

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

	June 30 2014	March 31 2014	December 31 2013	September 30 2013	June 30 2013
<b>Balance sheet:</b>					
Total assets	\$ 2,073,251	\$ 1,806,583	\$ 1,758,276	\$ 1,781,024	\$ 1,785,907
Investment securities	537,618	529,340	518,501	524,054	492,363
Commercial loans	648,202	528,635	505,189	499,584	502,230
Mortgage warehouse loans	140,896	102,146	98,156	113,591	154,962
Residential mortgage loans	235,523	189,893	185,958	189,254	182,610
Consumer loans	296,873	280,120	279,525	278,990	277,864
Earning assets	1,882,724	1,649,653	1,604,794	1,624,251	1,638,923
Non-interest bearing deposit accounts	270,023	238,499	231,096	223,354	213,700
Interest bearing transaction accounts	919,024	840,258	779,966	816,167	772,790
Time deposits	310,056	276,814	280,458	288,799	310,766
Borrowings	340,201	236,043	256,296	242,505	282,837
Subordinated debentures	32,564	32,525	32,486	32,448	32,409
Common stockholders' equity	174,836	157,283	152,020	150,959	147,665
Total stockholders' equity	187,336	169,783	164,520	163,459	160,165
<b>Income statement:</b>					
		<b>Three months ended</b>			
Net interest income	\$ 16,788	\$ 13,272	\$ 14,129	\$ 14,669	\$ 16,575
Provision for loan losses	339	-	(997)	104	729
Non-interest income	6,627	5,522	5,687	5,910	6,849
Non-interest expenses	16,408	14,514	15,610	14,061	14,795
Income tax expense	1,890	863	1,088	1,629	2,235
Net income	4,778	3,417	4,115	4,785	5,665
Preferred stock dividend	(31)	(31)	(63)	(66)	(96)
Net income available to common shareholders	\$ 4,747	\$ 3,386	\$ 4,052	\$ 4,719	\$ 5,569
<b>Per share data:</b>					
Basic earnings per share	\$ 0.52	\$ 0.39	\$ 0.47	\$ 0.55	\$ 0.65
Diluted earnings per share	0.50	0.38	0.45	0.52	0.62
Cash dividends declared per common share	0.13	0.11	0.11	0.11	0.10
Book value per common share	19.00	18.22	17.64	17.52	17.14
Tangible book value per common share	15.47	15.52	14.97	14.82	14.42
Market value - high	22.58	24.91	26.09	25.04	20.45
Market value - low	\$ 19.57	\$ 20.27	\$ 21.07	\$ 20.74	\$ 18.97
Weighted average shares outstanding - Basic	9,182,986	8,630,966	8,623,360	8,618,969	8,617,466
Weighted average shares outstanding - Diluted	9,560,939	9,021,786	9,020,289	9,019,211	8,974,103
<b>Key ratios:</b>					
Return on average assets	0.98%	0.79%	0.93%	1.09%	1.29%
Return on average common stockholders' equity	11.95	8.81	10.44	12.60	14.67
Net interest margin	3.78	3.48	3.60	3.78	4.21
Loan loss reserve to total loans	1.18	1.46	1.49	1.64	1.67
Non-performing loans to loans	1.41	1.59	1.70	2.09	2.27
Average equity to average assets	8.79	9.65	9.46	9.22	9.34
Bank only capital ratios:					
Tier 1 capital to average assets	8.82	9.11	9.18	9.00	8.77
Tier 1 capital to risk weighted assets	11.48	12.87	13.42	13.17	12.37
Total capital to risk weighted assets	12.54	14.12	14.67	14.42	13.63
<b>Loan data:</b>					
Substandard loans	\$ 35,495	\$ 32,648	\$ 34,721	\$ 44,420	\$ 51,773
30 to 89 days delinquent	3,671	2,613	3,452	2,692	4,083
90 days and greater delinquent - accruing interest	\$ 42	\$ 202	\$ 48	\$ 2	\$ 122
Trouble debt restructures - accruing interest	5,614	4,997	5,053	3,507	5,086
Trouble debt restructures - non-accrual	3,178	3,662	3,427	5,986	6,586
Non-accrual loans	9,844	8,775	9,749	12,986	13,855
Total non-performing loans	\$ 18,678	\$ 17,636	\$ 18,277	\$ 22,481	\$ 25,649

# HORIZON BANCORP

## Financial Highlights

(Dollars in thousands except share and per share data and ratios, Unaudited)

	June 30 2014	June 30 2013
<b>Balance sheet:</b>		
Total assets	\$ 2,073,251	\$ 1,785,907
Investment securities	537,618	492,363
Commercial loans	648,202	502,230
Mortgage warehouse loans	140,896	154,962
Residential mortgage loans	235,523	182,610
Consumer loans	296,873	277,864
Earning assets	1,882,724	1,638,923
Non-interest bearing deposit accounts	270,023	213,700
Interest bearing transaction accounts	919,024	772,790
Time deposits	310,056	310,766
Borrowings	340,201	282,837
Subordinated debentures	32,564	32,409
Common stockholders' equity	174,836	147,665
Total stockholders' equity	187,336	160,165
 <b>Income statement:</b>		
	<b>Six months ended</b>	
Net interest income	\$ 30,060	\$ 32,585
Provision for loan losses	339	2,813
Non-interest income	12,149	14,309
Non-interest expenses	30,922	28,774
Income tax expense	2,753	4,331
Net income	8,195	10,976
Preferred stock dividend	(63)	(242)
Net income available to common shareholders	\$ 8,132	\$ 10,734
 <b>Per share data:</b>		
Basic earnings per share	\$ 0.91	\$ 1.25
Diluted earnings per share	0.88	1.20
Cash dividends declared per common share	0.24	0.20
Book value per common share	19.00	17.14
Tangible book value per common share	15.47	14.42
Market value - high	24.91	20.87
Market value - low	\$ 19.57	\$ 18.97
Weighted average shares outstanding - Basic	8,908,492	8,617,466
Weighted average shares outstanding - Diluted	9,293,423	8,977,408
 <b>Key ratios:</b>		
Return on average assets	0.89%	1.25%
Return on average common stockholders' equity	10.40	14.31
Net interest margin	3.62	4.17
Loan loss reserve to total loans	1.18	1.67
Non-performing loans to loans	1.41	2.27
Average equity to average assets	9.20	9.25
Bank only capital ratios:		
Tier 1 capital to average assets	8.82	8.77
Tier 1 capital to risk weighted assets	11.48	12.37
Total capital to risk weighted assets	12.54	13.63
 <b>Loan data:</b>		
Substandard loans	\$ 35,495	\$ 51,773
30 to 89 days delinquent	3,671	4,083
90 days and greater delinquent - accruing interest	\$ 42	\$ 122
Trouble debt restructures - accruing interest	5,614	5,086
Trouble debt restructures - non-accrual	3,178	6,586
Non-accrual loans	9,844	13,855
Total non-performing loans	\$ 18,678	\$ 25,649

## HORIZON BANCORP

### Allocation of the Allowance for Loan and Lease Losses

(Dollars in Thousands, Unaudited)

	June 30 2014	March 31 2014	December 31 2013	September 30 2013	June 30 2013
Commercial	\$ 6,958	\$ 7,236	\$ 6,663	\$ 7,663	\$ 7,526
Real estate	2,367	2,813	3,462	3,238	3,734
Mortgage warehousing	1,559	1,665	1,638	1,686	1,610
Consumer	4,776	4,388	4,229	5,261	6,010
Unallocated	-	-	-	-	-
<b>Total</b>	<b>\$ 15,660</b>	<b>\$ 16,102</b>	<b>\$ 15,992</b>	<b>\$ 17,848</b>	<b>\$ 18,880</b>

### Net Charge-offs (Recoveries)

(Dollars in Thousands, Unaudited)

	Three months ended				
	June 30 2014	March 31 2014	December 31 2013	September 30 2013	June 30 2013
Commercial	\$ 185	\$ (361)	\$ 214	\$ 604	\$ 699
Real estate	169	18	350	40	411
Mortgage warehousing	-	-	-	-	-
Consumer	426	233	295	492	304
<b>Total</b>	<b>\$ 780</b>	<b>\$ (110)</b>	<b>\$ 859</b>	<b>\$ 1,136</b>	<b>\$ 1,414</b>

### Total Non-performing Loans

(Dollars in Thousands, Unaudited)

	June 30 2014	March 31 2014	December 31 2013	September 30 2013	June 30 2013
Commercial	\$ 8,243	\$ 7,313	\$ 7,471	\$ 7,887	\$ 9,466
Real estate	6,672	6,357	6,145	8,093	9,366
Mortgage warehousing	-	-	-	-	-
Consumer	3,763	3,966	4,661	6,501	6,817
<b>Total</b>	<b>\$ 18,678</b>	<b>\$ 17,636</b>	<b>\$ 18,277</b>	<b>\$ 22,481</b>	<b>\$ 25,649</b>

### Other Real Estate Owned and Repossessed Assets

(Dollars in Thousands, Unaudited)

	June 30 2014	March 31 2014	December 31 2013	September 30 2013	June 30 2013
Commercial	\$ 452	\$ 812	\$ 830	\$ 954	\$ 629
Real estate	752	867	1,277	385	429
Mortgage warehousing	-	-	-	-	-
Consumer	23	39	14	44	37
<b>Total</b>	<b>\$ 1,227</b>	<b>\$ 1,718</b>	<b>\$ 2,121</b>	<b>\$ 1,383</b>	<b>\$ 1,095</b>

# HORIZON BANCORP AND SUBSIDIARIES

## Average Balance Sheets

(Dollar Amounts in Thousands, Unaudited)

	Three Months Ended June 30, 2014			Three Months Ended June 30, 2013		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
<b>ASSETS</b>						
Interest-earning assets						
Federal funds sold	\$ 9,062	\$ 5	0.22%	\$ 5,690	\$ 3	0.21%
Interest-earning deposits	7,987	4	0.20%	10,289	5	0.19%
Investment securities - taxable	403,910	2,386	2.37%	369,382	2,039	2.21%
Investment securities - non-taxable (1)	145,591	1,096	4.25%	131,474	1,024	4.53%
Loans receivable (2)(3)	1,266,026	16,631	5.27%	1,109,345	16,906	6.12%
Total interest-earning assets (1)	<u>1,832,576</u>	<u>20,122</u>	4.51%	<u>1,626,180</u>	<u>19,977</u>	5.05%
Noninterest-earning assets						
Cash and due from banks	28,106			23,544		
Allowance for loan losses	(15,808)			(19,572)		
Other assets	<u>129,608</u>			<u>133,658</u>		
	<u>\$ 1,974,482</u>			<u>\$ 1,763,810</u>		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
Interest-bearing liabilities						
Interest-bearing deposits	\$ 1,229,025	\$ 1,355	0.44%	\$ 1,091,285	\$ 1,445	0.53%
Borrowings	273,968	1,478	2.16%	240,681	1,456	2.43%
Subordinated debentures	32,541	501	6.18%	32,172	501	6.25%
Total interest-bearing liabilities	<u>1,535,534</u>	<u>3,334</u>	0.87%	<u>1,364,138</u>	<u>3,402</u>	1.00%
Noninterest-bearing liabilities						
Demand deposits	253,093			218,433		
Accrued interest payable and other liabilities	12,245			16,492		
Shareholders' equity	<u>173,610</u>			<u>164,747</u>		
	<u>\$ 1,974,482</u>			<u>\$ 1,763,810</u>		
Net interest income/spread		<u>\$ 16,788</u>	3.63%		<u>\$ 16,575</u>	4.05%
Net interest income as a percent of average interest earning assets (1)			3.78%			4.21%

- (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.

## HORIZON BANCORP AND SUBSIDIARIES

### Average Balance Sheets

(Dollar Amounts in Thousands, Unaudited)

	Six Months Ended June 30, 2014			Six Months Ended June 30, 2013		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
<b>ASSETS</b>						
Interest-earning assets						
Federal funds sold	\$ 7,842	\$ 9	0.23%	\$ 9,171	\$ 10	0.22%
Interest-earning deposits	6,855	7	0.21%	8,920	9	0.20%
Investment securities - taxable	395,406	4,769	2.43%	372,394	4,050	2.19%
Investment securities - non-taxable (1)	146,709	2,219	4.07%	126,758	1,991	4.95%
Loans receivable (2)(3)	1,159,127	29,585	5.15%	1,113,770	33,346	6.05%
Total interest-earning assets (1)	1,715,939	36,589	4.39%	1,631,013	39,406	5.02%
Noninterest-earning assets						
Cash and due from banks	26,507			23,780		
Allowance for loan losses	(15,987)			(19,124)		
Other assets	133,408			134,689		
	\$ 1,859,867			\$ 1,770,358		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
Interest-bearing liabilities						
Interest-bearing deposits	\$ 1,154,682	\$ 2,632	0.46%	\$ 1,102,991	\$ 2,925	0.53%
Borrowings	250,761	2,900	2.33%	242,364	2,904	2.42%
Subordinated debentures	32,522	997	6.18%	32,265	992	6.20%
Total interest-bearing liabilities	1,437,965	6,529	0.92%	1,377,620	6,821	1.00%
Noninterest-bearing liabilities						
Demand deposits	238,579			211,568		
Accrued interest payable and other liabilities	12,191			17,384		
Shareholders' equity	171,132			163,786		
	\$ 1,859,867			\$ 1,770,358		
Net interest income/spread		\$ 30,060	3.47%		\$ 32,585	4.02%
Net interest income as a percent of average interest earning assets (1)			3.62%			4.17%

- (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.

## HORIZON BANCORP AND SUBSIDIARIES

### Condensed Consolidated Balance Sheets

(Dollar Amounts in Thousands)

	<b>June 30</b>	<b>December 31</b>	
	<b>2014</b>	<b>2013</b>	
	<b>(Unaudited)</b>		
<b>Assets</b>			
Cash and due from banks	\$ 50,804	\$ 31,721	
Investment securities, available for sale	366,289	508,591	
Investment securities, held to maturity (fair value of \$173,200 and \$9,910)	171,329	9,910	
Loans held for sale	7,286	3,281	
Loans, net of allowance for loan losses of \$15,660 and \$15,992	1,305,834	1,052,836	
Premises and equipment, net	50,853	46,194	
Federal Reserve and Federal Home Loan Bank stock	16,326	14,184	
Goodwill	28,034	19,748	
Other intangible assets	4,422	3,288	
Interest receivable	8,280	7,501	
Cash value life insurance	38,860	36,190	
Other assets	24,934	24,832	
Total assets	\$ 2,073,251	\$ 1,758,276	
<b>Liabilities</b>			
Deposits			
Non-interest bearing	\$ 270,023	\$ 231,096	
Interest bearing	1,229,080	1,060,424	
Total deposits	1,499,103	1,291,520	
Borrowings	340,201	256,296	
Subordinated debentures	32,564	32,486	
Interest payable	508	506	
Other liabilities	13,539	12,948	
Total liabilities	1,885,915	1,593,756	
<b>Commitments and contingent liabilities</b>			
<b>Stockholders' Equity</b>			
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, 9,274,416 and 8,706,971 shares			
Outstanding, 9,201,786 and 8,630,966 shares	-	-	
Additional paid-in capital	45,438	32,496	
Retained earnings	127,154	121,253	
Accumulated other comprehensive income (loss)	2,244	(1,729)	
Total stockholders' equity	187,336	164,520	
Total liabilities and stockholders' equity	\$ 2,073,251	\$ 1,758,276	

# HORIZON BANCORP AND SUBSIDIARIES

## Condensed Consolidated Statements of Income

(Dollar Amounts in Thousands, Except Per Share Data)

	Three Months Ended June		Six Months Ended June 30	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Interest Income</b>				
Loans receivable	\$ 16,631	\$ 16,906	\$ 29,585	\$ 33,346
Investment securities				
Taxable	2,395	2,047	4,785	4,069
Tax exempt	1,096	1,024	2,219	1,991
Total interest income	<u>20,122</u>	<u>19,977</u>	<u>36,589</u>	<u>39,406</u>
<b>Interest Expense</b>				
Deposits	1,355	1,445	2,632	2,925
Borrowed funds	1,478	1,456	2,900	2,904
Subordinated debentures	501	501	997	992
Total interest expense	<u>3,334</u>	<u>3,402</u>	<u>6,529</u>	<u>6,821</u>
<b>Net Interest Income</b>	<u>16,788</u>	<u>16,575</u>	<u>30,060</u>	<u>32,585</u>
Provision for loan losses	339	729	339	2,813
<b>Net Interest Income after Provision for Loan Losses</b>	<u>16,449</u>	<u>15,846</u>	<u>29,721</u>	<u>29,772</u>
<b>Non-interest Income</b>				
Service charges on deposit accounts	1,038	988	1,961	1,901
Wire transfer fees	145	203	257	393
Interchange fees	1,254	1,060	2,213	1,926
Fiduciary activities	1,199	1,047	2,247	2,187
Gain on sale of investment securities (includes \$0 for the three and six months ended June 30, 2014 and \$0 for the three months ended and \$368 for the six months ended June 30, 2013, related to accumulated other comprehensive earnings reclassifications)	-	-	-	368
Gain on sale of mortgage loans	2,537	2,807	3,948	5,913
Mortgage servicing income net of impairment	233	302	440	465
Increase in cash value of bank owned life insurance	252	257	485	509
Other income	(31)	185	598	647
Total non-interest income	<u>6,627</u>	<u>6,849</u>	<u>12,149</u>	<u>14,309</u>
<b>Non-interest Expense</b>				
Salaries and employee benefits	8,293	7,721	15,776	15,225
Net occupancy expenses	1,360	1,295	2,784	2,606
Data processing	937	818	1,807	1,418
Professional fees	419	454	1,027	953
Outside services and consultants	1,298	486	1,959	1,198
Loan expense	1,272	1,402	2,287	2,516
FDIC insurance expense	285	268	541	551
Other losses	95	163	133	91
Other expense	2,449	2,188	4,608	4,216
Total non-interest expense	<u>16,408</u>	<u>14,795</u>	<u>30,922</u>	<u>28,774</u>
<b>Income Before Income Tax</b>	<u>6,668</u>	<u>7,900</u>	<u>10,948</u>	<u>15,307</u>
Income tax expense (includes \$0 for the three and six months ended June 30, 2014 and \$0 for the three months ended and \$129 for the six months ended June 30, 2013, related to income tax expense from reclassification items)	1,890	2,235	2,753	4,331
<b>Net Income</b>	<u>4,778</u>	<u>5,665</u>	<u>8,195</u>	<u>10,976</u>
Preferred stock dividend and discount accretion	(31)	(96)	(63)	(242)
<b>Net Income Available to Common Shareholders</b>	<u>\$ 4,747</u>	<u>\$ 5,569</u>	<u>\$ 8,132</u>	<u>\$ 10,734</u>
<b>Basic Earnings Per Share</b>	<u>\$ 0.52</u>	<u>\$ 0.65</u>	<u>\$ 0.91</u>	<u>\$ 1.25</u>
<b>Diluted Earnings Per Share</b>	<u>0.50</u>	<u>0.62</u>	<u>0.88</u>	<u>1.20</u>