

# HORIZON BANCORP

## Financial Highlights

(Unaudited – dollars in thousands except share and per share data and ratios)

	Three months ended				
	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008
<b>Balance sheet:</b>					
Total assets	\$ 1,343,296	\$ 1,442,851	\$ 1,306,857	\$ 1,188,631	\$ 1,194,447
Short term investments	10,418	6,444	2,679	1,186	1,378
Investment securities	331,941	327,289	303,268	230,837	252,791
Commercial loans	313,857	313,840	310,842	304,997	303,179
Mortgage warehouse loans	163,083	186,058	123,287	101,992	82,865
Real estate loans	146,096	160,478	167,766	168,058	168,940
Installment loans	272,394	273,728	280,072	282,900	283,430
Earning assets	1,260,807	1,288,214	1,206,494	1,107,429	1,115,241
Non-interest bearing deposit accounts	83,940	81,000	83,642	86,093	81,212
Interest bearing transaction accounts	388,954	489,699	428,931	334,121	349,767
Time deposits	375,256	406,790	328,596	329,208	361,307
Borrowings	349,499	320,956	324,383	328,442	293,423
Long-term borrowings	27,837	27,837	27,837	27,837	27,837
Common stockholders' equity	82,965	82,236	79,196	75,072	73,613
Total stockholders' equity	107,194	106,427	103,350	75,072	73,613
<b>Income statement:</b>					
Net interest income	\$ 11,263	\$ 11,416	\$ 9,689	\$ 9,403	\$ 9,335
Provision for loan losses	3,290	3,197	2,163	3,137	1,490
Other income	4,516	4,494	3,369	3,351	3,898
Other expenses	9,928	9,397	8,230	8,283	8,239
Income tax expense	497	681	543	2	514
Net income	2,064	2,635	2,122	1,332	2,990
Preferred stock dividend	(350)	(350)	-	-	-
Net income available to shareholders	1,714	2,285	2,122	1,332	2,990
<b>Per share data:</b>					
Basic earnings per share	\$ 0.53	\$ 0.71	\$ 0.64	\$ 0.42	\$ 0.93
Diluted earnings per share	0.52	0.70	0.64	0.41	0.92
Cash dividends declared per common share	0.17	0.17	0.17	0.17	0.17
Book value per common share	25.85	25.62	24.68	23.39	22.94
Market value - high	19.45	13.21	24.52	25.73	23.89
Market value - low	\$ 11.00	\$ 10.50	\$ 12.29	\$ 16.36	\$ 17.56
Basic common shares outstanding	3,209,482	3,209,482	3,209,482	3,209,482	3,208,419
Diluted common shares outstanding	3,270,178	3,250,424	3,246,664	3,255,409	3,238,331
<b>Key ratios:</b>					
Return on average assets	0.59%	0.79%	0.71%	0.45%	1.01%
Return on average common stockholders' equity	8.01	11.18	10.49	6.97	15.68
Net interest margin	3.51	3.78	3.57	3.45	3.40
Loan loss reserve to loans	1.40	1.23	1.29	1.22	1.16
Non-performing loans to loans	1.49	1.11	0.89	0.77	0.67
Average equity to average assets	7.80	7.94	6.65	6.45	6.44
<b>Bank only capital ratios:</b>					
Tier 1 capital to average assets	8.15	8.51	9.44	7.64	7.54
Tier 1 capital to risk weighted assets	11.88	11.45	11.89	10.04	10.12
Total capital to risk weighted assets	13.13	12.61	13.11	11.22	11.23

# HORIZON BANCORP

## Financial Highlights

(Unaudited – dollars in thousands except share and per share data and ratios)

	Six months ended	
	June 30, 2009	June 30, 2008
<b>Balance sheet:</b>		
Total assets	\$ 1,343,296	\$ 1,194,447
Short term investments	10,418	1,378
Investment securities	331,941	252,791
Commercial loans	313,857	303,179
Mortgage warehouse loans	163,083	82,865
Real estate loans	146,096	168,940
Installment loans	272,394	283,430
Earning assets	1,260,807	1,115,241
Non-interest bearing deposit accounts	83,940	81,212
Interest bearing transaction accounts	388,954	349,767
Time deposits	375,256	361,307
Borrowings	349,499	293,423
Long-term borrowings	27,837	27,837
Common stockholders' equity	82,965	73,613
Total stockholders' equity	107,194	73,613
<b>Income statement:</b>		
Net interest income	\$ 22,679	\$ 18,258
Provision for loan losses	6,487	2,268
Other income	9,010	7,111
Other expenses	19,325	16,266
Income tax expense	1,178	1,317
Net income	4,699	5,518
Preferred stock dividend	(700)	-
Net income available to shareholders	3,999	5,518
<b>Per share data:</b>		
Basic earnings per share	\$ 1.25	\$ 1.72
Diluted earnings per share	1.22	1.70
Cash dividends declared per common share	0.32	0.32
Book value per common share	25.85	22.95
Market value - high	19.45	24.46
Market value - low	\$ 10.50	\$ 17.56
Basic common shares outstanding	3,209,482	3,207,825
Diluted common shares outstanding	3,267,314	3,241,656
<b>Key ratios:</b>		
Return on average assets	0.69%	0.91%
Return on average common stockholders' equity	9.66	14.77
Net interest margin	3.65	3.24
Loan loss reserve to loans	1.40	1.16
Non-performing loans to loans	1.49	0.67
Average equity to average assets	7.81	6.13
Bank only capital ratios:		
Tier 1 capital to average assets	8.15	7.54
Tier 1 capital to risk weighted assets	11.88	10.12
Total capital to risk weighted assets	13.13	11.23

**HORIZON BANCORP**  
**Allocation of the Allowance for Loan and Lease Losses**  
(Dollars in Thousands)

	June 30, 2009 (Unaudited)	March 31, 2009 (Unaudited)	December 31, 2008 (Unaudited)
Commercial	\$ 3,076	\$ 2,441	\$ 3,202
Real estate	1,511	1,038	973
Mortgage warehousing	1,453	1,428	1,354
Installment	6,609	6,682	5,881
Unallocated	-	-	-
<b>Total</b>	<b>\$ 12,649</b>	<b>\$ 11,589</b>	<b>\$ 11,410</b>

**Net Charge-offs**  
(Dollars in Thousands)

	Three months ended (Unaudited)				
	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008
Commercial	\$ 262	\$ 1,076	\$ (5)	\$ 1,276	\$ 32
Real estate	214	50	26	(50)	224
Mortgage warehousing	-	-	-	-	-
Installment	1,754	1,892	1,257	1,198	1,103
<b>Total</b>	<b>\$ 2,230</b>	<b>\$ 3,018</b>	<b>\$ 1,278</b>	<b>\$ 2,424</b>	<b>\$ 1,359</b>

**Total Non-performing Loans**  
(Dollars in Thousands)

	June 30, 2009 (Unaudited)	March 31, 2009 (Unaudited)	December 31, 2008 (Unaudited)
Commercial	\$ 7,959	\$ 6,474	\$ 5,167
Real estate	3,764	2,446	1,904
Mortgage warehousing	-	-	-
Installment	1,754	1,549	792
<b>Total</b>	<b>\$ 13,477</b>	<b>\$ 10,469</b>	<b>\$ 7,863</b>

**Other Real Estate Owned and Repossessed Assets**  
(Dollars in Thousands)

	June 30, 2009 (Unaudited)	March 31, 2009 (Unaudited)	December 31, 2008 (Unaudited)
Commercial	\$ -	\$ -	\$ -
Real estate	2,212	2,492	2,874
Mortgage warehousing	-	-	-
Installment	115	204	207
<b>Total</b>	<b>\$ 2,327</b>	<b>\$ 2,696</b>	<b>\$ 3,081</b>

## HORIZON BANCORP AND SUBSIDIARIES

### Average Balance Sheets

(Dollar Amounts in Thousands)

	Three Months Ended June 30, 2009			Three Months Ended June 30, 2008		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
<b>ASSETS</b>						
Interest-earning assets						
Federal funds sold	\$ 11,247	\$ 7	0.25%	\$ 11,395	\$ 59	2.08%
Interest-earning deposits	61,369	39	0.25%	3,210	19	2.38%
Investment securities - taxable	247,847	2,765	4.47%	182,099	2,136	4.72%
Investment securities - non-taxable	91,812	947	5.52%	82,148	862	5.63%
Loans receivable (2)	921,903	15,091	6.57%	840,330	14,194	6.80%
Total interest-earning assets (1)	1,334,178	18,849	5.70%	1,119,182	17,270	6.22%
Noninterest-earning assets						
Cash and due from banks	15,634			13,595		
Allowance for loan losses	(11,316)			(9,625)		
Other assets	72,835			67,652		
	<u>\$ 1,411,331</u>			<u>\$ 1,190,804</u>		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
Interest-bearing liabilities						
Interest-bearing deposits	\$ 851,522	\$ 3,993	1.88%	\$ 732,477	\$ 4,697	2.58%
Borrowings	329,891	3,222	3.92%	270,171	2,846	4.24%
Subordinated debentures	27,837	371	5.35%	27,837	392	5.66%
Total interest-bearing liabilities	1,209,250	7,586	2.52%	1,030,485	7,935	3.10%
Noninterest-bearing liabilities						
Demand deposits	82,914			76,802		
Accrued interest payable and other liabilities	9,137			7,437		
Shareholders' equity	110,030			76,080		
	<u>\$ 1,411,331</u>			<u>\$ 1,190,804</u>		
Net interest income/spread		<u>\$ 11,263</u>	3.18%		<u>\$ 9,335</u>	3.12%
Net interest income as a percent of average interest earning assets (1)			3.51%			3.40%

(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. Interest income 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.

## HORIZON BANCORP AND SUBSIDIARIES

### Average Balance Sheets

(Dollar Amounts in Thousands)

	Six Months Ended			Six Months Ended		
	June 30, 2009			June 30, 2008		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
<b>ASSETS</b>						
Interest-earning assets						
Federal funds sold	\$ 7,509	\$ 9	0.24%	\$ 29,019	\$ 425	2.95%
Interest-earning deposits	34,453	44	0.26%	8,990	138	3.09%
Investment securities - taxable	246,591	5,607	4.59%	174,847	4,199	4.83%
Investment securities - non-taxable	90,573	1,867	5.54%	81,861	1,699	5.56%
Loans receivable (2)	919,758	29,996	6.58%	854,849	29,561	6.96%
Total interest-earning assets (1)	1,298,884	37,523	5.86%	1,149,566	36,022	6.31%
Noninterest-earning assets						
Cash and due from banks	15,216			17,351		
Allowance for loan losses	(11,356)			(9,673)		
Other assets	76,229			67,991		
	\$ 1,378,973			\$ 1,225,235		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
Interest-bearing liabilities						
Interest-bearing deposits	\$ 818,341	\$ 7,989	1.97%	\$ 775,110	\$ 11,291	2.93%
Borrowings	334,628	6,114	3.68%	265,235	5,674	4.30%
Subordinated debentures	27,837	741	5.37%	27,837	799	5.77%
Total interest-bearing liabilities	1,180,806	14,844	2.54%	1,068,182	17,764	3.34%
Noninterest-bearing liabilities						
Demand deposits	81,358			75,008		
Accrued interest payable and other liabilities	9,146			7,265		
Shareholders' equity	107,663			74,780		
	\$ 1,378,973			\$ 1,225,235		
Net interest income/spread		\$ 22,679	3.32%		\$ 18,258	2.97%
Net interest income as a percent of average interest earning assets (1)			3.65%			3.24%

(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. Interest income 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.

# HORIZON BANCORP AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets

(Dollar Amounts in Thousands)

	June 30 2009 (Unaudited)	December 31 2008
<b>Assets</b>		
Cash and due from banks	\$ 13,885	\$ 36,001
Federal Reserve and fed funds sold	2,695	-
Cash and cash equivalents	16,580	36,001
Interest-bearing deposits	10,418	2,679
Investment securities, available for sale	319,066	301,638
Investment securities, held to maturity	12,875	1,630
Loans held for sale	9,793	5,955
Loans, net of allowance for loan losses of \$12,649 and \$11,410	882,781	870,557
Premises and equipment	30,210	28,280
Federal Reserve and Federal Home Loan Bank stock	13,225	12,625
Goodwill	5,787	5,787
Other intangible assets	1,597	1,751
Interest receivable	6,051	5,708
Cash value life insurance	22,792	22,451
Deferred tax asset	2,520	2,580
Other assets	9,601	9,215
Total assets	\$ 1,343,296	\$ 1,306,857
<b>Liabilities</b>		
Deposits		
Non-interest bearing	\$ 83,940	\$ 83,642
Interest bearing	764,210	757,527
Total deposits	848,150	841,169
Borrowings	349,499	324,383
Subordinated debentures	27,837	27,837
Interest payable	1,657	1,910
Other liabilities	8,959	8,208
Total liabilities	1,236,102	1,203,507
<b>Commitments and contingent liabilities</b>		
<b>Stockholders' Equity</b>		
Preferred stock, no par value, \$1,000 liquidation value		
Authorized, 1,000,000 shares		
Issued 25,000 shares		
Common stock, \$.2222 stated value	24,229	24,154
Authorized, 22,500,000 shares		
Issued, 3,266,611 and 3,254,482 shares	1,114	1,114
Additional paid-in capital	9,785	9,650
Retained earnings	70,807	67,804
Accumulated other comprehensive income	1,259	628
Total stockholders' equity	107,194	103,350
Total liabilities and stockholders' equity	\$ 1,343,296	\$ 1,306,857

# HORIZON BANCORP AND SUBSIDIARIES

## Condensed Consolidated Statements of Income

(Dollar Amounts in Thousands, Except Per Share Data)

	Three Months Ended June 30		Six Months Ended June 30	
	2009 (Unaudited)	2008 (Unaudited)	2009 (Unaudited)	2008 (Unaudited)
<b>Interest Income</b>				
Loans receivable	\$ 15,091	\$ 14,194	\$ 29,996	\$ 29,561
Investment securities				
Taxable	2,811	2,214	5,660	4,762
Tax exempt	947	862	1,867	1,699
Total interest income	18,849	17,270	37,523	36,022
<b>Interest Expense</b>				
Deposits	3,993	4,697	7,989	11,291
Borrowed funds	3,222	2,846	6,114	5,674
Subordinated debentures	371	392	741	799
Total interest expense	7,586	7,935	14,844	17,764
<b>Net Interest Income</b>	11,263	9,335	22,679	18,258
Provision for loan losses	3,290	1,490	6,487	2,268
<b>Net Interest Income after Provision for Loan Losses</b>	7,973	7,845	16,192	15,990
<b>Other Income</b>				
Service charges on deposit accounts	974	989	1,908	1,910
Wire transfer fees	261	122	508	227
Interchange fees	456	214	844	402
Fiduciary activities	824	1,021	1,741	1,906
Gain on sale of loans	1,671	661	3,584	1,465
Mortgage servicing net of impairment	(32)	29	(166)	5
Increase in cash surrender value of bank owned life insurance	185	221	341	449
Death benefit on officer life insurance	-	538	-	538
Loss on sale of securities	-	(15)	-	(15)
Other income	177	118	250	224
Total other income	4,516	3,898	9,010	7,111
<b>Other Expenses</b>				
Salaries and employee benefits	4,894	4,220	9,725	8,495
Net occupancy expenses	899	918	1,931	1,890
Data processing	396	350	775	682
Professional fees	310	291	705	540
Outside services and consultants	351	308	677	612
Loan expense	644	552	1,210	1,010
FDIC deposit expense	1,059	142	1,351	258
Other losses	82	141	467	242
Other Expenses	1,293	1,317	2,484	2,537
Total other expenses	9,928	8,239	19,325	16,266
<b>Income Before Income Tax</b>	2,561	3,504	5,877	6,835
Income tax expense	497	514	1,178	1,317
<b>Net Income</b>	2,064	2,990	4,699	5,518
Preferred stock dividend and discount accretion	(350)	-	(700)	-
<b>Net Income Available to Common Shareholders</b>	\$ 1,714	\$ 2,990	\$ 3,999	\$ 5,518
<b>Basic Earnings Per Share</b>	\$ 0.53	\$ 0.93	\$ 1.25	\$ 1.72
<b>Diluted Earnings Per Share</b>	\$ 0.52	\$ 0.92	\$ 1.22	\$ 1.70