, 2024

Date

/s/ John R. Stewart

John R. Stewart

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.