

SECOND QUARTER 2021 REPORT TO SHAREHOLDERS



DEAR SHAREHOLDERS, ADVISORS AND CLIENTS,

Our people, culture of accountability, work ethic, discipline, and proven experience as a successful consolidator have long distinguished Horizon Bank from our peers and industry, and that was certainly the case in the second quarter of 2021.

During the quarter, Horizon achieved record net income, along with increased noninterest income, stable net interest income, lower deposit costs and strong asset quality metrics. With an improving commercial lending pipeline, and ample liquidity and capital, this bank is very well positioned for loan growth more in line with historic levels in a recovering economy.

Second quarter 2021 net income grew to a record \$22.2 million, up 8.6% from the first quarter and 51.5% from the second quarter of last year. Second quarter 2021 diluted earnings per share grew to \$0.50, from \$0.46 in the first quarter and \$0.33 in the second quarter of last year.

Horizon's profitability benefitted from top-line growth on stable net interest income of \$42.6 million on loans and other earning assets, as well as higher non-interest income of \$15.2 million from our mortgage business, bank owned life insurance, banking fees and fiduciary activities. Following record residential lending in 2020, mortgage-related non-interest income remained strong in the second quarter of 2021, with gain on mortgage loan sales of \$5.6 million and net mortgage servicing income of \$1.5 million.

We also limited non-interest expense growth to 9.7% year-over-year to \$33.4 million for the second quarter of 2021, while maintaining these operating costs at a low 2.18% of average assets on both an annualized basis for the most recent quarter and for the same period last year.

In addition, second quarter earnings benefitted from a modest provision release of \$1.5 million, reflecting an improving economy, the overall financial health of our commercial and consumer borrowers, and solid asset quality metrics as of June 30. Non-performing loans, substandard loans, COVID-19 deferrals, and net charge-offs each declined during the quarter. Accordingly, we lowered our allowance for credit losses modestly to \$55.6 million on June 30 from \$57.2 million on March 31. The allowance represented 1.58% of total loans and 249% of non-performing loans on June 30.

Horizon's strong balance sheet not only reflects the bank's credit quality metrics, but ample liquidity in the form of cash and a growing and conservatively managed securities portfolio, as well as the anticipated decline in total loan balances, as Paycheck Protection Program (PPP) loans are forgiven and paid off by the federal government. Horizon provided about \$450 million in PPP funding to thousands of small businesses and non-profits until the national program was closed in May 2021. As we've shared with investors since last fall, we expect total assets to remain relatively stable this year, as we prepare to accelerate loan growth in the quarters ahead.

Horizon's strong profitability and balance sheet in the first half of this year enabled us to increase cash dividends paid to shareholders by 8.3%, to \$0.13 per share in the second quarter, or \$0.52 annualized. This represented a 2.98% dividend yield for shareholders on June 30, 2021, and continued our record of paying an uninterrupted quarterly dividend for more than 30 years.

During the second quarter of 2021, we also continued to invest strategically to position us to meet the needs of the communities we serve, while remaining focused on disciplined management of our highly efficient operations.

As part of Horizon's annual branch performance review, we initiated plans to close nine Indiana offices and one Michigan location in August, redeploying the employees into other open positions and investing savings into digital capabilities and opportunities in our growing Midwest markets.

In May, Horizon agreed to acquire 14 TCF National Bank branches in 11 Michigan counties, extending our low-cost deposit franchise in a financially and strategically attractive transaction that is on schedule for completion during the third quarter.

And in June, we were proud to open Horizon's second full-service bilingual banking center in Indiana in La Porte, following the 2019 opening of our bilingual branch in Whiting. These locations are just part of our efforts to support diversity and inclusion by expanding services for Spanish-speaking customers, including personalized financial solutions for mortgage products, business services and education to help establish, repair and maintain credit. Please see our cover photo.

Overall, given the size and composition of our \$6.1 billion balance sheet, highly efficient operations and talented workforce, we believe Horizon is well positioned to capitalize on significant organic and strategic growth opportunities within our attractive Midwestern markets in the quarters ahead.

Sincerely,
Craig M. Dwight
Chairman & Chief Executive Officer

SHAREHOLDER INFORMATION

Shareholder Relations Contact
Ms. McKenzie Plummer
Horizon Bancorp, Inc.
515 Franklin Street
Michigan City, IN 46360
(219) 814-5618

Transfer Agent
Computershare Shareholder Services
P.O. Box 505000
Louisville, KY 40233-5000
(800) 368-5948
Shareholder online inquiries:
www-us.computershare.com/Investor/#Contact

FINANCIAL HIGHLIGHTS

	AT OR FOR THE THREE MONTHS ENDED		
	JUNE 30, 2021	JUNE 30, 2020	% CHANGE
INCOME STATEMENT			
Net interest income	\$42,632	\$42,996	(0.8%)
Credit loss expense	(\$1,492)	\$7,056	(121.1%)
Non-interest income	\$15,207	\$11,125	36.7%
Non-interest expense	\$33,388	\$30,432	9.7%
Net income	\$22,173	\$14,639	51.5%
Diluted EPS	\$0.50	\$0.33	51.5%
BALANCE SHEET			
Total assets	\$6,109,227	\$5,739,262	6.4%
Total deposits	\$4,781,626	\$4,307,599	11.0%
Total loans, net	\$3,463,870	\$3,923,292	(11.7%)
Allowance for credit losses	\$55,649	\$55,090	1.0%
CREDIT QUALITY			
Non-performing loans to total loans	0.63%	0.70%	(0.07)%
Allowance for credit losses to total loans	1.58%	1.38%	0.20%
Net charge-offs to avg. loans for the period	0.00%	0.01%	(0.01)%
CAPITAL			
Tangible book value per share	\$12.24	\$10.87	12.6%
Book value per share	\$16.16	\$14.88	8.6%

STOCK PERFORMANCE

QUARTER ENDED	CLOSING PRICE	3-MO TOTAL VOLUME
Jun. 30, 2021	\$17.43	7.5M
Mar. 31, 2021	\$18.58	7.9M
Dec. 31, 2020	\$15.86	7.6M
Sept. 30, 2020	\$10.09	8.6M
Jun. 30, 2020	\$10.69	13.1M

HORIZON BANK TO ACQUIRE 14 BRANCHES IN MICHIGAN

\$976 Million in Deposits and \$278 Million in Loans

During the second quarter of 2021, Horizon Bank entered into a definitive purchase and assumption agreement to acquire 14 TCF National Bank branches in 11 Michigan counties with approximately \$976 million in deposits and \$278 million in associated loans, which were being divested by TCF Financial Corporation in connection with its merger with Huntington Bancshares Incorporated. The transaction, which is expected to be completed by the end of the third quarter of 2021, is subject to regulatory approval and other customary closing conditions and adjustments. Horizon expects to add over 50,000 primarily retail and small business customer accounts and the entire workforce of the acquired branches.

ATTRACTIVE MIDWEST FOOTPRINT

- 14-branch acquisition extends low-cost deposit franchise
- Indiana footprint
- Pre-acquisition Michigan footprint

