



A NASDAQ Traded Company - Symbol HBNC

INVESTOR PRESENTATION | OCTOBER 28, 2020

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Forward-Looking Statements

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Non-GAAP Measures

Certain non-GAAP financial measures are presented herein. Horizon believes they are useful to investors and provide a greater understanding of Horizon's business without giving effect to non-recurring costs and non-core items. For each non-GAAP financial measure, we have presented comparable GAAP measures and reconciliations of the non-GAAP measures to those GAAP measures in the Appendix to this presentation. Please see slides 38-50.

Corporate Overview

- **Profitably grew and strengthened balance sheet**
 - Net income increased >38% during the quarter
 - Pre-tax pre-provision income increased >12%
 - Average earning assets up >2% compared to linked quarter
- **Record mortgage volume** and record gain on mortgage loan sales of \$8.8 million for the period
- **Continued solid asset quality** metrics, with NPAs/total assets of 0.55% at September 30, 2020
- **Disciplined expense management**, with annualized non-interest expense to average assets ratio of 2.30% and efficiency ratio of 55.6%

(\$000s except per share data)	3Q20	Change % vs.	
		2Q20	3Q19
Income Statement			
Net interest income	\$43,397	0.9%	(0.2)%
Non-interest income	\$16,700	50.1%	45.0%
Reported net income	\$20,312	38.8%	(1.1)%
Diluted EPS	\$0.46	39.4%	0.0%
Diluted EPS	55.6%	(0.6)%	(0.9)%
Efficiency ratio			
Balance Sheet			
Average earning assets	\$5,251,611	2.7%	13.6%
Average total loans	\$4,010,003	2.8%	10.0%
Average total deposits	\$4,330,863	2.5%	9.6%
Credit Quality			
Non-performing assets	\$31,655	3.1%	36.4%
NPA ratio	0.55%	2 bps	10 bps
Net charge-offs to avg. loans for the period	0.02%	1 bps	0 bps
Capital			
Tangible book value per share	\$11.29	3.9%	9.5%
Book value per share	\$15.28	2.7%	6.9%
Dividends payout ratio	26.1%		

Seasoned Management Team



Craig M. Dwight
Chairman & CEO

- 41 Years of Banking Experience
- 21 Years as President or CEO of Bank



James D. "Jim" Neff
President

- 42 Years of Banking Experience
- 2 Years as President
- 19 Years as Senior Mortgage and Retail Credit Officer



Mark E. Secor
Executive VP & CFO

- 31 Years of Banking & Public Accounting Experience
- 11 Years with Horizon as CFO Executive Vice President of Horizon



Kathie A. DeRuiter
EVP & Senior Operations Officer

- 30 Years of Banking and Operational Experience
- 19 Years as Senior Bank Operations Officer



Dennis J. Kuhn
EVP & Chief Commercial Banking Officer

- 35 Years of Banking Experience
- 10 Years with Horizon, 2 years as Chief Commercial Banking Officer



Todd A. Etzler
SVP, Corporate Secretary & General Counsel

- 28 Years of Corporate Legal Experience and 9 years of General Counsel Experience
- 3 Years as SVP and General Counsel

SEASONED LEADERSHIP

- Executive team has collectively >200 total years' banking experience
- Horizon's middle management team on average has >25 years of banking experience
- Horizon's employees understand the value of work
- 14 mergers and 11 organic expansions completed in last 16 years

11 Organic Expansions

14 M&A

2014 - 2019

Organic

- Carmel, IN
- Ft. Wayne, IN
- Grand Rapids, MI
- Columbus, OH⁽¹⁾
- Noblesville, IN
- Holland, MI

M&A

- 1st Mtg.
- Summit
- Peoples
- Farmers
- LaPorte
- CNB
- Bargersville
- Lafayette
- Wolverine
- Salin

2008 - 2013

Organic

- Kalamazoo, MI
- Indianapolis, IN

M&A

- American Trust
- Heartland Bancshares

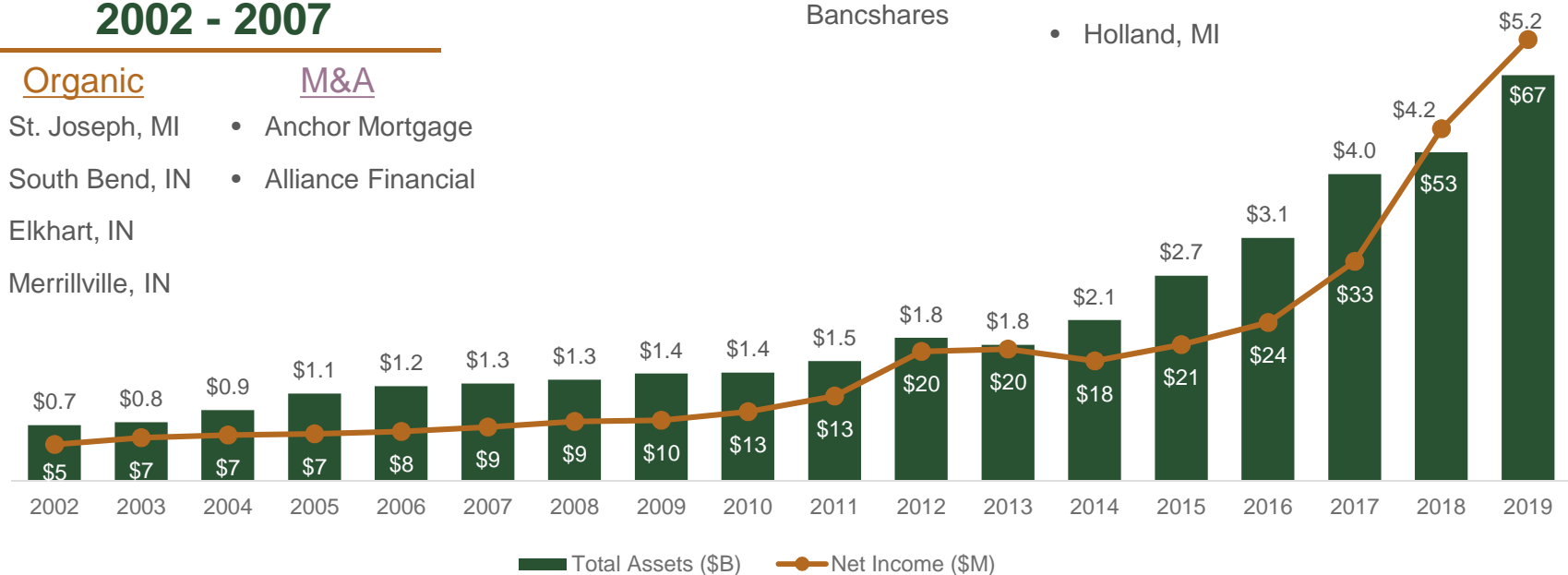
2002 - 2007

Organic

- St. Joseph, MI
- South Bend, IN
- Elkhart, IN
- Merrillville, IN

M&A

- Anchor Mortgage
- Alliance Financial



(1) Columbus location closed February 2018.

Well-Established Long-Term Goals

Meaningfully outpace GDP and industry

~50/50 growth organic/acquired

Organic growth of $\geq 3x$ GDP growth

2009 - 2019

14% average asset growth

4.7x GDP

3.3x banks

2014 - 2019

20% average asset growth

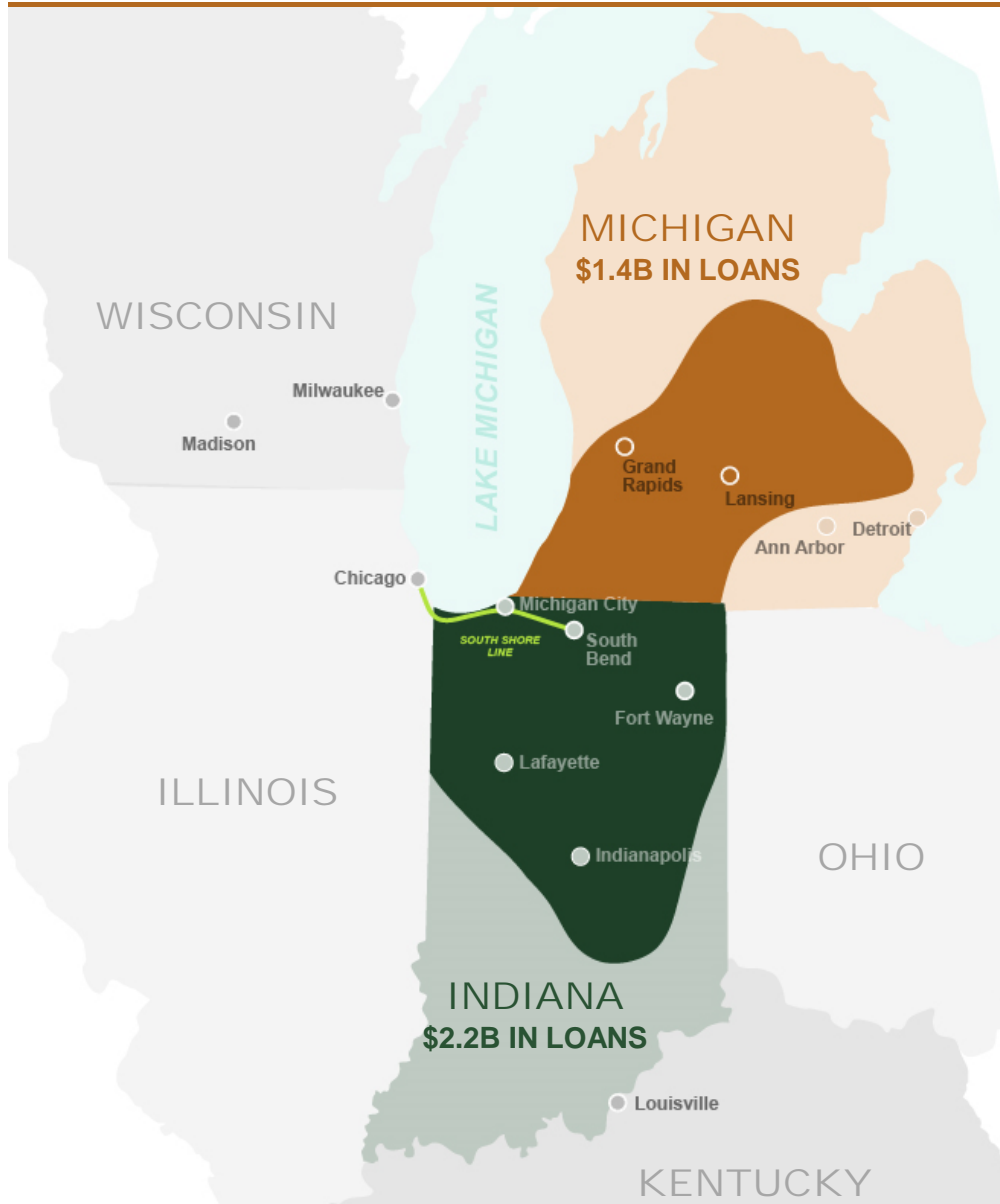
5.2x GDP

5.2x banks



Source: Federal Reserve Bank of St. Louis and company data.

Diversified & Attractive Footprint



Serving the Right Side of Chicago

Headquartered in Michigan City, IN, with 73 locations in attractive markets in Indiana and Michigan

Double commuter track addition to the South Shore train lines supports growth in Northwest Indiana, which offers proximity to Chicago, with lower taxes and cost of living

Major colleges and universities throughout footprint, including Notre Dame University, Purdue University, University of Michigan and Michigan State University

INDIANA	MICHIGAN
9/30/20 Loans: \$2.2B	9/30/20 Loans: \$1.4B
61% of Loans	39% of Loans

Multiple Revenue Streams Diversifies Risk


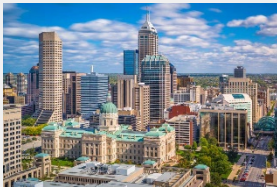



- Retail Banking
- Mortgage Banking
- Business Banking
- Wealth Management

Complementary Revenue Streams that are Counter-Cyclical to Varying Economic Cycles

Note: Total loan figures for Indiana and Michigan are as of 9/30/20 and do not include Mortgage Warehouse.

Attractive & Stable Midwest Markets

Top 5 Markets by Deposits

<p>Michigan City, IN / La Porte, IN (Legacy)</p>  <p>\$1.1B Deposits 8 Branches</p>	<p>Indianapolis, IN (Growth)</p>  <p>\$680M Deposits 9 Branches</p>	<p>Northwest Indiana (Growth)</p>  <p>\$548M Deposits 10 Branches</p>	<p>Southwest Michigan* (Growth)</p>  <p>\$413M Deposits 8 Branches</p>	<p>Lafayette, IN (Growth)</p>  <p>\$322M Deposits 7 Branches</p>
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- Significant manufacturing, healthcare, and education industries
- Over \$1.5B in public and private investments since 2012

- Greater Indianapolis area exhibits strong growth
- Over \$500M in new investment and 4,000 new jobs created in 2019

- Double commuter track addition to the South Shore train lines
- High cost of living in Chicago
- Population density of Chicago

- Similar culture and economic base to legacy markets in Northern Indiana
- Grand Rapids one of the most attractive markets in the Midwest

- Purdue University collaborates with contiguous cities of Lafayette and West Lafayette
- Subaru expanding facilities

	Michigan City, IN / La Porte, IN	Indianapolis, IN	Northwest Indiana	Southwest Michigan*	Lafayette, IN
Median HHI	\$53,255	\$65,306	\$74,285	\$58,856	\$59,404
'20 – '25 HHI Growth	6.8%	11.2%	11.5%	11.8%	10.9%
'20 – '25 Pop. Growth	0.12%	3.81%	0.08%	1.02%	3.86%

Source: S&P Global Market Intelligence. Note: Core market demographics reflect MSA data.

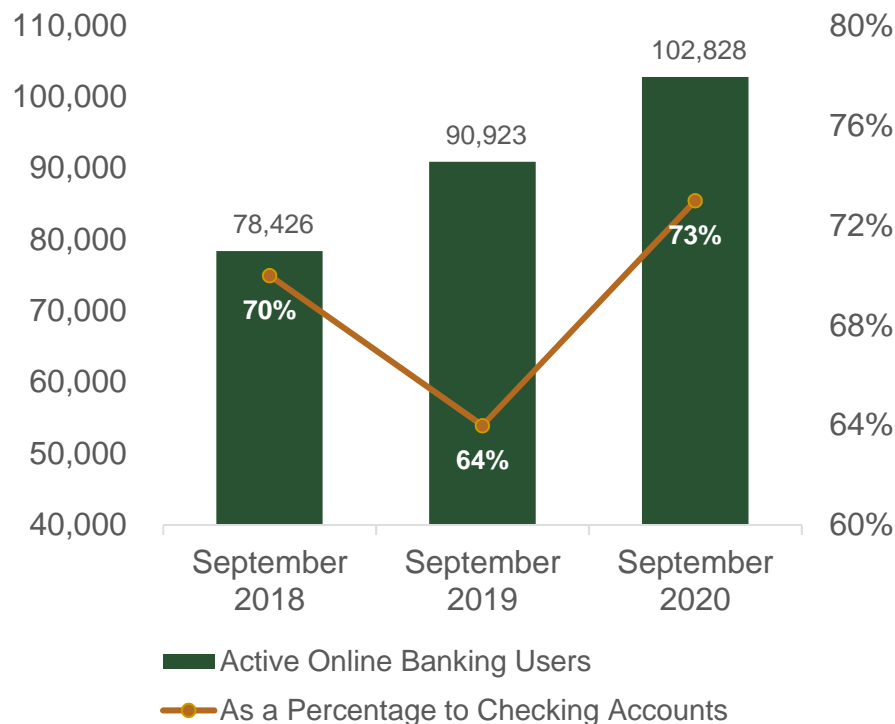
*Southwest Michigan defined as the MSAs of Niles, Grand Rapids-Kentwood and Kalamazoo-Portage. Demographic data weighted by HBNC deposits.

EMPLOYEES	CONSUMERS	BUSINESSES	COMMUNITIES
<p>Safety and well being of employees & families is our first priority</p> <p>Implemented pandemic plan in March after completing test run in February 2020</p> <p>Installed sneeze guards, customer directional signage, implemented mask requirements, and continuing with sanitizing and social distancing protocols.</p> <p>Steadily reducing percentage of employees working remotely from early second quarter peak</p> <p>Increased PTO / sick time benefits</p>	<p>100% of our branch locations are now open for walk-in traffic</p> <p>Installed nine additional Interactive Teller Machines (ITMs) staffed by Remote Video Tellers</p> <p>Opened fourth call center location</p> <p>Payment Relief:</p> <ul style="list-style-type: none"> • Approximately \$8 million in consumer & mortgage loans with payment extensions, down from \$63 million at June 30, 2020 • Continue to provide new loans to qualified applicants • Providing mortgage loan education programs • Providing additional financial assistance in the form of fee waivers, freeze on all debt collection activities 	<p>Preferred SBA Lender:</p> <ul style="list-style-type: none"> • Active Participant in all SBA loan programs (PPP, 7a, Express & 504) <p>Payment Relief Programs:</p> <ul style="list-style-type: none"> • Approximately \$152 million in commercial loans with payment extensions, down from \$470 million at June 30, 2020 • Processed and received approval for 2,438 PPP loans (Rounds One and Two), funding approximately \$310.9 million • Continue to provide new loans to qualified applicants • Began accepting PPP forgiveness applications on September 1, 2020 	<p>Increased volunteerism in support of local not-for-profit entities</p> <p>Contributed over \$300,000 to COVID-19 related not-for-profit efforts (local food banks, United Way, housing)</p> <p>Participating in community conference calls related to COVID-19</p> <p>Partnered with local neighborhood housing partnerships to provide funding for low to moderate income families</p> <p>Partnered with local Certified Development Corporations to provide capital to small businesses</p> <p>Supported flood victims in Midland, Michigan</p>

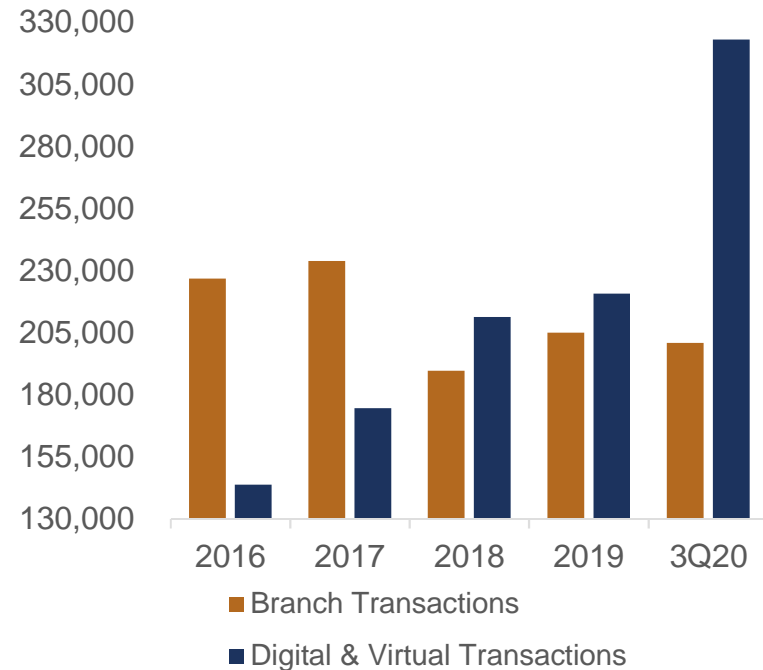
Note: Modification and PPP data as of September 30, 2020

- Approximately 73% of demand deposit account holders were active online banking users at September 30, 2020
- Third quarter upgrade - live online chat support, with 85% of the responses from bots
- Fourth quarter upgrade - online and mobile deposit account opening

Active Online Banking Users

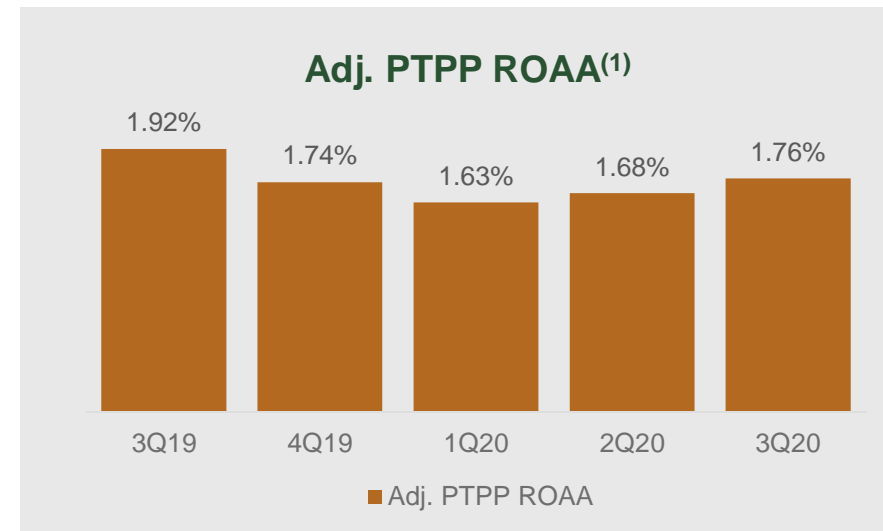
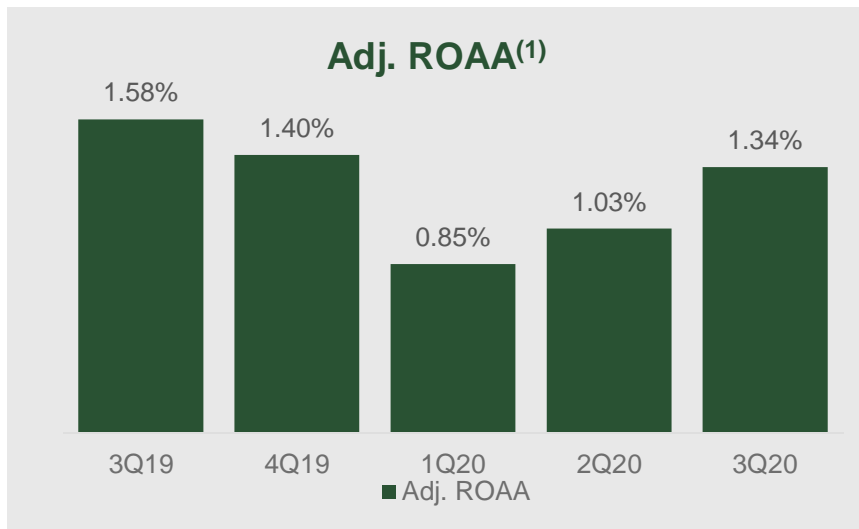
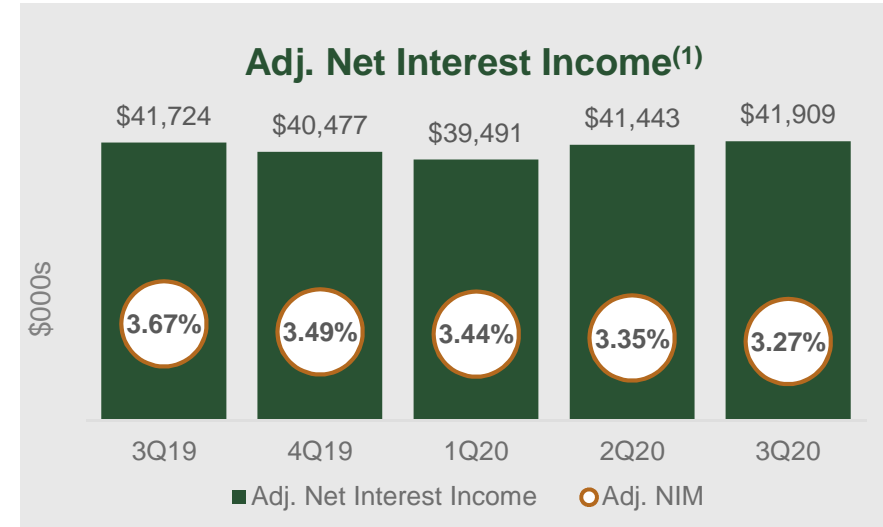
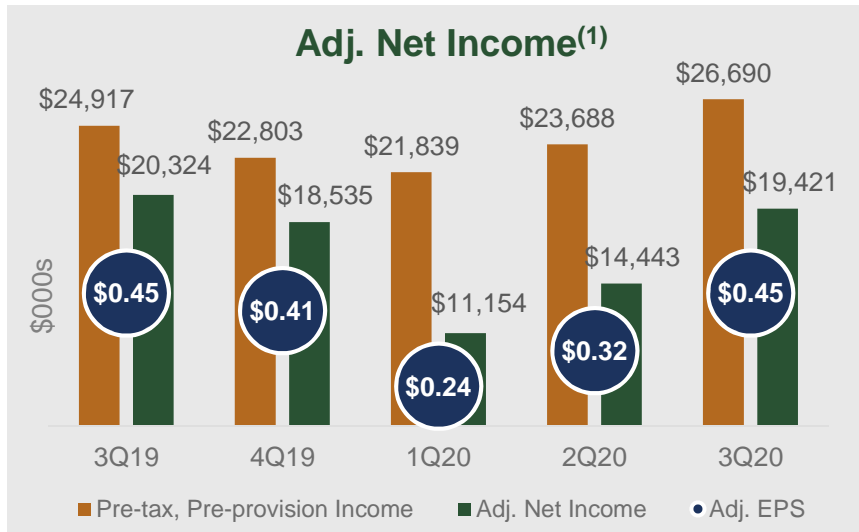


Monthly Average Transaction Volume



Financial Highlights

Strong Core Earnings

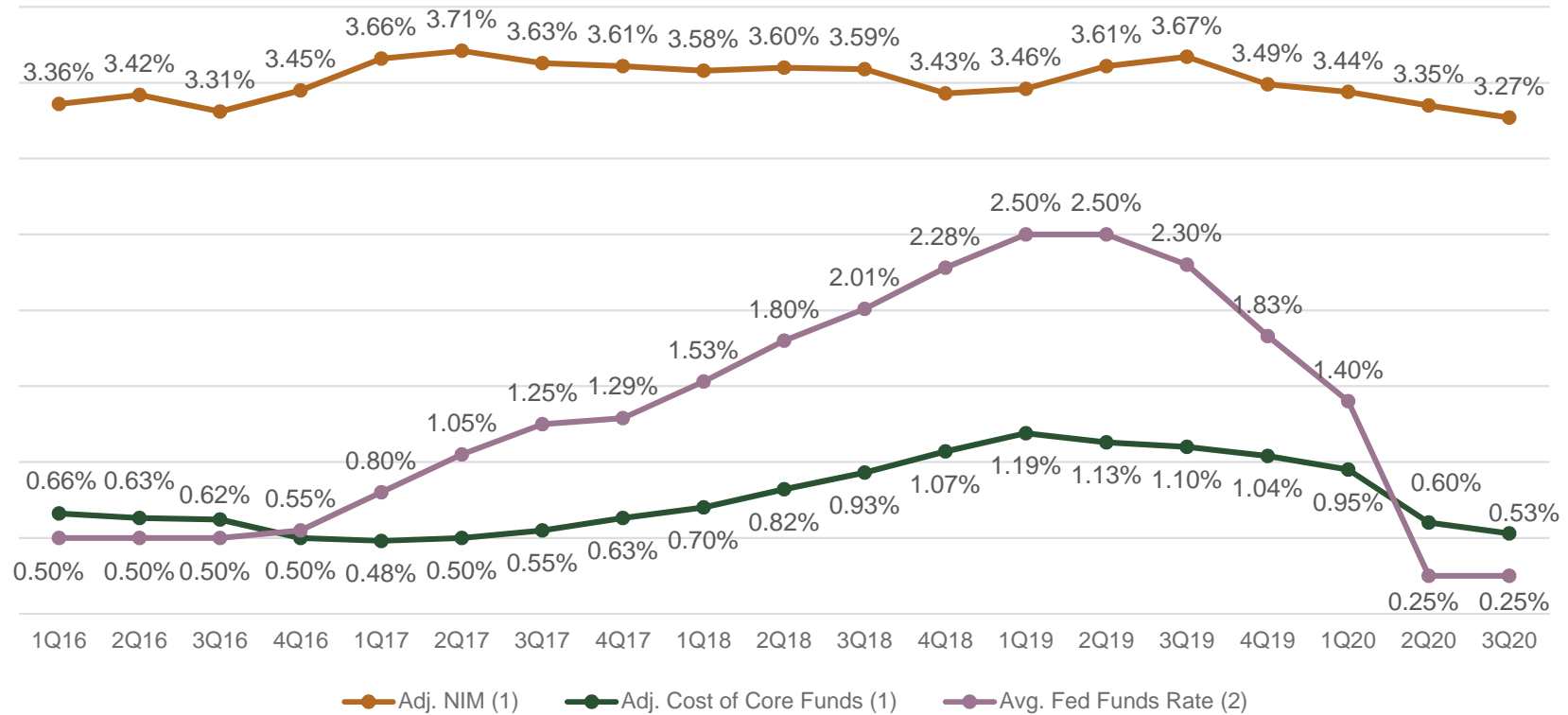


(1) Footnote Index included in Appendix (see slides 39-50 for non-GAAP reconciliation)

Stable Net Interest Margin

- Lower yielding PPP loans impacted the third quarter margin by an additional ~ 1bps
- The cost of the subordinated debt in the third quarter lowered the margin ~ 10bps

Stable Net Interest Margin



(1) Footnote Index included in Appendix (see slides 43-48 for non-GAAP reconciliation)
 (2) Source: S&P Global Market Intelligence.

Commercial loans:

- 64% fixed / 36% variable
- 26% of variable rate commercial loans have floors, 80% of which are at their floor

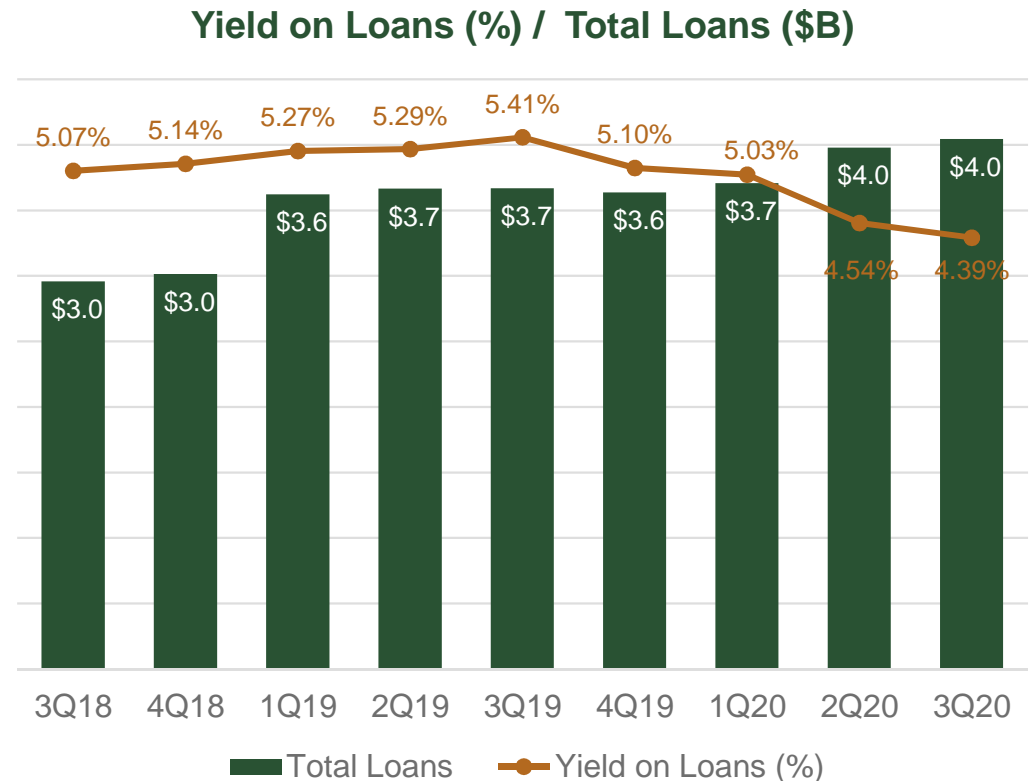
Retained Mortgage loans:

- 29% fixed / 71% variable
- 98% of variable rate mortgage loans have floors, 6% of which are at their floor

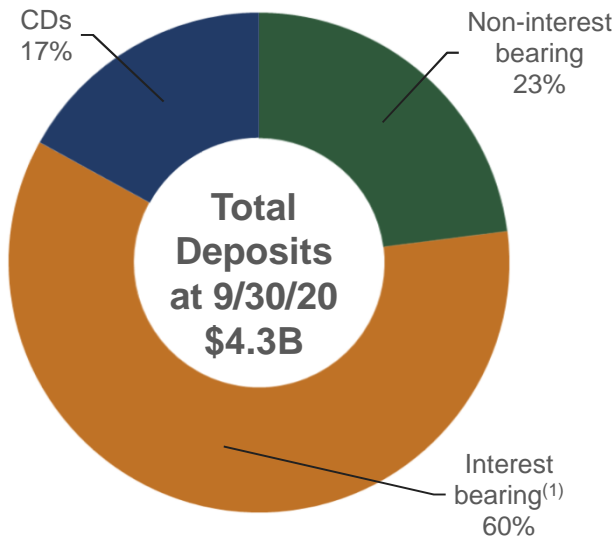
Consumer loans:

- 65% fixed / 35% variable
- 38% of variable rate consumer loans have floors, 71% of which are at their floor

PPP loans impacted the third quarter loan yield an additional ~ 3bps



- Non-interest bearing balances increased 8%
- Quick and decisive action to reprice deposits began immediately after the Fed's interest rate cuts in March resulting in interest bearing deposit account costs of 0.13%
- CD's maturing in 2020 total \$176 million with a weighted average rate of 1.44%
- CD's maturing in 2021 total \$372 million with a weighted average rate of 1.09%
- Account and deposit retention data very strong to date



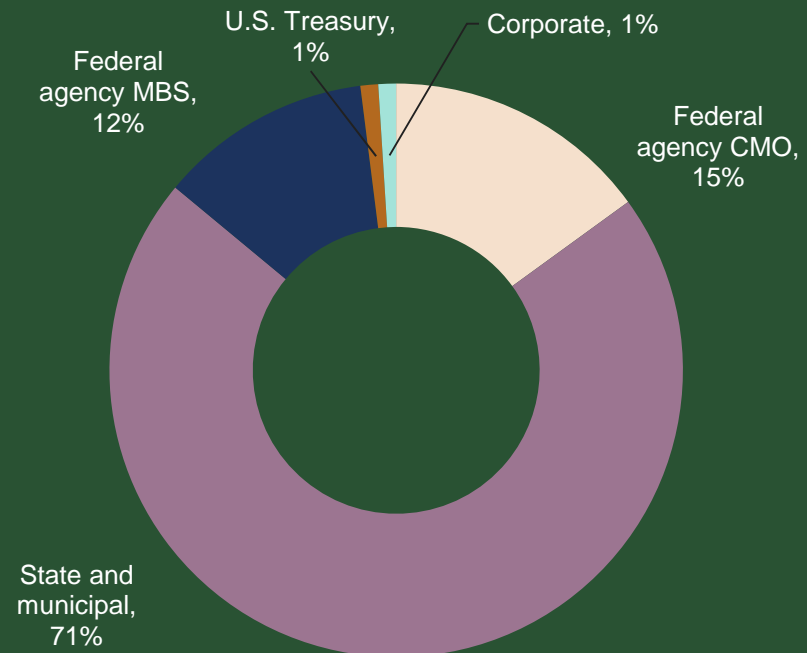
Average Deposits (\$000s)	Average Cost ⁽¹⁾			
	3Q 2020 Average Balances	2Q 2020 Average Balances	3Q 2020 (QTD)	2Q 2020 (QTD)
Non-interest bearing	\$996,427	\$924,890	0.00%	0.00%
Interest bearing	\$ 2,546,823	\$ 2,461,108	0.13%	0.15%
Time Deposits (CDs)	\$787,613	\$838,553	1.42%	1.73%
Total Deposits	\$ 4,330,863	\$ 4,224,551	0.33%	0.43%

(1) Footnote Index included in Appendix (see slide 49 for non-GAAP reconciliation)

Use of Expected Additional Liquidity

- **Improved** and strong liquidity position and borrowing capacity as of 9/30/20
- **\$1.2B** securities portfolio consistently managed for liquidity rather than return
- **Ample sources of liquidity** at the holding company including ~\$126.6M of unencumbered cash (as of 9/30/20)
- **Expected additional liquidity** from forgiveness of PPP loans, warehouse loan balances returning to normal levels when refinance activity decreases and continued deposit growth
- **Utilized expected additional liquidity** by prepaying \$83.0M in FHLB advances with a weighted average cost of 2.61% via \$62.0M in cash and \$21.0M in security sales resulting in ~ \$1.2M in prepayment penalties, net of gain on sale of securities. Increasing the security portfolio ~ \$100.0M beginning in the 3rd quarter.

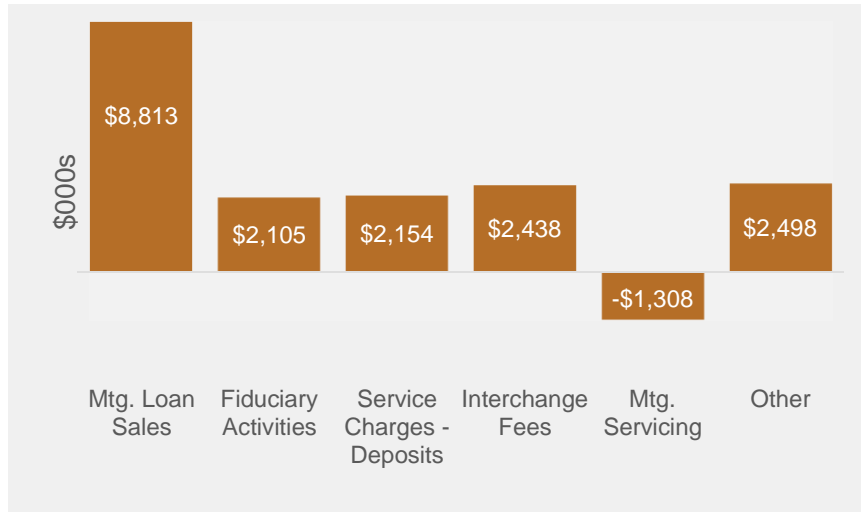
Securities Portfolio at September 30, 2020: \$1.2B



Bank Level Liquidity (\$M) (9/30/20)	
<i>Available Unused Line Liquidity</i>	
FHLB Advances	\$273
Federal Reserve Discount Window	490
Unsecured Fed Funds	165
TOTAL	\$928

Diverse Sources of Revenue

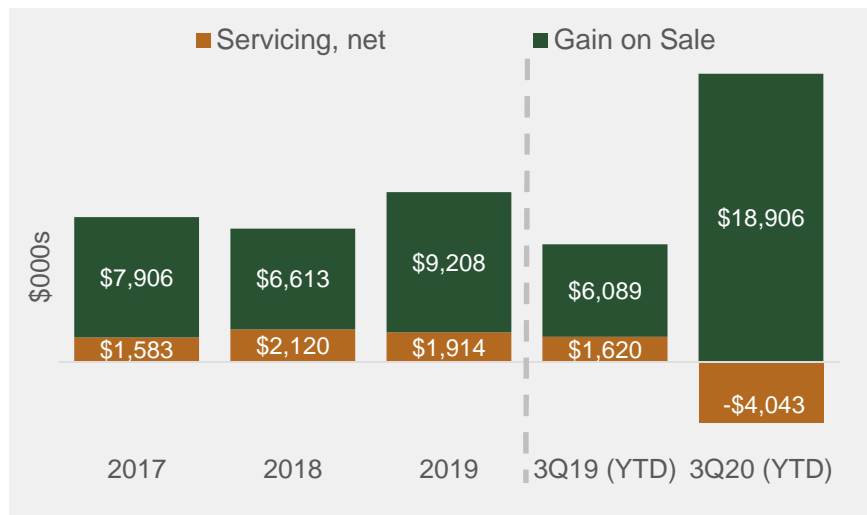
Q3 '20 Non-interest Income Breakout



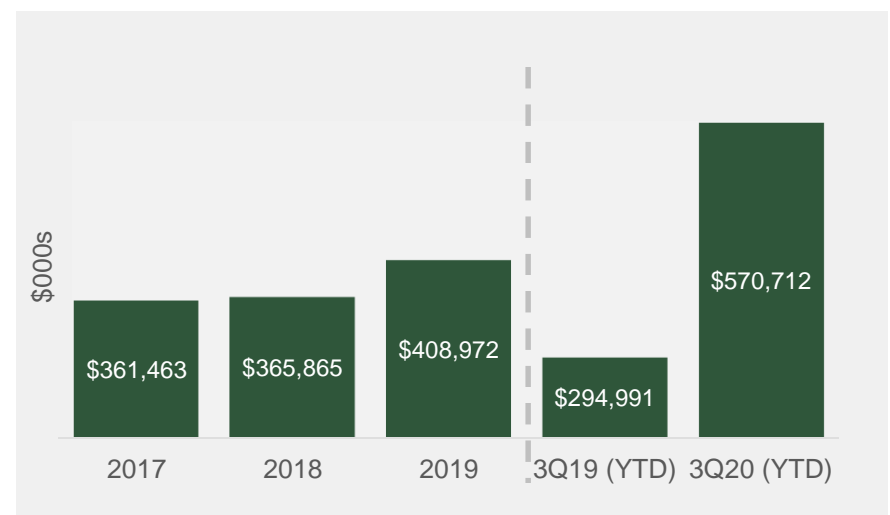
Q3 '20 Highlights

- Diverse sources of non-interest income, representing 27.8% of total revenue
- Record mortgage gain on sale
- Realized \$1.5 million of mortgage servicing rights impairment
- Shift with lower non-sufficient funds fees and growth in interchange income

Mortgage Contribution



Mortgage Volume

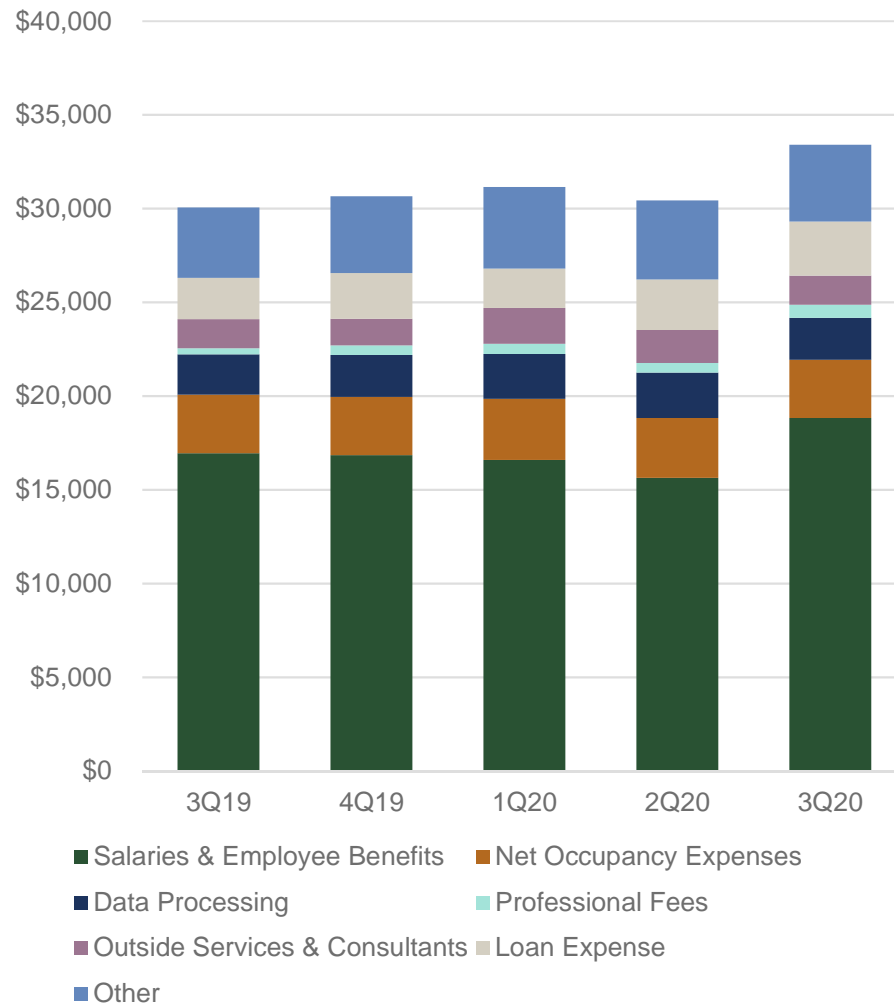


Focus on Expense Control

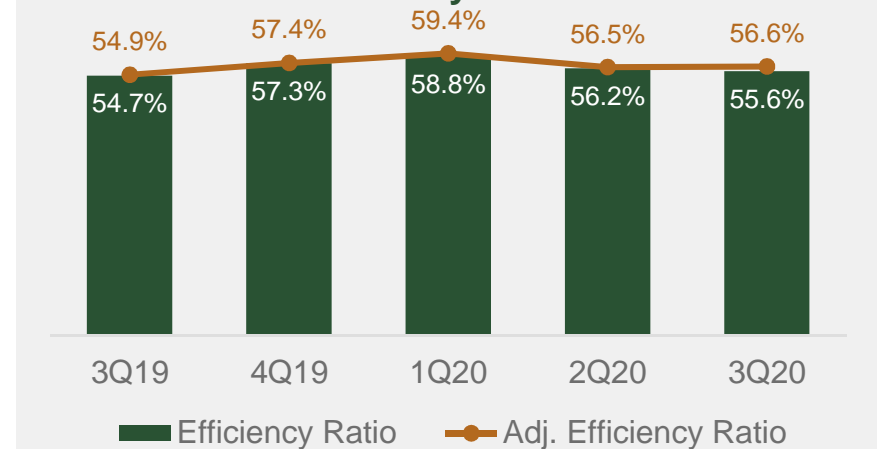
Highlights

- Efficiency ratio improved to 55.6% as focus on expense control drives positive operating leverage
- Engaged an independent consultant to review all branch locations to identify opportunities for growth, scale advantages and areas to lower investment
- Third quarter salaries & employee benefit increase due to higher performance-based compensation accruals following improved financial performance

Non-interest Expense Breakout (\$M)



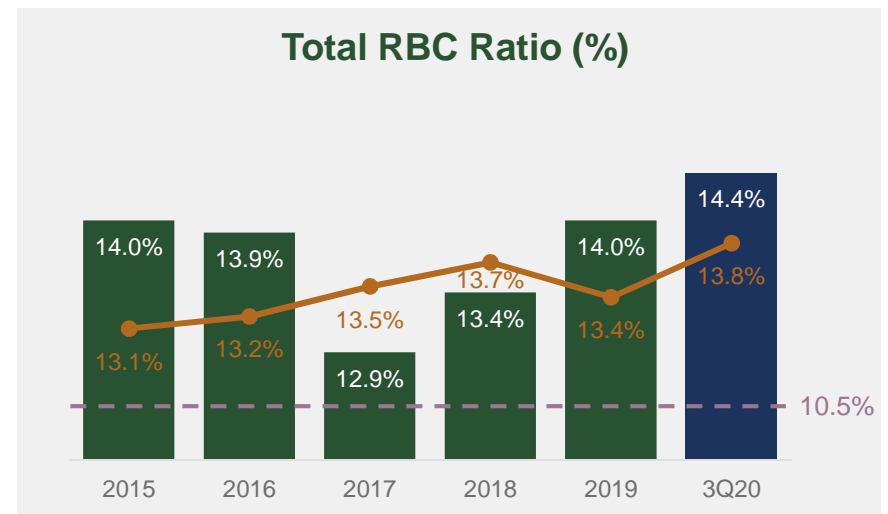
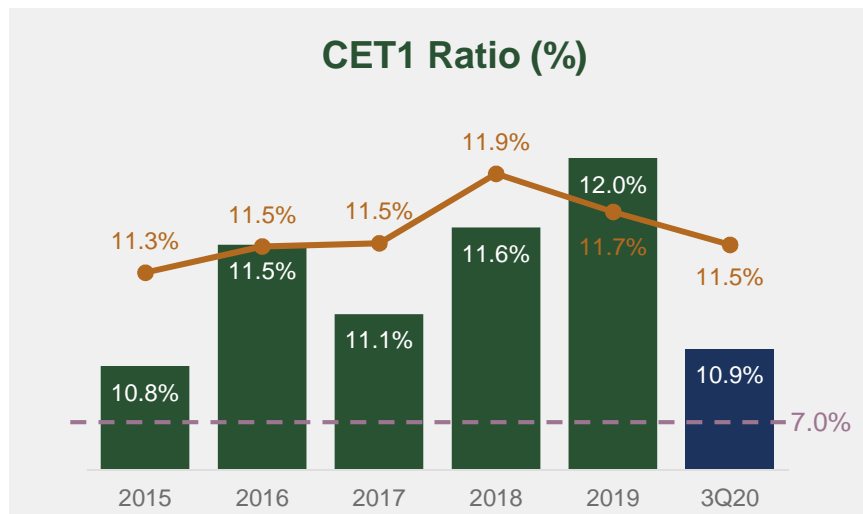
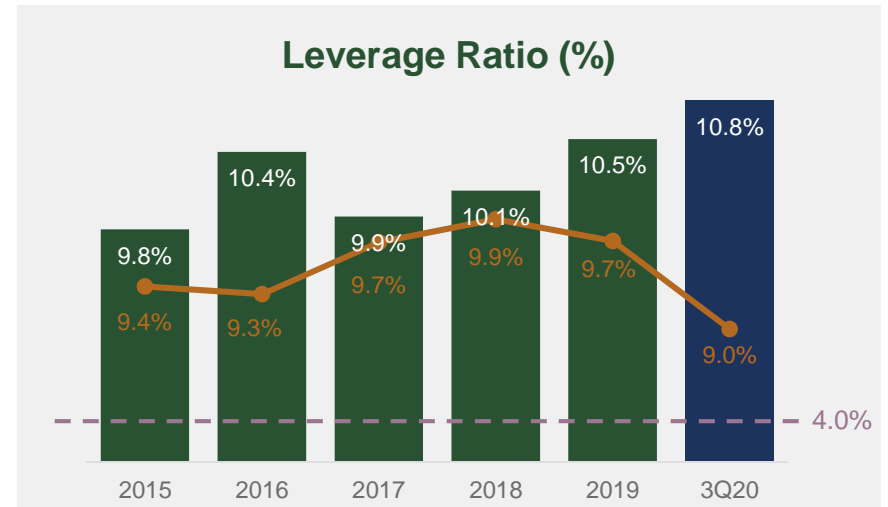
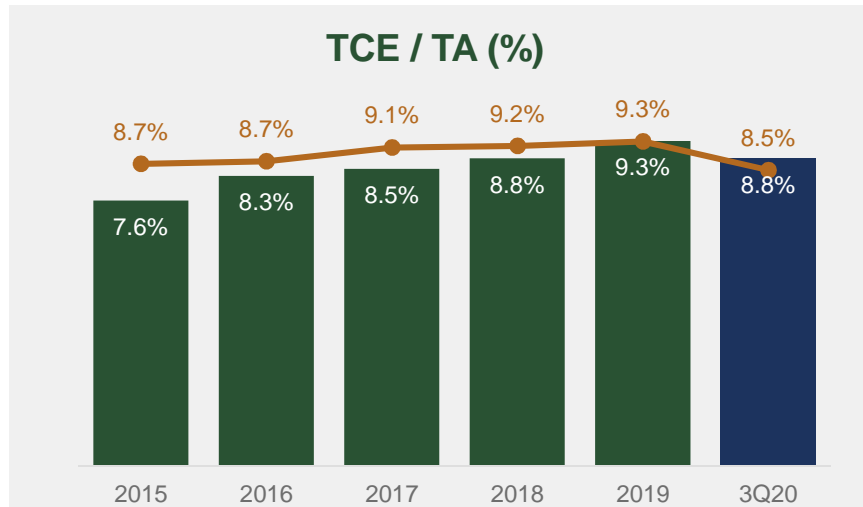
Efficiency Ratio⁽¹⁾



(1) Footnote Index included in Appendix (see slide 50 for non-GAAP reconciliation)

CECL Adoption										
(\$000s, unaudited)	12/31/19		Impact		Day One 1/1/20	Net Reserve Build ⁽¹⁾ 1Q20	Net Reserve Build ⁽¹⁾ 2Q20	Net Reserve Build ⁽¹⁾ 3Q20	9/30/20	
Commercial	\$	11,996	\$	13,618	\$ 25,614	\$ 6,936	\$ 6,597	\$ 648	\$	39,795
Retail Mortgage		923		4,048	4,971	683	178	(368)		5,464
Warehousing		1,077		-	1,077	(22)	135	60		1,250
Consumer		3,671		4,911	8,582	599	(260)	1,088		9,810
Allowance for Credit Losses	\$	17,667	\$	22,577	\$ 40,244	\$ 8,196	\$ 6,650	\$ 1,229	\$	56,319
ACL/Total Loans		0.49%			1.10%					1.39%
Acquired Loan Discount	\$	20,228	\$	(2,786)	\$ 17,442	\$ -	\$ -	\$ -	\$	12,933

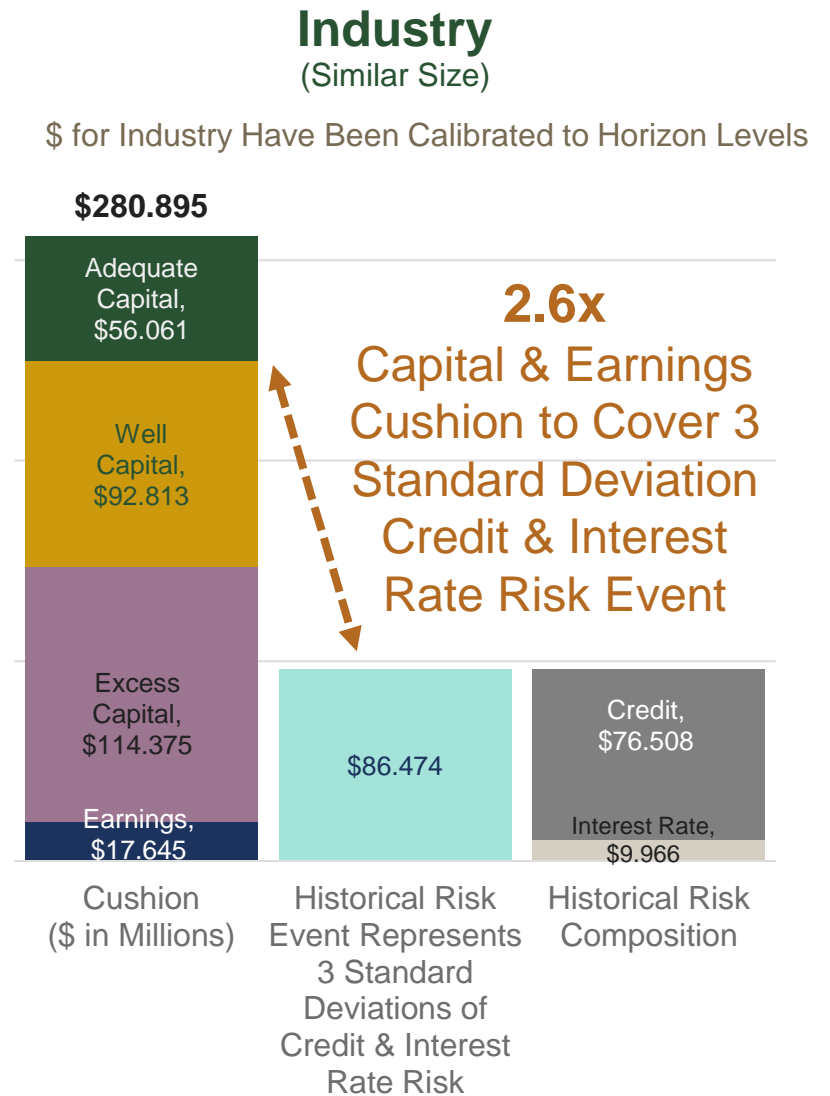
(1) Net Reserve Build is equal to the provision for credit losses net of net charge-offs/recoveries.



HBNC Ratio
 KBW Regional Bank Index Median - MRQ
 Adequate + Buffer

Source: S&P Global Market Intelligence.

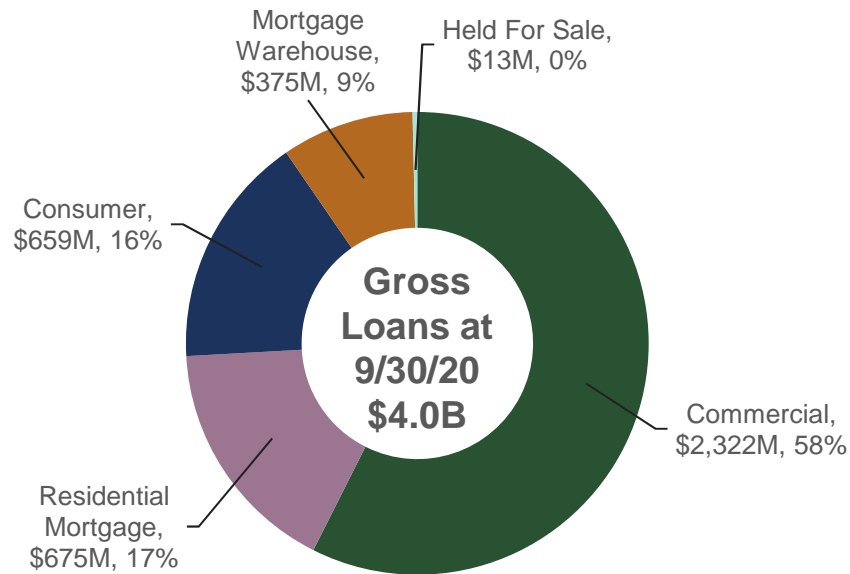
Note: Company closed the acquisition of Salin Bancshares, Inc. in March 2019.



Reproduced with permission from Vining Sparks, which conducted enterprise-wide risk analysis based on 2Q20 data

Loan Portfolio Review

Diversified & Granular Loan Portfolio



Commercial Loans by Industry (\$M)	9/30/20 Balance	% of Commercial Portfolio	% of Total Loan Portfolio
Lessors – Residential Multi Family	\$230	9.9%	5.7%
Health Care, Educational & Social	169	7.3%	4.2%
Office (except medical)	167	7.2%	4.1%
Individuals & Other Services	162	7.0%	4.0%
Real Estate Rental & Leasing	147	6.3%	3.6%
Retail	142	6.1%	3.5%
Hotel	142	6.1%	3.5%
Construction	137	5.9%	3.4%
Manufacturing	118	5.1%	2.9%
Restaurants	101	4.3%	2.5%
Professional & Technical Services	85	3.7%	2.1%
Warehouse / Industrial	83	3.6%	2.1%
Lessors – Student Housing	79	3.4%	2.0%
Retail Trade	71	3.1%	1.8%
Medical Office	64	2.8%	1.6%
Mini Storage	61	2.6%	1.5%
Farm Land	55	2.4%	1.4%
Wholesale Trade	46	2.0%	1.1%
Transportation & Warehousing	39	1.7%	1.0%
Lessors – Residential 1-4 Family	35	1.5%	0.9%
Agriculture	35	1.5%	0.9%
Leisure & Hospitality	35	1.5%	0.9%
Government	21	0.9%	0.5%
Other	98	4.1%	2.4%
Total	\$2,322	100.0%	58%

Payment Extensions / Modifications By Loan Type

(\$ in millions)

Type of Loan	June 30, 2020				September 30, 2020				Net Balance % Decrease
	#	Net Balance	% of Total	% of Portfolio	#	Net Balance	% of Total	% of Portfolio	
Commercial	670	\$470.8	88.2%	20.1%	61	\$152.0	94.9%	6.5%	-67.7%
Mortgage (Retained Only)	137	39.1	7.3%	5.3%	24	6.6	4.1%	1.0%	-83.1%
Indirect Auto	819	17.4	3.3%	4.9%	16	0.4	0.3%	0.1%	-97.7%
Direct	133	3.6	0.7%	5.1%	14	0.5	0.3%	0.7%	-86.1%
Consumer Revolving	48	3.0	0.5%	1.3%	10	0.6	0.4%	0.3%	-80.0%
Total	1,807	\$533.9	100.0%	14.3%	125	\$160.1	100.0%	4.1%	-70.0%
Mortgage (Serviced Only)	268				162				

Payment Extensions / Modifications By Type

(\$ in millions)

Type of Loan	June 30, 2020				September 30, 2020			
	Type				Type			
	Principal & Interest		Interest Only		Principal & Interest		Interest Only	
	#	Net Balance	#	Net Balance	#	Net Balance	#	Net Balance
Commercial	312	\$192.0	358	\$278.8	28	\$82.2	33	\$69.8
Mortgage (Retained Only)	137	39.1	0	0.0	24	6.6	0	0.0
Indirect Auto	819	17.4	0	0.0	16	0.4	0	0.0
Direct	133	3.6	0	0.0	14	0.5	0	0.0
Consumer Revolving	13	0.5	35	2.5	6	0.3	4	0.3
Total	1,414	\$252.6	393	\$281.3	88	\$90.0	37	\$70.1

Payment Extensions / Modifications By Term

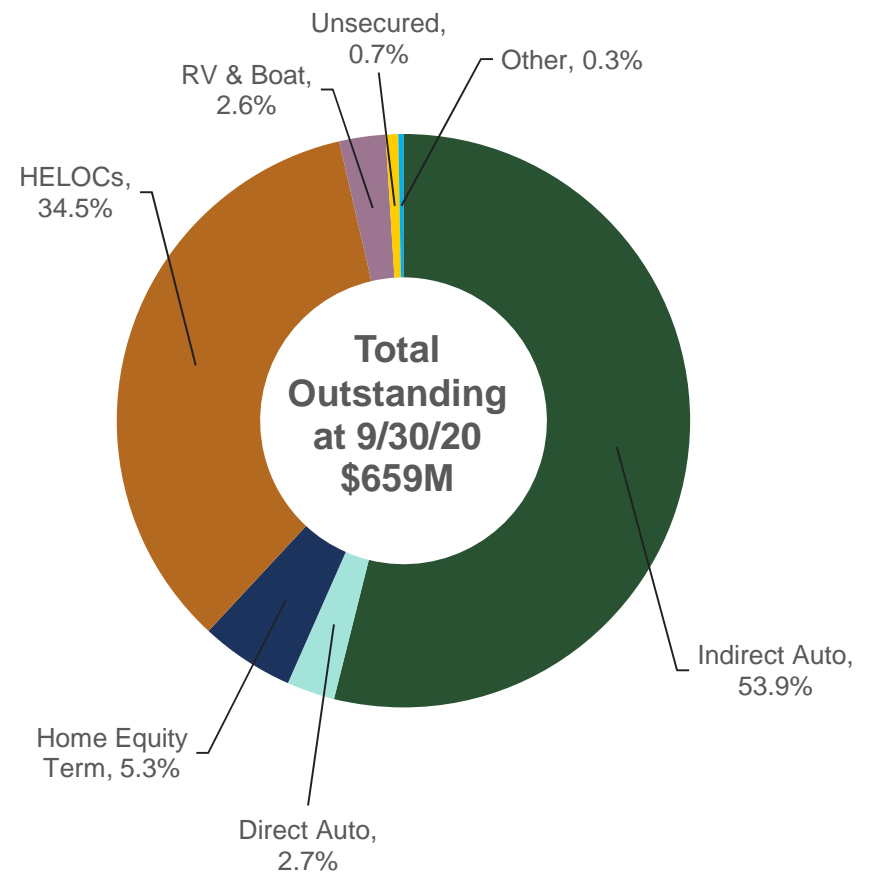
(\$ in millions)

Type of Loan	June 30, 2020				September 30, 2020			
	Type				Type			
	90 Days or Less		Over 90 Days		90 Days or Less		Over 90 Days	
	#	Net Balance	#	Net Balance	#	Net Balance	#	Net Balance
Commercial	617	\$350.7	53	\$120.1	35	\$37.9	26	\$114.1
Mortgage (Retained Only)	137	39.1	0	0.0	24	6.6	0	0.0
Indirect Auto	819	17.4	0	0.0	16	0.4	0	0.0
Direct	133	3.6	0	0.0	14	0.5	0	0.0
Consumer Revolving	48	3.0	0	0.0	10	0.6	0	0.0
Total	1,754	\$413.8	53	\$120.1	99	\$46.0	26	\$114.1

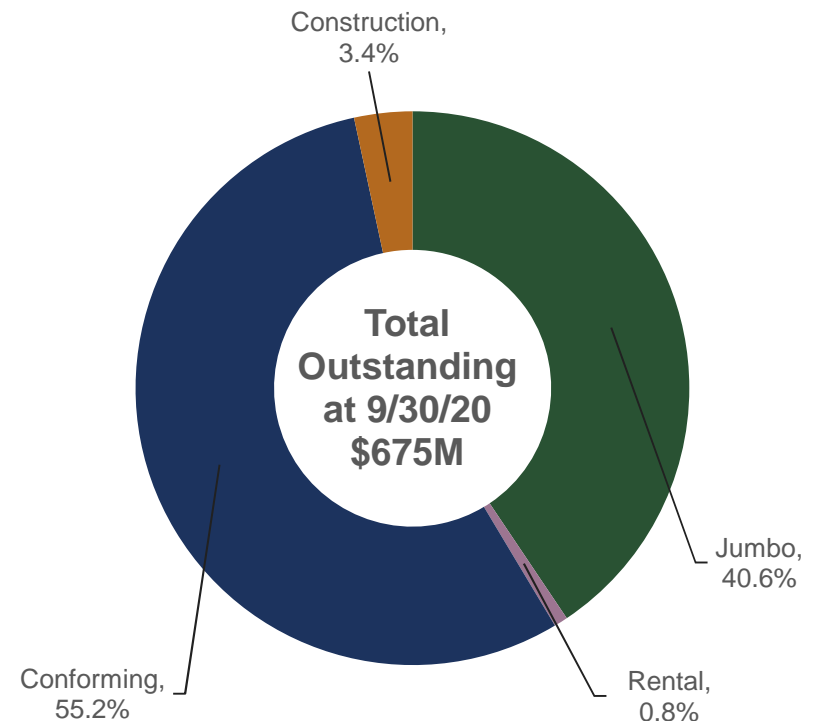
- **99.3% secured consumer loans**
 - 93.9% prime, with credit scores ≥ 700 for 81.3% of portfolio and < 640 for 6.2%
 - Rescored annually
 - HELOC combined LTV limited to 89.9%

- **Strong asset quality through end of 3Q20**
 - 30-89 days past due
 - 3Q20 – 0.39%
 - 2Q20 – 0.33%

 - NPLs
 - 3Q20 – 0.60%
 - 2Q20 – 0.59%



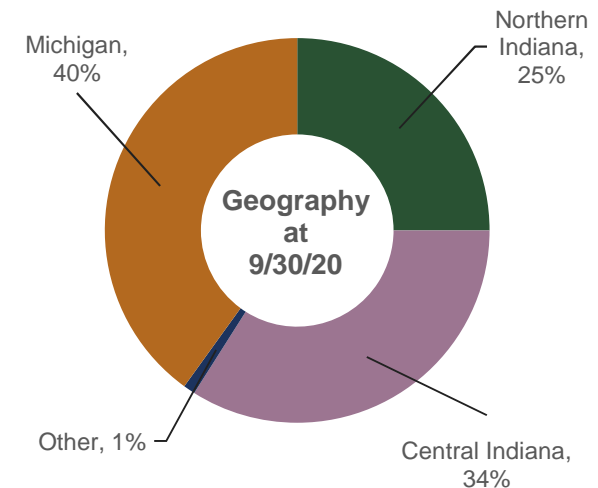
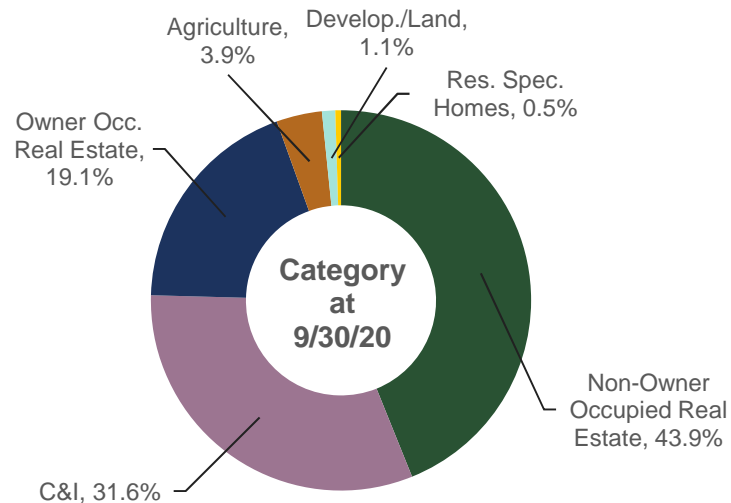
- **75% of production sold YTD**
- **Predominantly in-market lender**
- **Portfolio mortgages**
 - Underwriting to Fannie Mae guidelines
 - Full documentation and employment, income and asset verification
 - 96.8% prime with credit score ≥ 670
- **Strong asset quality through end of 3Q20**
 - 30-89 days past due
 - 3Q20 – 0.32%
 - 2Q20 – 0.22%
 - NPLs
 - 3Q20 – 1.34%
 - 2Q20 – 1.38%
 - Mortgage OREO consists of 2 properties totaling \$70,000



Diversified Commercial Lending

- Experienced commercial lenders (20+ years on average)
- Focus on in-market sponsors in resilient markets
- Predominantly a secured lender with recourse to owners
- Prudent underwriting standards
- 30-89 days past due
 - 3Q20 – 0.05%
 - 2Q20 – 0.02%
- NPLs
 - 3Q20 – 0.69%
 - 2Q20 – 0.61%

\$2.3 billion
in Total Commercial Loans



Sectors with Escalated Monitoring

Hotel, Restaurant, Retail and Leisure & Hospitality

Hotels

- 16 relationships with \$142.5M outstanding across 28 projects
- Average LTV of 57% and average loan size of ~ \$3.9M
- 78% select service / 10% full service / 7% independent / 5% economy properties
- Modifications of \$82.9M; (58%)
- Located primarily along major interstates

Restaurants

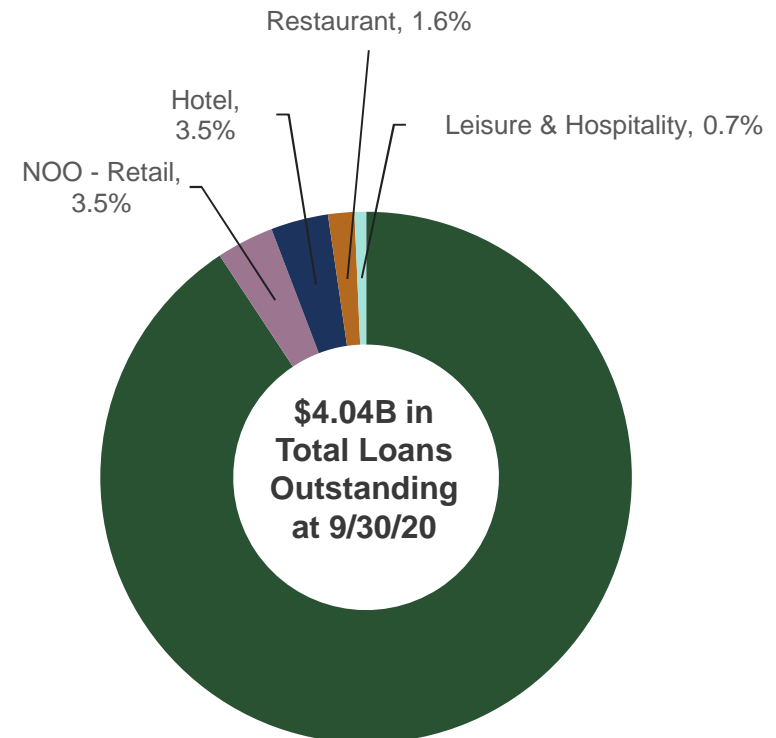
- Over 150 borrowers with \$62.1M outstanding (excluding PPP loans)
- Average loan size of ~ \$365,000
- 37% full-service / 47% limited-service
- Modifications of \$2.1M; (3%)

Non-Owner Occupied Retail

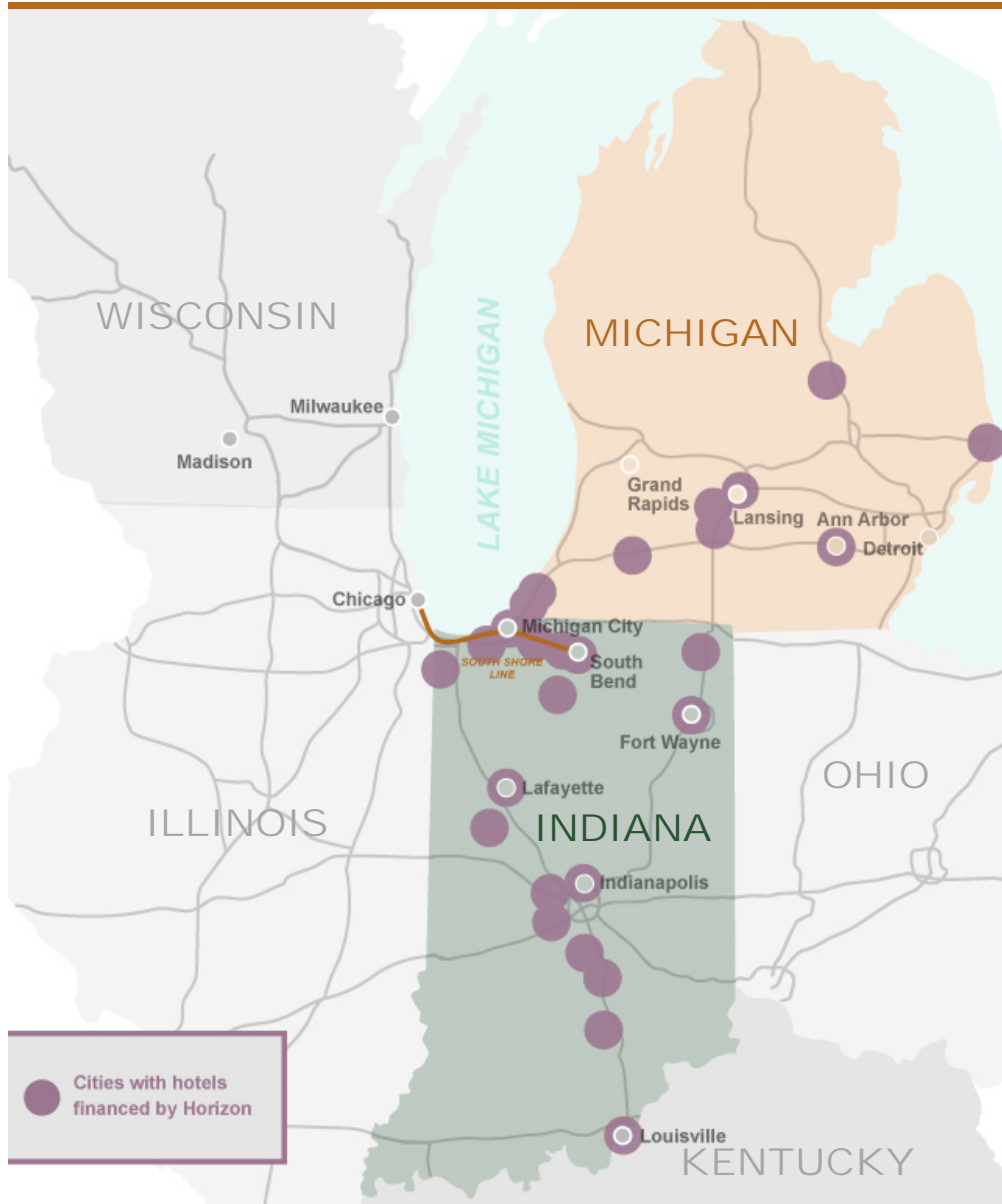
- Over 200 borrowers with \$142.4M outstanding
- Average LTV 53% and average loan size of ~ \$653,000
- 58% Retail Strip / 19% Single Retail / 11% Restaurant
- Modifications of \$15.3M; (11%)

Leisure & Hospitality

- 59 borrowers with \$33.4M outstanding (excluding PPP loans)
- Average loan size of ~ \$548,000
- Diverse borrowers, i.e. golf courses, entertainment facilities, fitness establishments, zoo
- Modifications of \$3.4M; (10%)



Note: Modification data as of 9/30/20. Outstandings data as of 9/30/20.



ALL HOTELS OPEN

All hotel loans in Horizon's portfolio are open for business, with occupancy rates ranging 20% - 70%

Strong brands including Marriott, Hilton, IHG, Wyndham, Choice Hotels and independent brands

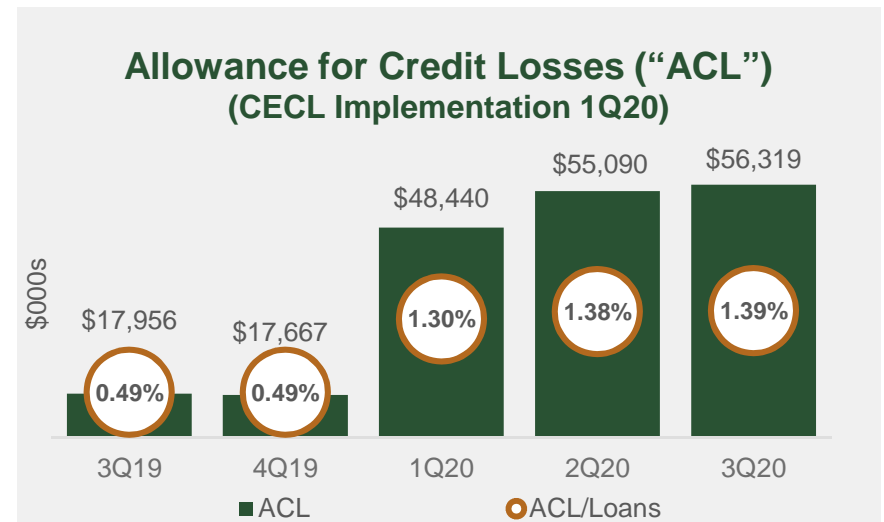
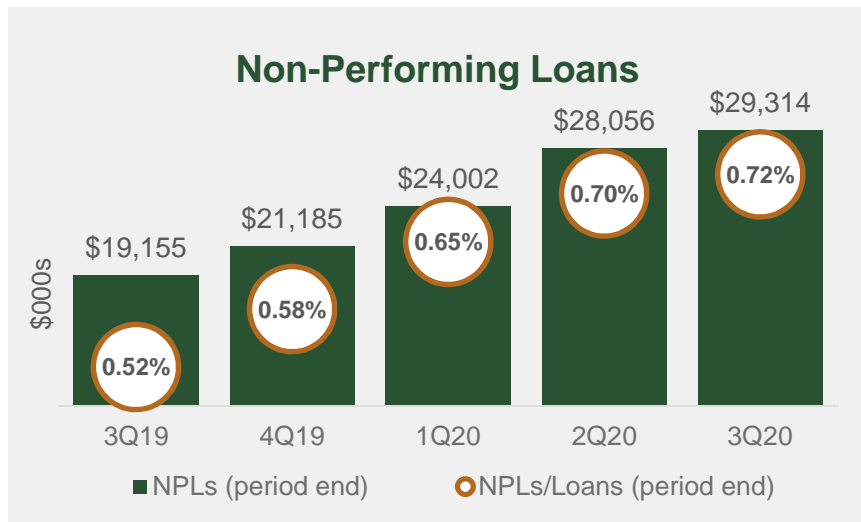
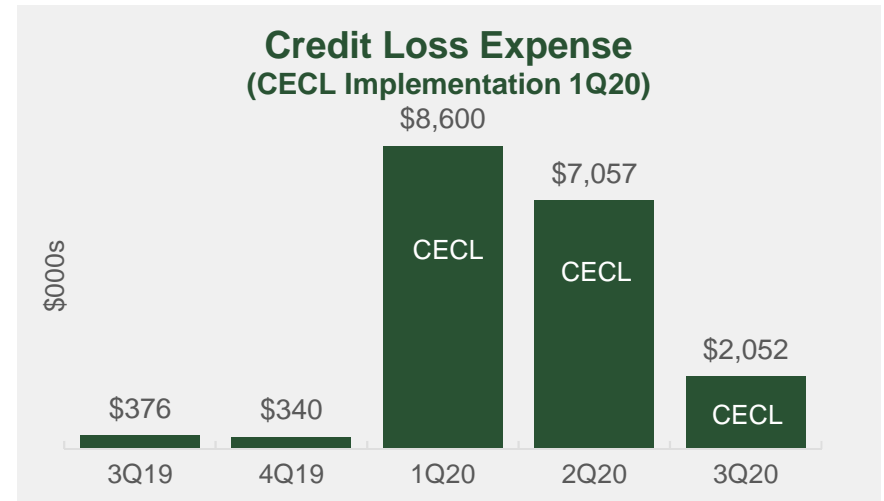
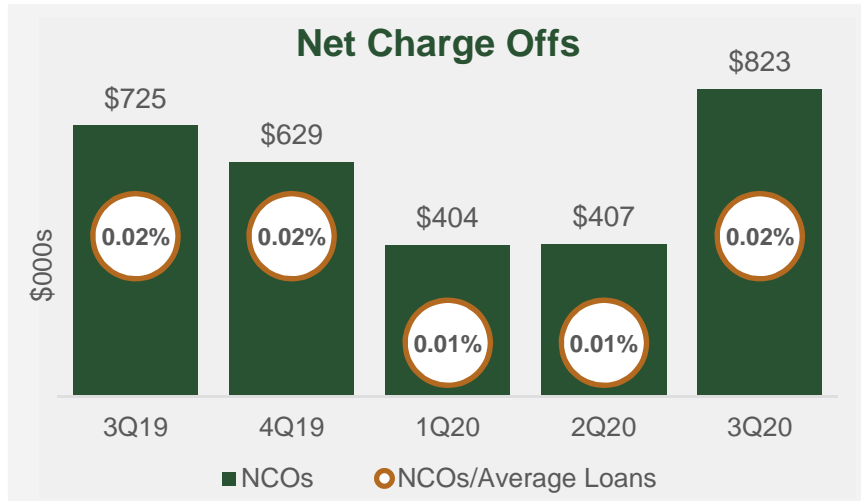
Borrowers are long-time operators that have managed through multiple economic cycles and most have liquid resources available to them

16 Relationships \$142M Outstanding
28 Projects 3.5% of Total Loans

FAVORABLE LOCATIONS

Majority are located near major interstate highways or resort communities, which have rebounded faster than hotels located in metropolitan areas

74% of Hotel Loans making principal and interest payments



3Q20 ACL/Loans excluding PPP Loans = 1.51%

3Q20 ACL/Loans excluding PPP & Warehouse Loans = 1.68%

Key Franchise Highlights



Seasoned management team – over 200 years combined banking experience



Geographic diversification & exposure – strong market share in core footprint



Stable Midwest markets with balanced industrial bases and growth opportunities



High quality balance sheet with strong liquidity – over \$1.2 billion of cash and securities as of 9/30/20



Robust capital position
11.5% Tier 1 and 14.4%
Total RBC as of 9/30/20



Diversified loan portfolio and complementary counter-cyclical revenue streams



Historical run rate demonstrates strong core operating earnings



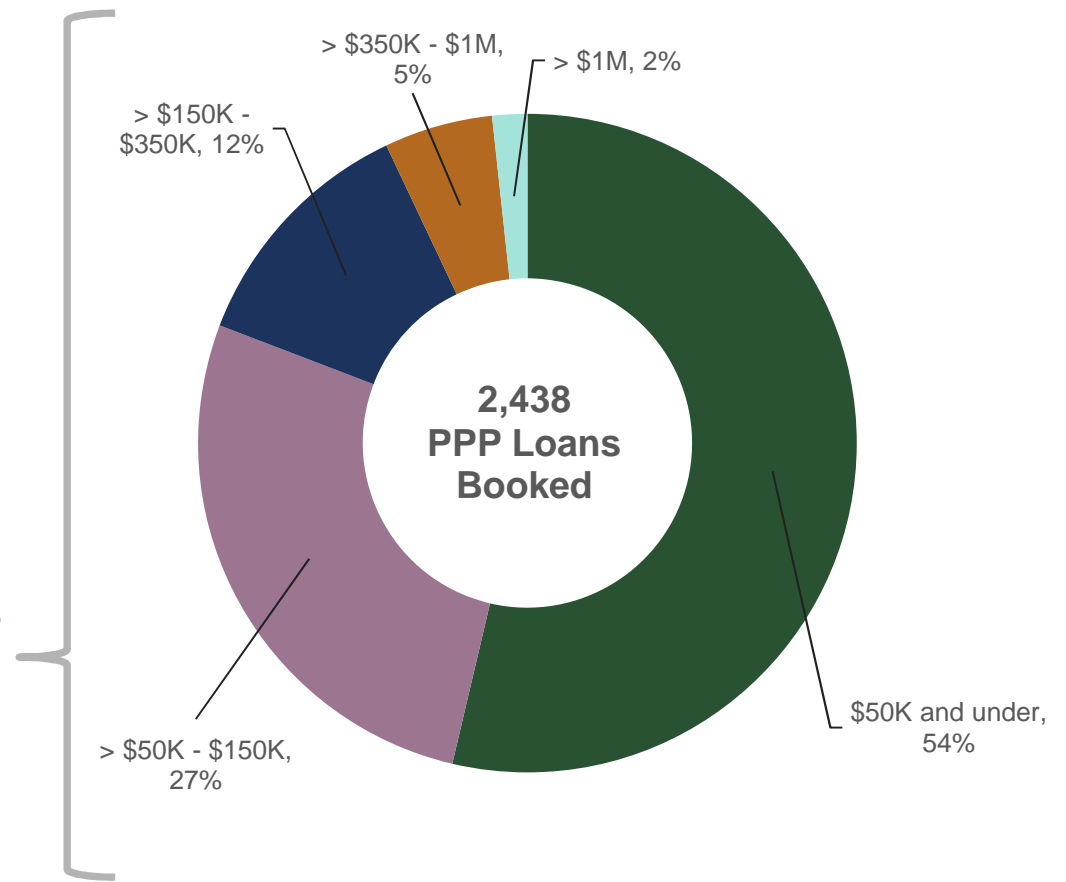
Strong cash position at the holding company

Appendix

Leveraging the CARES Act to provide additional support to small businesses and their employees

- PPP loans totaled ~ \$310.8 million through September 30, 2020
- Average loan size less than \$135,000
- Began accepting PPP forgiveness applications on September 1, 2020

~80% of PPP loans in amounts ≤ \$150,000

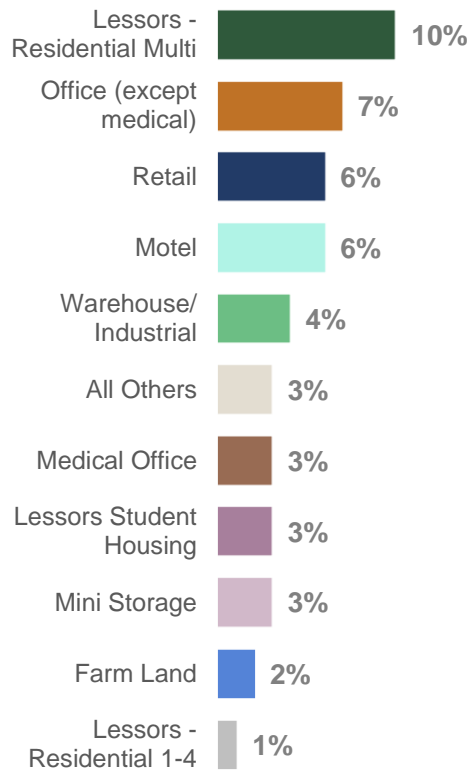


Low Levels of Concentrated Exposure

Commercial Portfolio By Industry Type

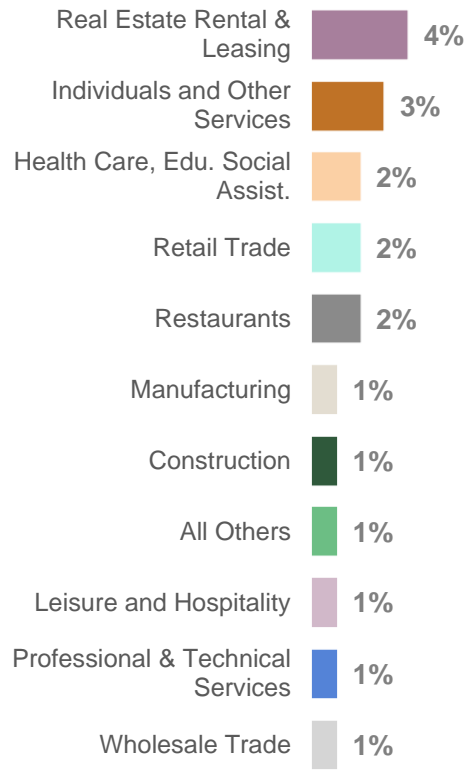
Non-Owner Occupied CRE – % of Total Commercial Loans

48% of Total Commercial Loans
\$1.1 billion



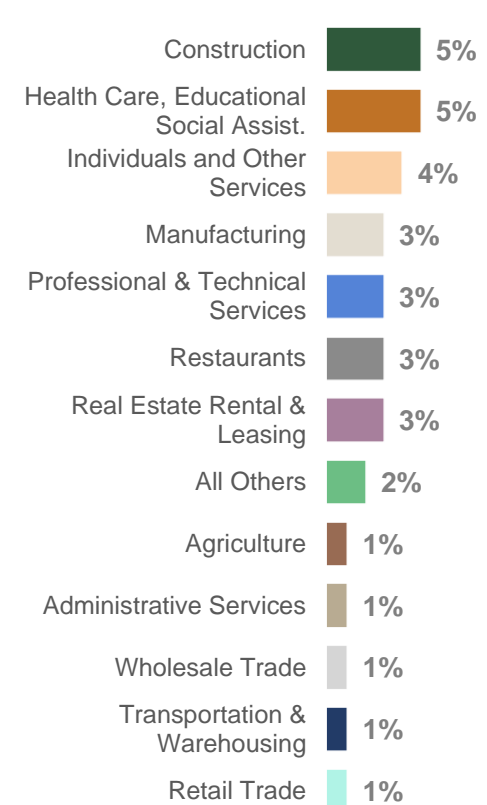
Owner Occupied CRE – % of Total Commercial Loans

19% of Total Commercial Loans
\$0.4 billion



C&I Loans – % of Total Commercial Loans

33% of Total Commercial Loans
\$0.8 billion



Note: Data as of 9/30/20.

(\$M except per share data)	Year Ended December 31,					Quarter Ended,				
	2015	2016	2017	2018	2019	9/30/19	12/31/19	3/31/20	6/30/20	9/30/20
Balance Sheet:										
Total Assets	\$2,652	\$3,141	\$3,964	\$4,247	\$5,247	\$5,187	\$5,247	\$5,351	\$5,739	\$5,790
Gross Loans	\$1,757	\$2,144	\$2,838	\$3,014	\$3,641	\$3,668	\$3,641	\$3,714	\$3,994	\$4,043
Deposits	\$1,880	\$2,471	\$2,881	\$3,139	\$3,931	\$3,916	\$3,931	\$3,882	\$4,308	\$4,336
Tangible Common Equity	\$197	\$255	\$325	\$362	\$478	\$464	\$478	\$454	\$476	\$495
Profitability:										
Net Income	\$20.5	\$23.9	\$33.1	\$53.1	\$66.5	\$20.5	\$18.5	\$11.7	\$14.6	\$20.3
Return on Average Assets	0.87%	0.81%	0.97%	1.31%	1.35%	1.60%	1.40%	0.89%	1.05%	1.40%
Return on Average Equity	9.9%	7.9%	8.7%	11.2%	11.0%	12.7%	11.3%	7.0%	9.1%	12.1%
Net Interest Margin	3.56%	3.29%	3.75%	3.71%	3.69%	3.82%	3.58%	3.56%	3.47%	3.29%
Efficiency Ratio ⁽¹⁾	70.0%	71.5%	65.3%	60.7%	59.9%	54.7%	57.3%	58.8%	56.2%	55.6%
Asset Quality⁽²⁾:										
NPAs & 90+ PD / Assets	0.75%	0.44%	0.44%	0.41%	0.47%	0.45%	0.47%	0.50%	0.53%	0.55%
NPAs & 90+ PD / Loans + OREO	1.13%	0.65%	0.61%	0.57%	0.68%	0.63%	0.68%	0.72%	0.77%	0.78%
Reserves / Total Loans	0.83%	0.69%	0.58%	0.59%	0.49%	0.49%	0.49%	1.30%	1.38%	1.39%
NCOs / Avg. Loans	0.32%	0.08%	0.04%	0.05%	0.06%	0.08%	0.07%	0.04%	0.04%	0.08%
Bancorp Capital Ratios:										
TCE Ratio	7.6%	8.3%	8.5%	8.8%	9.4%	9.3%	9.4%	8.8%	8.6%	8.8%
Leverage Ratio	9.8%	10.4%	9.9%	10.1%	10.5%	10.5%	10.5%	10.1%	10.8%	10.8%
Tier 1 Capital Ratio	13.2%	13.2%	12.4%	12.8%	13.5%	13.1%	13.5%	12.8%	13.4%	13.5%
Total Capital Ratio	14.0%	13.9%	12.9%	13.4%	14.0%	13.5%	14.0%	13.7%	14.4%	14.4%

(1) Footnote Index included in Appendix (see slide 49 for non-GAAP reconciliation)

(2) As calculated by S&P Global Market Intelligence.



Leader In Our Core Markets

MSA	HBNC Rank	HBNC Branches	HBNC Market Share	Deposits in Market (\$M)	2020 Median HHI	'20-'25 Est. Pop. Change	'20-'25 Est. HHI Change
Michigan City-La Porte, IN	1	8	57.7%	\$1,150	\$53,255	0.1%	6.8%
Indianapolis-Carmel-Anderson, IN	16	9	1.0%	680	65,306	3.8%	11.2%
Chicago-Naperville-Elgin, IL-IN-WI	67	10	0.1%	548	74,285	0.1%	11.5%
Lafayette-West Lafayette, IN	4	7	8.4%	322	59,404	3.9%	10.9%
Midland, MI	2	1	12.6%	255	69,009	0.0%	16.9%
Niles, MI	4	5	9.9%	232	53,488	-0.5%	10.8%
Lansing-East Lansing, MI	14	2	1.7%	150	61,675	1.6%	11.5%
Logansport, IN	3	2	18.5%	148	50,939	-0.2%	9.9%
Auburn, IN	3	3	16.1%	129	58,507	2.3%	9.4%
Warsaw, IN	5	4	5.7%	101	65,982	2.0%	11.4%
Grand Rapids-Kentwood, MI	21	2	0.4%	99	67,365	3.2%	11.9%
Columbus, IN	6	2	6.1%	96	67,372	3.3%	12.8%
Kalamazoo-Portage, MI	10	1	2.0%	82	63,546	2.6%	15.4%
Fort Wayne, IN	14	4	1.0%	79	58,865	3.0%	10.6%
Sturgis, MI	5	1	7.8%	68	55,036	0.4%	11.5%
Marion, IN	6	1	7.4%	61	47,353	-1.9%	11.1%
Kokomo, IN	7	2	3.4%	46	52,734	0.6%	7.5%
Kendallville, IN	5	2	6.6%	44	59,362	1.0%	9.6%
South Bend-Mishawaka, IN-MI	13	2	0.7%	35	58,213	1.4%	15.4%
Saginaw, MI	13	1	0.7%	18	48,941	-1.8%	9.2%
Elkhart-Goshen, IN	14	1	0.3%	12	65,928	2.5%	16.4%
Total Franchise		73		\$4,433	\$60,882	1.3%	10.4%

Source: S&P Global Market Intelligence. Deposit data as of 6/30/20, estimated pro forma for recent or pending transactions per S&P Global Market Intelligence.

Slide 13

- Adjusted net income and adjusted diluted EPS excludes one-time merger expenses, (gain)/loss on sale of securities and death benefit on bank owned life insurance, net of tax. (See further in the Appendix for a reconciliation of these non-GAAP amounts to their GAAP counterparts.)
- Pre-tax, pre-provision income excludes income tax expense and credit loss expense. (See further in the Appendix for a reconciliation of these non-GAAP amounts to their GAAP counterparts.)
- Adjusted net interest income and adjusted net margin exclude acquisition-related purchase accounting adjustments. (See further in the Appendix for a reconciliation of these non-GAAP amounts to their GAAP counterparts.)
- Adjusted ROAA and Adjusted pre-tax, pre-provision ROAA excludes one-time merger expenses, (gain)/loss on sale of securities and death benefit on bank owned life insurance, net of tax. (See further in the Appendix for a reconciliation of these non-GAAP amounts to their GAAP counterparts.)

Slide 14

- Adjusted net interest income and adjusted net interest margin excludes prepayment penalties on borrowings and acquisition-related purchase accounting adjustments. Adjusted cost of core funds includes average balances of non-interest bearing deposits and excludes prepayment penalties on borrowings. (See further in the Appendix for a reconciliation of these non-GAAP amounts to their GAAP counterparts.)

Slide 16

- Average cost of average total deposits includes average balances of non-interest bearing deposits. (See further in the Appendix for a reconciliation of these non-GAAP amounts to their GAAP counterparts.)

Slide 19

- Adjusted efficiency ratio excludes one-time merger expenses, (gain)/loss on sale of securities and death benefit on bank owned life insurance. (See further in the Appendix for a reconciliation of these non-GAAP amounts to their GAAP counterparts.)

Slides 39-50

Use of Non-GAAP Financial Measures

- Certain information set forth in the presentation materials refers to financial measures determined by methods other than in accordance with GAAP. Horizon believes these non-GAAP financial measures are helpful to investors and provide a greater understanding of our business without giving effect to purchase accounting impacts, one-time acquisition and other non-recurring costs and non-core items. These measures are not necessarily comparable to similar measures that may be presented by other companies and should not be considered in isolation or as a substitute for the related GAAP measure.

Non-GAAP Reconciliation of Pre-Tax, Pre-Provision Net Income
(Dollars in Thousands, Unaudited)

	Three Months Ended				
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Pre-tax income	\$ 24,638	\$ 16,632	\$ 13,239	\$ 22,463	\$ 24,541
Provision for credit losses	2,052	7,056	8,600	340	376
Pre-tax, pre-provision net income	<u>\$ 26,690</u>	<u>\$ 23,688</u>	<u>\$ 21,839</u>	<u>\$ 22,803</u>	<u>\$ 24,917</u>
Pre-tax, pre-provision net income	\$ 26,690	\$ 23,688	\$ 21,839	\$ 22,803	\$ 24,917
Merger expenses	-	-	-	-	-
(Gain)/loss on sale of investment securities	(1,088)	(248)	(339)	(10)	-
Death benefit on bank owned life insurance	(31)	-	(233)	-	(213)
Adjusted pre-tax, pre-provision net income	<u>\$ 25,571</u>	<u>\$ 23,440</u>	<u>\$ 21,267</u>	<u>\$ 22,793</u>	<u>\$ 24,704</u>
Average Assets	\$ 5,768,691	\$ 5,620,695	\$ 5,257,332	\$ 5,250,574	\$ 5,107,259
Unadjusted pre-tax, pre-provision ROAA	1.84%	1.70%	1.67%	1.74%	1.94%
Adjusted pre-tax, pre-provision ROAA	1.76%	1.68%	1.63%	1.74%	1.92%

Non-GAAP Reconciliation of Net Income
(Dollars in Thousands, Unaudited)

	Three Months Ended				
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Net income as reported	\$ 20,312	\$ 14,639	\$ 11,655	\$ 18,543	\$ 20,537
Merger expenses	-	-	-	-	-
Tax effect	-	-	-	-	-
Net income excluding merger expenses	20,312	14,639	11,655	18,543	20,537
(Gain)/loss on sale of investment securities	(1,088)	(248)	(339)	(10)	-
Tax effect	228	52	71	2	-
Net income excluding (gain)/loss on sale of investment securities	19,452	14,443	11,387	18,535	20,537
Death benefit on bank owned life insurance ("BOLI")	(31)	-	(233)	-	(213)
Net income excluding death benefit on BOLI	19,421	14,443	11,154	18,535	20,324
Adjusted net income	<u>\$ 19,421</u>	<u>\$ 14,443</u>	<u>\$ 11,154</u>	<u>\$ 18,535</u>	<u>\$ 20,324</u>

Non-GAAP Reconciliation of Diluted Earnings per Share
(Dollars in Thousands, Unaudited)

	Three Months Ended				
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Diluted earnings per share ("EPS") as reported	\$ 0.46	\$ 0.33	\$ 0.26	\$ 0.41	\$ 0.46
Merger expenses	-	-	-	-	-
Tax effect	-	-	-	-	-
Diluted EPS excluding merger expenses	0.46	0.33	0.26	0.41	0.46
(Gain)/loss on sale of investment securities	(0.02)	(0.01)	(0.01)	-	-
Tax effect	0.01	-	-	-	-
Diluted EPS excluding (gain)/loss on investment securities	0.45	0.32	0.25	0.41	0.46
Death benefit on BOLI	-	-	(0.01)	-	(0.01)
Diluted EPS excluding death benefit on BOLI	0.45	0.32	0.24	0.41	0.45
Adjusted Diluted EPS	<u>\$ 0.45</u>	<u>\$ 0.32</u>	<u>\$ 0.24</u>	<u>\$ 0.41</u>	<u>\$ 0.45</u>

Non-GAAP Reconciliation of Return on Average Assets
(Dollars in Thousands, Unaudited)

	Three Months Ended				
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Average assets	\$ 5,768,691	\$ 5,620,695	\$ 5,257,332	\$ 5,250,574	\$ 5,107,259
Return on average assets ("ROAA") as reported	1.40%	1.05%	0.89%	1.40%	1.60%
Merger expenses	-	-	-	-	-
Tax effect	-	-	-	-	-
ROAA excluding merger expenses	1.40	1.05	0.89	1.40	1.60
(Gain)/loss on sale of investment securities	(0.08)	(0.02)	(0.03)	-	-
Tax effect	0.02	-	0.01	-	-
ROAA excluding (gain)/loss on sale of investment securities	1.34	1.03	0.87	1.40	1.60
Death benefit on bank owned life insurance ("BOLI")	-	-	(0.02)	-	(0.02)
ROAA excluding death benefit on BOLI	1.34	1.03	0.85	1.40	1.58
Adjusted ROAA	<u>1.34%</u>	<u>1.03%</u>	<u>0.85%</u>	<u>1.40%</u>	<u>1.58%</u>

Non-GAAP Reconciliation of Net Interest Margin
(Dollars in Thousands, Unaudited)

	Three Months Ended			Three Months Ended			
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Net interest income as reported	\$ 43,397	\$ 42,996	\$ 40,925	\$ 41,519	\$ 43,463	\$ 41,529	\$ 34,280
Average interest earning assets	5,251,611	5,112,636	4,746,202	4,748,217	4,623,985	4,566,674	3,929,296
Net interest income as a percentage of average interest earning assets ("Net Interest Margin")	3.39%	3.47%	3.56%	3.58%	3.82%	3.73%	3.62%
Net interest income as reported	\$ 43,397	\$ 42,996	\$ 40,925	\$ 41,519	\$ 43,463	\$ 41,529	\$ 34,280
Acquisition-related purchase accounting adjustments ("PAU")	(1,488)	(1,553)	(1,434)	(1,042)	(1,739)	(1,299)	(1,510)
Adjusted net interest income	<u>\$ 41,909</u>	<u>\$ 41,443</u>	<u>\$ 39,491</u>	<u>\$ 40,477</u>	<u>\$ 41,724</u>	<u>\$ 40,230</u>	<u>\$ 32,770</u>
Adjusted net interest margin	3.27%	3.35%	3.44%	3.49%	3.67%	3.61%	3.46%

Non-GAAP Reconciliation of Net Interest Margin
 (Dollars in Thousands, Unaudited)

	Three Months Ended				Three Months Ended			
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Net interest income as reported	\$ 33,836	\$ 33,772	\$ 33,550	\$ 33,411	\$ 31,455	\$ 27,879	\$ 27,198	\$ 25,568
Average interest earning assets	3,808,822	3,717,139	3,638,801	3,580,143	3,471,169	3,078,611	2,943,627	2,797,429
Net interest income as a percentage of average interest earning assets ("Net Interest Margin")	3.60%	3.67%	3.78%	3.81%	3.71%	3.71%	3.84%	3.80%
Net interest income as reported	\$ 33,836	\$ 33,772	\$ 33,550	\$ 33,411	\$ 31,455	\$ 27,879	\$ 27,198	\$ 25,568
Acquisition-related purchase accounting adjustments ("PAU")	(1,629)	(789)	(1,634)	(2,037)	(868)	(661)	(939)	(1,016)
Adjusted net interest income	<u>\$ 32,207</u>	<u>\$ 32,983</u>	<u>\$ 31,916</u>	<u>\$ 31,374</u>	<u>\$ 30,587</u>	<u>\$ 27,218</u>	<u>\$ 26,259</u>	<u>\$ 24,552</u>
Adjusted net interest margin	3.43%	3.59%	3.60%	3.58%	3.61%	3.63%	3.71%	3.66%

Non-GAAP Reconciliation of Net Interest Margin

(Dollars in Thousands, Unaudited)

	Three Months Ended			
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Net interest income as reported	\$ 20,939	\$ 24,410	\$ 20,869	\$ 19,774
Average interest earning assets	2,932,145	2,957,944	2,471,354	2,367,250
Net interest income as a percentage of average interest earning assets ("Net Interest Margin")	2.92%	3.37%	3.48%	3.45%
Net interest income as reported	\$ 20,939	\$ 24,410	\$ 20,869	\$ 19,774
Interest expense from prepayment penalties on borrowings	4,839	-	-	-
Acquisition-related purchase accounting adjustments ("PAU")	(900)	(459)	(397)	(547)
Adjusted net interest income	<u>\$ 24,878</u>	<u>\$ 23,951</u>	<u>\$ 20,472</u>	<u>\$ 19,227</u>
Adjusted net interest margin	3.45%	3.31%	3.42%	3.36%

Non-GAAP Reconciliation of Cost of Interest Bearing Liabilities

(Dollars in Thousands, Unaudited)

	Three Months Ended			Three Months Ended			
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Total interest expense as reported	\$ 6,749	\$ 7,348	\$ 10,729	\$ 11,879	\$ 12,248	\$ 12,321	\$ 11,093
Average interest bearing liabilities	4,027,057	3,975,297	3,814,785	3,794,943	3,601,144	3,570,713	3,131,276
Annualized total interest expense as a percentage of average interest bearing liabilities ("Cost of Interest Bearing Liabilities")	0.67%	0.74%	1.13%	1.24%	1.35%	1.38%	1.44%
Total interest expense as reported	\$ 6,749	\$ 7,348	\$ 10,729	\$ 11,879	\$ 12,248	\$ 12,321	\$ 11,093
Interest expense from prepayment penalties on borrowings	-	-	-	-	-	-	-
Adjusted interest expense	<u>\$ 6,749</u>	<u>\$ 7,348</u>	<u>\$ 10,729</u>	<u>\$ 11,879</u>	<u>\$ 12,248</u>	<u>\$ 12,321</u>	<u>\$ 11,093</u>
Average interest bearing liabilities	4,027,057	3,975,297	3,814,785	3,794,943	3,601,144	3,570,713	3,131,276
Average non-interest bearing deposits	996,427	924,890	717,257	747,513	818,164	818,872	643,601
Average core funding	<u>\$ 5,023,484</u>	<u>\$ 4,900,187</u>	<u>\$ 4,532,042</u>	<u>\$ 4,542,456</u>	<u>\$ 4,419,308</u>	<u>\$ 4,389,585</u>	<u>\$ 3,774,877</u>
Annualized adjusted interest expense as a percentage of average core funding ("Adjusted Cost of Core Funds")	0.53%	0.60%	0.95%	1.04%	1.10%	1.13%	1.19%

Non-GAAP Reconciliation of Cost of Interest Bearing Liabilities
 (Dollars in Thousands, Unaudited)

	Three Months Ended				Three Months Ended			
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Total interest expense as reported	\$ 9,894	\$ 8,499	\$ 7,191	\$ 6,015	\$ 5,319	\$ 4,191	\$ 3,607	\$ 3,266
Average interest bearing liabilities	3,021,310	2,971,074	2,929,913	2,869,372	2,766,948	2,459,262	2,375,827	2,246,550
Annualized total interest expense as a percentage of average interest bearing liabilities ("Cost of Interest Bearing Liabilities")	1.30%	1.13%	0.98%	0.85%	0.76%	0.68%	0.61%	0.59%
Total interest expense as reported	\$ 9,894	\$ 8,499	\$ 7,191	\$ 6,015	\$ 5,319	\$ 4,191	\$ 3,607	\$ 3,266
Interest expense from prepayment penalties on borrowings	-	-	-	-	-	-	-	-
Adjusted interest expense	<u>\$ 9,894</u>	<u>\$ 8,499</u>	<u>\$ 7,191</u>	<u>\$ 6,015</u>	<u>\$ 5,319</u>	<u>\$ 4,191</u>	<u>\$ 3,607</u>	<u>\$ 3,266</u>
Average interest bearing liabilities	3,021,310	2,971,074	2,929,913	2,869,372	2,766,948	2,459,262	2,375,827	2,246,550
Average non-interest bearing deposits	656,114	640,983	605,188	595,644	603,733	540,109	499,446	491,154
Average core funding	<u>\$ 3,677,424</u>	<u>\$ 3,612,057</u>	<u>\$ 3,535,101</u>	<u>\$ 3,465,016</u>	<u>\$ 3,370,681</u>	<u>\$ 2,999,371</u>	<u>\$ 2,875,273</u>	<u>\$ 2,737,704</u>
Annualized adjusted interest expense as a percentage of average core funding ("Adjusted Cost of Core Funds")	1.07%	0.93%	0.82%	0.70%	0.63%	0.55%	0.50%	0.48%

Non-GAAP Reconciliation of Cost of Interest Bearing Liabilities

(Dollars in Thousands, Unaudited)

	Three Months Ended			
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Total interest expense as reported	\$ 8,450	\$ 4,552	\$ 3,781	\$ 3,754
Average interest bearing liabilities	2,369,810	2,443,986	2,058,463	1,974,325
Annualized total interest expense as a percentage of average interest bearing liabilities ("Cost of Interest Bearing Liabilities")	1.42%	0.74%	0.74%	0.76%
Total interest expense as reported	\$ 8,450	\$ 4,552	\$ 3,781	\$ 3,754
Interest expense from prepayment penalties on borrowings	(4,839)	-	-	-
Adjusted interest expense	<u>\$ 3,611</u>	<u>\$ 4,552</u>	<u>\$ 3,781</u>	<u>\$ 3,754</u>
Average interest bearing liabilities	2,369,810	2,443,986	2,058,463	1,974,325
Average non-interest bearing deposits	504,274	462,253	364,822	339,141
Average core funding	<u>\$ 2,874,084</u>	<u>\$ 2,906,239</u>	<u>\$ 2,423,285</u>	<u>\$ 2,313,466</u>
Annualized adjusted interest expense as a percentage of average core funding ("Adjusted Cost of Core Funds")	0.50%	0.62%	0.63%	0.66%

Non-GAAP Reconciliation of Cost of Deposits
(Dollars in Thousands, Unaudited)

	Three Months Ended	
	September 30, 2020	June 30, 2020
Total deposit interest expense as reported	\$ 3,616	\$ 4,506
Average interest bearing deposits	3,334,436	3,299,661
Annualized total deposit interest expense as a percentage of average interest bearing deposits ("Cost of Interest Bearing Deposits")	0.43%	0.55%
Average interest bearing deposits	3,334,436	3,299,661
Average non-interest bearing deposits	996,427	924,890
Average total deposits	<u>\$ 4,330,863</u>	<u>\$ 4,224,551</u>
Annualized deposit interest expense as a percentage of average total deposits ("Cost of Total Deposits")	0.33%	0.43%

Non-GAAP Calculation and Reconciliation of Efficiency Ratio and Adjusted Efficiency Ratio

(Dollars in Thousands, Unaudited)

	Three Months Ended				
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
<u>Non-GAAP Calculation of Efficiency Ratio</u>					
Non-interest expense as reported	\$ 33,407	\$ 30,432	\$ 31,149	\$ 30,650	\$ 30,060
Net interest income as reported	43,397	42,996	40,925	41,519	43,463
Non-interest income as reported	16,700	11,124	12,063	11,934	11,514
Non-interest expense/ (Net interest income + Non-interest income) ("Efficiency Ratio")	<u>55.59%</u>	<u>56.23%</u>	<u>58.79%</u>	<u>57.34%</u>	<u>54.68%</u>
<u>Non-GAAP Reconciliation of Adjusted Efficiency Ratio</u>					
Non-interest expense as reported	\$ 33,407	\$ 30,432	\$ 31,149	\$ 30,650	\$ 30,060
Merger expenses	-	-	-	-	-
Non-interest expense excluding merger expenses	33,407	30,432	31,149	30,650	30,060
Net interest income as reported	43,397	42,996	40,925	41,519	43,463
Non-interest income as reported	16,700	11,124	12,063	11,934	11,514
(Gain)/loss on sale of investment securities	(1,088)	(248)	(339)	(10)	-
Death benefit on bank owned life insurance ("BOLI")	(31)	-	(233)	-	(213)
Non-interest income excluding (gain)/loss on sale of investment securities and death benefit on BOLI	\$ 15,581	\$ 10,876	\$ 11,491	\$ 11,924	\$ 11,301
Adjusted efficiency ratio	<u>56.64%</u>	<u>56.49%</u>	<u>59.43%</u>	<u>57.35%</u>	<u>54.89%</u>