

HORIZON BANCORP
Financial Highlights
(Dollars in thousands except share and per share data and ratios, Unaudited)

	March 31 2014	December 31 2013	September 30 2013	June 30 2013	March 31 2013
Balance sheet:					
Total assets	\$ 1,806,583	\$ 1,758,276	\$ 1,781,024	\$ 1,785,907	\$ 1,734,250
Investment securities	529,340	518,501	524,054	492,363	482,086
Commercial loans	528,635	505,189	499,584	502,230	473,102
Mortgage warehouse loans	102,146	98,156	113,591	154,962	143,609
Residential mortgage loans	189,893	185,958	189,254	182,610	191,347
Consumer loans	280,120	279,525	278,990	277,864	281,710
Earning assets	1,649,653	1,604,794	1,624,251	1,638,923	1,594,292
Non-interest bearing deposit accounts	238,499	231,096	223,354	213,700	217,197
Interest bearing transaction accounts	840,258	779,966	816,167	772,790	777,973
Time deposits	276,814	280,458	288,799	310,766	319,893
Borrowings	236,043	256,296	242,505	282,837	208,899
Subordinated debentures	32,525	32,486	32,448	32,409	32,370
Common stockholders' equity	157,283	152,020	150,959	147,665	149,777
Total stockholders' equity	169,783	164,520	163,459	160,165	162,277
Income statement:					
	Three months ended				
Net interest income	\$ 13,272	\$ 14,129	\$ 14,669	\$ 16,575	\$ 16,010
Provision for loan losses	-	(997)	104	729	2,084
Non-interest income	5,522	5,687	5,910	6,849	7,460
Non-interest expenses	14,514	15,610	14,061	14,795	13,979
Income tax expense	863	1,088	1,629	2,235	2,096
Net income	3,417	4,115	4,785	5,665	5,311
Preferred stock dividend	(31)	(63)	(66)	(96)	(146)
Net income available to common shareholders	\$ 3,386	\$ 4,052	\$ 4,719	\$ 5,569	\$ 5,165
Per share data:					
Basic earnings per share	\$ 0.39	\$ 0.47	\$ 0.55	\$ 0.65	\$ 0.60
Diluted earnings per share	0.38	0.45	0.52	0.62	0.58
Cash dividends declared per common share	0.11	0.11	0.11	0.10	0.10
Book value per common share	18.25	17.64	17.52	17.14	17.38
Tangible book value per common share	15.52	14.97	14.82	14.42	14.64
Market value - high	24.91	26.09	25.04	20.45	20.87
Market value - low	\$ 20.27	\$ 21.07	\$ 20.74	\$ 18.97	\$ 19.10
Weighted average shares outstanding - Basic	8,630,966	8,623,360	8,618,969	8,617,466	8,617,466
Weighted average shares outstanding - Diluted	9,021,786	9,020,289	9,019,211	8,974,103	8,980,655
Key ratios:					
Return on average assets	0.79%	0.93%	1.09%	1.29%	1.23%
Return on average common stockholders' equity	8.81	10.44	12.60	14.67	14.11
Net interest margin	3.48	3.60	3.78	4.21	4.10
Loan loss reserve to total loans	1.46	1.49	1.64	1.67	1.78
Non-performing loans to loans	1.59	1.70	2.07	2.27	2.16
Average equity to average assets	9.65	9.46	9.22	9.34	9.16
Bank only capital ratios:					
Tier 1 capital to average assets	9.51	9.18	9.00	8.77	8.66
Tier 1 capital to risk weighted assets	12.87	13.42	13.17	12.37	12.52
Total capital to risk weighted assets	14.12	14.67	14.42	13.63	13.78
Loan data:					
Substandard loans	\$ 32,648	\$ 34,721	\$ 44,420	\$ 51,773	\$ 53,203
30 to 89 days delinquent	2,613	3,452	2,692	4,083	5,717
90 days and greater delinquent - accruing interest	\$ 202	\$ 48	\$ 2	\$ 122	\$ 2
Trouble debt restructures - accruing interest	4,997	5,053	3,507	5,086	4,637
Trouble debt restructures - non-accrual	3,662	3,427	5,986	6,586	6,784
Non-accrual loans	8,775	9,749	12,986	13,855	12,293
Total non-performing loans	\$ 17,636	\$ 18,277	\$ 22,481	\$ 25,649	\$ 23,716

HORIZON BANCORP

Allocation of the Allowance for Loan and Lease Losses

(Dollars in Thousands, Unaudited)

	March 31 2014	December 31 2013	September 30 2013	June 30 2013	March 31 2013
Commercial	\$ 7,236	\$ 6,663	\$ 7,663	\$ 7,526	\$ 9,166
Real estate	2,813	3,462	3,238	3,734	3,477
Mortgage warehousing	1,665	1,638	1,686	1,610	1,603
Consumer	4,388	4,229	5,261	6,010	5,319
Unallocated	-	-	-	-	-
Total	\$ 16,102	\$ 15,992	\$ 17,848	\$ 18,880	\$ 19,565

Net Charge-offs (Recoveries)

(Dollars in Thousands, Unaudited)

	Three months ended				
	March 31 2014	December 31 2013	September 30 2013	June 30 2013	March 31 2013
Commercial	\$ (361)	\$ 214	\$ 604	\$ 699	\$ 347
Real estate	18	350	40	411	140
Mortgage warehousing	-	-	-	-	-
Consumer	233	295	492	304	302
Total	\$ (110)	\$ 859	\$ 1,136	\$ 1,414	\$ 789

Total Non-performing Loans

(Dollars in Thousands, Unaudited)

	March 31 2014	December 31 2013	September 30 2013	June 30 2013	March 31 2013
Commercial	\$ 7,313	\$ 7,471	\$ 7,887	\$ 9,466	\$ 10,055
Real estate	6,357	6,145	8,093	9,366	8,947
Mortgage warehousing	-	-	-	-	-
Consumer	3,966	4,661	6,501	6,817	4,714
Total	\$ 17,636	\$ 18,277	\$ 22,481	\$ 25,649	\$ 23,716

Other Real Estate Owned and Repossessed Assets

(Dollars in Thousands, Unaudited)

	March 31 2014	December 31 2013	September 30 2013	June 30 2013	March 31 2013
Commercial	\$ 812	\$ 830	\$ 954	\$ 629	\$ 957
Real estate	867	1,277	385	429	745
Mortgage warehousing	-	-	-	-	-
Consumer	39	14	44	37	52
Total	\$ 1,718	\$ 2,121	\$ 1,383	\$ 1,095	\$ 1,754

HORIZON BANCORP AND SUBSIDIARIES

Average Balance Sheets

(Dollar Amounts in Thousands, Unaudited)

	Three Months Ended March 31, 2014			Three Months Ended March 31, 2013		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
ASSETS						
Interest-earning assets						
Federal funds sold	\$ 7,439	\$ 4	0.22%	\$ 12,639	\$ 8	0.26%
Interest-earning deposits	5,722	3	0.21%	7,423	2	0.11%
Investment securities - taxable	386,793	2,383	2.50%	371,311	2,012	2.20%
Investment securities - non-taxable (1)	147,840	1,123	4.28%	120,652	967	4.33%
Loans receivable (2)(3)(4)	1,050,491	12,954	5.00%	1,105,843	16,440	6.03%
Total interest-earning assets (1)	1,598,285	16,467	4.29%	1,617,868	19,429	4.95%
Noninterest-earning assets						
Cash and due from banks	24,890			23,745		
Allowance for loan losses	(16,166)			(18,425)		
Other assets	138,322			134,623		
	\$ 1,745,331			\$ 1,757,811		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing liabilities						
Interest-bearing deposits	\$ 1,079,514	\$ 1,277	0.48%	\$ 1,102,599	\$ 1,480	0.54%
Borrowings	228,138	1,422	2.53%	241,383	1,448	2.43%
Subordinated debentures	32,502	496	6.19%	32,370	491	6.15%
Total interest-bearing liabilities	1,340,154	3,195	0.97%	1,376,352	3,419	1.01%
Noninterest-bearing liabilities						
Demand deposits	223,974			202,403		
Accrued interest payable and other liabilities	12,807			18,082		
Shareholders' equity	168,396			160,974		
	\$ 1,745,331			\$ 1,757,811		
Net interest income/spread		\$ 13,272	3.32%		\$ 16,010	3.95%
Net interest income as a percent of average interest earning assets (1)			3.48%			4.10%

- (1) Securities balances represent daily average balances for the fair value of securities. The average rate is calculated based on the daily average balance for the amortized cost of securities. The average rate is presented on a tax equivalent basis.
- (2) Includes fees on loans. The inclusion of loan fees does not have a material effect on the average interest rate.
- (3) Non-accruing loans for the purpose of the computations above are included in the daily average loan amounts outstanding. Loan totals are shown net of unearned income and deferred loan fees.
- (4) Loan fees and late fees included in interest on loans.

HORIZON BANCORP AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(Dollar Amounts in Thousands)

	March 31 2014	December 31 2013
	<u>(Unaudited)</u>	
Assets		
Cash and due from banks	\$ 35,820	\$ 31,721
Investment securities, available for sale	519,430	508,591
Investment securities, held to maturity (fair value of \$9,910 and \$9,910)	9,910	9,910
Loans held for sale	5,335	3,281
Loans, net of allowance for loan losses of \$16,102 and \$15,992	1,084,692	1,052,836
Premises and equipment	47,013	46,194
Federal Reserve and Federal Home Loan Bank stock	14,184	14,184
Goodwill	20,483	19,748
Other intangible assets	3,100	3,288
Interest receivable	7,536	7,501
Cash value life insurance	36,423	36,190
Other assets	22,657	24,832
Total assets	<u>\$ 1,806,583</u>	<u>\$ 1,758,276</u>
Liabilities		
Deposits		
Non-interest bearing	\$ 238,499	\$ 231,096
Interest bearing	1,117,072	1,060,424
Total deposits	<u>1,355,571</u>	<u>1,291,520</u>
Borrowings	236,043	256,296
Subordinated debentures	32,525	32,486
Interest payable	498	506
Other liabilities	12,163	12,948
Total liabilities	<u>1,636,800</u>	<u>1,593,756</u>
Commitments and contingent liabilities		
Stockholders' Equity		
Preferred stock, Authorized, 1,000,000 shares		
Series B shares \$.01 par value, \$1,000 liquidation value		
Issued 12,500 shares	12,500	12,500
Common stock, no par value		
Authorized, 22,500,000 shares		
Issued, 8,703,596 and 8,706,971 shares		
Outstanding, 8,630,966 and 8,630,966 shares	-	-
Additional paid-in capital	32,604	32,496
Retained earnings	123,678	121,253
Accumulated other comprehensive income (loss)	1,001	(1,729)
Total stockholders' equity	<u>169,783</u>	<u>164,520</u>
Total liabilities and stockholders' equity	<u>\$ 1,806,583</u>	<u>\$ 1,758,276</u>

HORIZON BANCORP AND SUBSIDIARIES

Condensed Consolidated Statements of Income

(Dollar Amounts in Thousands, Except Per Share Data)

	Three Months Ended March 31	
	2014 (Unaudited)	2013 (Unaudited)
Interest Income		
Loans receivable	\$ 12,954	\$ 16,440
Investment securities		
Taxable	2,390	2,022
Tax exempt	1,123	967
Total interest income	16,467	19,429
Interest Expense		
Deposits	1,277	1,480
Borrowed funds	1,422	1,448
Subordinated debentures	496	491
Total interest expense	3,195	3,419
Net Interest Income	13,272	16,010
Provision for loan losses	-	2,084
Net Interest Income after Provision for Loan Losses	13,272	13,926
Non-interest Income		
Service charges on deposit accounts	923	913
Wire transfer fees	112	190
Interchange fees	959	866
Fiduciary activities	1,048	1,140
Gain on sale of investment securities (includes \$0 and \$368 for the three months ended March 31, 2014 and 2013, respectively, related to accumulated other comprehensive earnings reclassifications)	-	368
Gain on sale of mortgage loans	1,411	3,106
Mortgage servicing income net of impairment	207	163
Increase in cash value of bank owned life insurance	233	252
Other income	629	462
Total non-interest income	5,522	7,460
Non-interest Expense		
Salaries and employee benefits	7,483	7,504
Net occupancy expenses	1,424	1,311
Data processing	870	600
Professional fees	608	499
Outside services and consultants	661	712
Loan expense	1,015	1,114
FDIC insurance expense	256	283
Other losses	38	(72)
Other expense	2,159	2,028
Total non-interest expense	14,514	13,979
Income Before Income Tax	4,280	7,407
Income tax expense (includes \$0 and \$129 for the three months ended March 31, 2014 and 2013, respectively, related to income tax expense from reclassification items)	863	2,096
Net Income	3,417	5,311
Preferred stock dividend and discount accretion	(31)	(146)
Net Income Available to Common Shareholders	\$ 3,386	\$ 5,165
Basic Earnings Per Share	\$ 0.39	\$ 0.60
Diluted Earnings Per Share	0.38	0.58