

HORIZONSM BANK

Q3 2022 REPORT TO SHAREHOLDERS



DEAR SHAREHOLDERS, ADVISORS AND CLIENTS,

The third quarter of 2022 was highlighted by continued strong commercial and consumer loan growth, an increase in net interest income, excellent asset quality, and robust capital ratios which exceeded the regulatory definition for well-capitalized banks. We are proud of the performance achieved by our business banking and consumer lending teams who delivered annualized loan growth of 7.7% in the third quarter of 2022, and year to date of 14.5%, excluding PPP loans and sold commercial participation loans.

Third quarter 2022 net income was \$23.8 million, down 4.2% from the second quarter, and up 3.3% from the third quarter of last year. Third quarter 2022 diluted earnings per share was \$0.55, compared to \$0.57 in the second quarter and \$0.52 in the third quarter of 2021.

The strong loan growth achieved in the quarter was driven by commercial and consumer year-to-date annualized loan growth of 13.8% and 31.7%, respectively. Other notable financial metrics for the third quarter included return on average assets of 1.24% and return on average equity of 13.89%.

As a result of our investments in technology and automation, Horizon improved productivity as measured in assets per employee from \$5.4 million in 2016, to \$8.7 million in 2021. Our digital transactions increased to 73% in 2022, from 44% in 2018. Online consumer deposit account opening increased to 19% year-to-date from 12% over the 12 months of 2021. Programmed bots now answer 84% of our online chats. Over the next 2 years, we will continue to increase in our annual technology spend to keep enhancing the customer experience as the organization also continues to grow. As in prior years, we intend to offset these investments by efficiency improvements in our retail network and throughout the organization. Continued disciplined focus on expense management is critical given the economic uncertainty and rise in inflation, however; we are confident in our ability to continue to reduce our achieved annualized non-interest expense to average assets ratio of 1.99% year-to-date, and below our 2.00% target for 2022.

Momentum across most business sectors going into the fourth quarter is led by strong year-to-date annualized core commercial loan growth of 13.8%, excluding PPP loans and sold participation loans, on pace to exceed our target range of 10% to 14% for 2022. Year-to-date annualized consumer loan growth was 31.7%, exceeding our target range of 10% to 14% for 2022.

Mortgage loan production adjusted with the industry trends in the rapidly rising rate environment. Year-to-date mortgage production is down about 27%, which compares very well with the Mortgage Bankers Association results declining approximately 46%

year-over-year. The Mortgage Bankers Association is forecasting further declines in the fourth quarter and going into 2023. As seen in our third quarter results, the decline in revenue from mortgage gain on sales and mortgage warehouse limits our exposure to further market adjustments to production expectations. The mortgage team proactively adjusted staffing in the third quarter to reflect the shift in client demand, and we anticipate further efficiency benefits in the fourth quarter and 2023.

Horizon is a growth company as evidenced by 20% compounded annual growth rate for net income and 13% compounded annual growth rate for total assets over the past 19 years. The combination of our solid returns and the strength of our balance sheet is evident with our diversified loan portfolio, both in product mix and geography, has proven to be a successful model in varying economic cycles, with ample liquidity availability and cash flows to fund future growth. Our talented workforce and recent solid additions to our team gives Horizon an advantage in our markets and allows us continue to capitalize on significant organic loan growth, and focus on shifting lower earning assets to higher-yielding assets while continuing to fine-tune efficient operations. Horizon continues to provide an attractive dividend yield of 3.6% for shareholders on September 30, 2022, returning a dividend of \$0.16 per share, or \$0.64 annualized to our shareholders.

While the current economic environment remains challenged by rising inflation and supply chain disruption, we remain focused on positioning ourselves to continue to meet the evolving needs of our customers. We believe our investments in talent to enhance our capabilities and prepare for the future support our disciplined growth trajectory, and with the benefit of our balance sheet strength and solid asset quality metrics, will continue to elevate our performance and provide long-term shareholder value.

Sincerely,
Craig M. Dwight
Chairman & Chief Executive Officer

SHAREHOLDER INFORMATION

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Third quarter 2022 diluted earnings per share grew to \$0.55, up 5.8% from the prior year.



Core loans¹ grew an annualized 14.5% year-to-date through the third quarter, driven by continued commercial and consumer loan growth.



Year-to-date non-interest expense continues to be well managed at 1.99% of average assets, annualized.

FINANCIAL HIGHLIGHTS

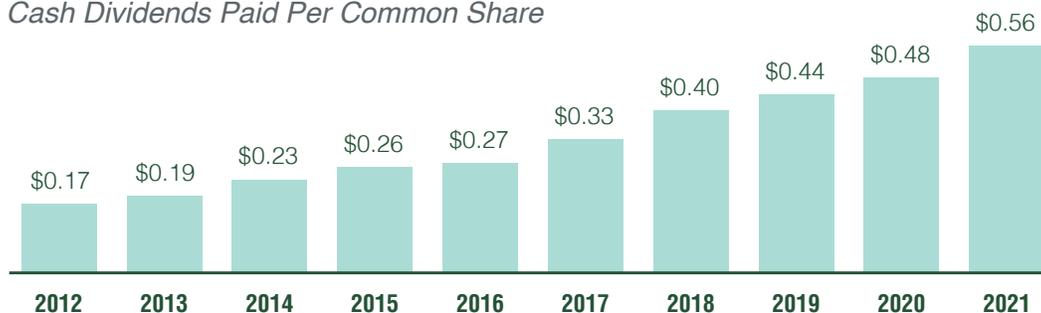
FINANCIAL HIGHLIGHTS	AT OR FOR THE THREE MONTHS ENDED		
	SEPTEMBER 30, 2022	SEPTEMBER 30, 2021	% CHANGE
INCOME STATEMENT			
Net interest income	\$53,395	\$46,544	14.7%
Credit loss expense	(\$601)	\$1,112	(154.0%)
Non-interest income	\$10,188	\$16,044	(36.5%)
Non-interest expense	\$38,350	\$34,349	11.6%
Net income	\$23,821	\$23,071	3.3%
Diluted EPS	\$0.55	\$0.52	5.8%
BALANCE SHEET			
Total assets	\$7,718,695	\$7,534,240	2.4%
Total deposits	\$5,830,838	\$5,979,899	(2.5%)
Total loans, net	\$3,960,846	\$3,603,302	9.9%
Allowance for credit losses	\$51,369	\$56,779	(9.5%)
CREDIT QUALITY			
Non-performing loans to total loans	0.48%	0.80%	(0.32%)
Allowance for credit losses to total loans	1.28%	1.55%	(0.27%)
Net charge-offs to average loans for the period	0.00%	0.00%	0.00%
CAPITAL			
Tangible book value per share	\$10.82	\$12.05	(10.2%)
Book value per share	\$14.80	\$16.28	(9.1%)

STOCK PERFORMANCE

QUARTER ENDED	CLOSING PRICE	AVERAGE DAILY VOLUME
September 30, 2022	\$17.96	115,283
June 30, 2022	\$17.42	142,828
March 31, 2022	\$18.67	139,626
December 31, 2021	\$20.85	129,710
September 30, 2021	\$18.17	96,304

DIVIDEND GROWTH

Cash Dividends Paid Per Common Share



¹ Core loans exclude Federal Paycheck Protection Program ("PPP") loans and sold commercial participation loans

² 2011 dividends of \$0.14 used to calculate CAGR