

# 2022 SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB) DISCLOSURES



## Commercial Bank Standards

Topic	SASB Code	Accounting Metric	
Data Security	FN-CB-2301a.2	Description of approach to identifying and addressing data security risks	<p>We understand the need to safeguard our sensitive data. Horizon Bank takes the security of our customers' personal and financial data very seriously. Preventing fraud is also very important to us. Laws and regulations, including the Gramm Leach Bliley Act and Sarbanes-Oxley Act, guide our policies, procedures, and controls regarding the protection and privacy of our customer data. All employees are required to complete information security and awareness training on an annual basis and training on the Cyber Security Policies. We send out monthly phishing test/challenge emails to employees and additional tests when world events may increase risk and increased awareness is warranted</p> <p>The core elements of data security are confidentiality, integrity, and availability. Confidentiality ensures that only authorized individual's access data. Integrity ensures that information is reliable as well as accurate. Availability ensures that data is both available and accessible to satisfy business needs. Information and records are managed consistent with the organization's risk strategy to protect the confidentiality, integrity, and availability of information.</p> <p>Due to the sensitivity of our data, it is imperative to know where data is stored at all times; this helps us protect sensitive data. Annually, if not more frequent, permission reviews are completed. Knowing who has access to our data at all times is one of the most vital data security approaches. Continuous monitoring and real-time alerts are part of our strategy. Our solutions meet regulatory requirements as we can detect unusual file activity, suspicious accounts, and monitor computer behavior.</p> <p>Horizon Bank follows COBIT 2019 and the National Institute of Standards and Technology (NIST) Frameworks to help manage cybersecurity risk.</p>
Financial Inclusion & Capacity Building	FN-CB-240a.1	Number and amount of loans outstanding qualified to programs designed to promote small business and community development	5,972 small business and small farm loans totaling \$628 million at 12/31/22. 78 CRA / Community development loans originated in the year 2022 totaling \$281 million.
	FN-CB-240a.2	Number and amount of past due and nonaccrual loans qualified to programs designed to promote small business and community development	12 loans totaling \$0.82 million delinquent >30 days and 16 non-accrual loans totaling \$3.2 million at 12/31/22.
	FN-CB-240a.3	Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	1,187 Fresh Start Checking Accounts at 12/31/22.
Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	FN-CB-410a.1	Commercial and industrial credit exposure, by industry	<p>The 10 largest industries through year-end 12/31/2022 that are included within our diverse commercial lending portfolio are as follows by NAICS Major Group 3 Digit Code and Description:</p> <p>531: Lessors of Nonresidential Buildings (except Miniwarehouses)  531: Lessors of Residential Buildings and Dwellings  721: Hotels (except Casino Hotels) and Motels  522: Consumer Lending / Bankers Health Notes  531: Lessors of Miniwarehouses and Self Storage Units  814: Private Households  236: Commercial and Institutional Building Construction  921: Other General Government Support  621: Offices of Dentists  722: Limited-Service Restaurants</p>
	FN-CB-410a.2	Description of approach to incorporation of environmental, social and governance (ESG) factors in credit analysis	When underwriting commercial credit, Horizon considers many factors that may impact a business and its ability to operate successfully in order to meet payment requirements. We continuously evaluate our underwriting process to ensure we are identifying key risks inherent in a business or industry. As ESG continues to be elevated as a key consideration, we will adapt our underwriting in order to ascertain the risks posed to our borrowers and the bank.

# 2022 SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB) DISCLOSURES

## Commercial Bank Standards (continued)

Topic	SASB Code	Accounting Metric	
System Risk Management	FN-CB-550a.2	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	Every year Horizon completes a strategic plan and results are monitored, tracked and reported to the Board quarterly. Capital planning, capital stress testing and liquidity contingency plan testing is completed annually and reported to the Board. External and internal anomalies can trigger additional stress testing to ensure current status of stress testing and contingency planning is known to management and the Board.
Activity Metric	FN-CB-000.A	Number and value of checking and savings accounts by segment: personal and small business	142,342 personal checking accounts totaling \$1.75 billion and 17,430 business accounts totaling \$1.05 billion at 12/31/22.
	FN-CB-000.B	Number and value of loans by segment: personal, small business, and corporate	58,443 personal loans, including consumer and residential mortgage, totaling \$1.60 billion at 12/31/2022; 1,432 small business loans totaling \$144 million and 6,152 commercial loans, excluding small business, totaling \$2.08 billion at 12/31/2022.

## Mortgage Finance Standards

Topic	SASB Code	Accounting Metric	
Lending Practices	FN-MF-270a.1	Number and value of residential mortgages of the following types: Hybrid or Option Adjustable-rate Mortgages (ARM), prepayment penalty, higher rate, total, by fico scores above or below 660	Hybrid or Option ARMs: 1,624 loans totaling \$274.9 million; Prepayment Penalty: None; Higher Rate (High Cost Loans): None; Fico scores >660: 1,946 loans totaling \$513.2 million; Fico scores below 660: 1,710 loans totaling \$104.7 million.
	FN-MF-270a.4	Description of remuneration structure of loan originators	Horizon employs non-commission, salaried lenders dedicated to serving low-to-moderate income and majority-minority communities who are responsible for community development, small business and mortgage lending. These community lenders, along with the bank's CRA Officer, report to Horizon's Senior Community Development Officer.
Fair Lending <sup>1</sup>	FN-MF-270b.3	Description of policies and procedures for insuring nondiscriminatory mortgage origination	Horizon is committed to making credit products available to all qualified applicants without discrimination. All home equity and mobile home applications denials are subject to a second review, as is a portion of all mortgages. Internal Audit performs periodic reviews and data analysis to identify possible discriminatory lending patterns and reports any findings promptly to the Board. These and other policies are outlined in Horizon's Fair Lending Policy, available at <a href="http://www.horizonbank.com/about-us/community-outreach/affordable-loan-options">www.horizonbank.com/about-us/community-outreach/affordable-loan-options</a> .
Activity metrics	FN-MF-000.A	Number and value of mortgages originated by category: residential and commercial	1,594 residential mortgage loans originated during 2022 totaling \$407.4 million; 501 commercial mortgage loans originated totaling \$583.1 million as of 12/31/22.
	FN-FM-000.B	Number and value of mortgages purchased by category: residential and commercial	None

<sup>1</sup> This topic is referred to as "Discriminatory Lending" by the SASB

