Risk Factors Comparison 2024-03-15 to 2023-03-15 Form: 10-K

Legend: New Text ~~Removed Text~~ Unchanged Text Moved Text Section

An investment in Horizon' s securities is subject to numerous risks and uncertainties related to our business. The material risks and uncertainties that management believes currently affect Horizon are described below, categorized as risks related to our business, risks related to the banking industry generally, and risks related to our common stock. Additional risks and uncertainties that management is not aware of or that management currently deems immaterial may also impair Horizon' s business operations and its financial results. This report is qualified in its entirety by these risk factors. If any of the following risks actually occur, our business, financial condition and results HORIZON BANCORP, INC. ~~2022~~ **2023** Annual Report on Form 10 – K of operations could be materially and adversely affected. If this were to happen, the value of our securities could decline significantly, and you could lose all or part of your investment. As a result, before making an investment decision, you should carefully consider these risks as well as information we include or incorporate by reference in this report and other filings we make with the SEC. Some statements in the following risk factors constitute forward – looking statements. Please refer to" Forward – Looking Statements" beginning on page 3 of this Annual Report on Form 10 – K. Risks Related to Our Business As a financial institution, we are subject to a number of risks relating to our daily business. Although we undertake a variety of efforts to manage and control those risks, many of the risks are outside of our control. Among the risks we face are the following: • Credit Risk – the risk that loan customers or other parties will be unable to perform their contractual obligations; • Market Risk – the risk that changes in market rates and prices will adversely affect our financial condition or results of operation; • Liquidity Risk – the risk that Horizon or the Bank will have insufficient cash or access to cash to meet its operating needs; • Operational Risk – the risk of financial and reputational loss resulting from fraud, inadequate or failed internal processes, cyber – security breaches, people and systems, or external events; • Economic Risk – the risk that the economy in our markets could decline resulting in increased unemployment, decreased real estate values and increased loan charge – offs; • Compliance Risk – the risk of additional action by our regulators or additional regulation that could hinder our ability to do business profitably; • **Legal /** Regulatory Risk – the risk presented by the need to comply with all laws, rules and regulations from multiple regulatory agencies, including but not limited to the FDIC, CFPB, Indiana Department of Financial Institutions, Federal Reserve Bank and the Board of Governors of the Federal Reserve, and the Department of Labor; and • Fiduciary Risk – the risk of failing to act in our fiduciary capacity in the best interests of the grantors and beneficiaries of trust accounts and benefit plans. **Our commercial, residential mortgage and consumer loans expose us to increased credit risks.** We ~~recently identified material weaknesses~~ **have a large percentage of commercial, residential mortgage and consumer loans. Commercial loans generally have greater credit risk than residential mortgage and consumer loans because repayment of these loans often depends on the successful business operations of the borrowers. Commercial real estate loans generally have greater risk because repayment of these loans is often dependent upon income being generated** in ~~our internal controls~~ **amounts sufficient to** ~~over~~ **cover** ~~financial reporting~~ **operating costs** and ~~determined~~ **debt service. Both types of commercial loans also typically have much larger loan balances than residential mortgage and consumer loans. Consumer loans generally involve greater risk than residential mortgage loans because they are unsecured or secured by assets** that ~~our disclosure controls~~ **depreciate in value. Although we undertake a variety of underwriting, monitoring** and ~~procedures were~~ **reserving protections with respect to these types of loans, there can be no guarantee that we will** not ~~effective~~ **suffer unexpected losses. Residential mortgage loans and consumer loans are at risk due to the continuing volatility of unemployment rates and increasing interest rates, which may adversely affect the underlying real estate and other collateral values and the ability of our borrowers to repay their loans on scheduled terms** . Our ~~management is responsible~~ **holdings of construction, land and home equity loans may pose more credit risk than other types of mortgage loans. Construction loans, loans secured by commercial real estate and home equity loans generally entail more risk than other types of mortgage loans. When real estate values decrease, the developers to whom we lend are likely to become non – performing as developers are unable to build and sell homes in volumes large enough** for **orderly repayment of loans and as other owners of such real estate (including homeowners) are unable to keep up with their payments. We strive to** ~~establishing~~ --- **establish** ~~and maintaining~~ **what we believe are** adequate **reserves** ~~internal control over financial reporting, adequate disclosure controls and procedures, and evaluating and reporting~~ on **our** ~~those systems of internal control and disclosure controls and procedures. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of~~ financial statements **to cover the credit risk of these loan portfolios. However, there can be no assurance that losses will not exceed our reserves, and ultimately result in a material level of charge – offs, which would adversely impact our results of operations, liquidity and capital. The allowance** for ~~external purposes in accordance with generally accepted accounting principles~~ **credit losses on loans may prove inadequate or be negatively affected by credit risk exposures** . Our **business depends** ~~disclosure controls and procedures are processes designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the SEC' s rules and forms. Based~~ on **the creditworthiness** ~~management' s assessment, we concluded that our disclosure controls and procedures were not effective as~~ of ~~December 31, 2022 and that we had, as of such date, material weaknesses in our internal control over financial reporting. The specific factors leading to this conclusion are described in Part II- Item 9A. " Controls and Procedures " of this Annual Report on Form 10 – K. A material weakness is a deficiency, or~~ **our customers. We periodically review** ~~a combination of deficiencies, in internal control over financial reporting such that there~~ --

the allowance ~~is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements would not be prevented or detected on a timely basis. Management identified material weaknesses with respect to insufficient controls over the reporting, classification, and disclosure of loans, investments and individual cash flow line items, and lack of sufficient controls around the financial reporting process that allows~~ for **credit losses** ~~the timely release of financial statements. These material weaknesses in the Company' s internal controls over financial reporting resulted in • accounting revisions of previously issued financial statements with respect to the classification of sold commercial loan participation balances, the reporting of indirect loan dealer reserve asset balances and related amortization expense and the classification of certain available~~ for **adequacy** ~~sale and held to maturity securities from private labeled mortgage- backed pools to federal agency mortgage pool, which revisions were previously disclosed in the press release in the Company' s Form 8 – K filed January 25, 2023 (the " Earnings Release ") and the Company' s Form 10 – Q filings during 2022, in addition to errors in previously issued financial statement disclosures relating to the transfer of available for sale to held to maturity securities and the cash flow classification of repurchases of outstanding stock from an investing activity to a financing activity, which are being disclosed for the first time in this Annual Report on Form 10 – K, and • a calculation error in the Company' s public float which resulted in the late filing of this Annual Report on Form 10 – K. During the first quarter of 2023, we began (and are continuing) to implement a remediation plan to update the design and implementation of controls to remediate these deficiencies and enhance the Company' s internal control environment. If our remedial measures are insufficient, or if additional material weaknesses or significant deficiencies in our internal control over financial reporting or in our disclosure controls occur in the future, our future consolidated financial statements or other information filed with the SEC may contain material misstatements and could require a restatement of our consolidated financial statements, cause us to fail to meet our reporting obligations or cause investors to lose confidence in our reported financial information, leading to a decline in the market value of our securities. However, after giving full consideration~~ --- **considering** ~~to the material weaknesses described herein, and based on a number of other factors, as further described in Part II – Item 9A. " Controls and Procedures " of this Annual Report on Form 10 – K, Horizon has concluded that the consolidated financial statements included in this Annual Report on Form 10 – K present fairly, in all material respects, Horizon' s financial position, the results of its operations and its cash flows for each of the periods presented in conformity with U. S. generally accepted accounting principles. Instability in global~~ economic conditions and **trends** ~~geopolitical matters~~ , ~~as~~ **collateral values, and credit quality indicators, including past charge – off experience and levels of past due loans and non – performing assets. There is no certainty that the allowance for credit losses** ~~well~~ **will** ~~as volatility~~ **be adequate over time to cover credit losses** in **the portfolio because of unanticipated** ~~financial markets, could have a material~~ adverse **changes** ~~effect on our results of operations and financial condition. Instability~~ in ~~global~~ **the** ~~economic~~ **economy** ~~conditions and geopolitical matters~~ , as well as volatility in financial markets...... uncertain and could adversely impact economic and market conditions **or events adversely affecting specific customers, industries or markets. If the credit quality of our customer base materially decreases, if the risk profile of a market, industry or group of customers changes materially, or if the allowance** for ~~Horizon and~~ **credit losses** ~~its~~ - **is not adequate,** ~~clients and counterparties. An economic slowdown in~~ our ~~primary market areas~~ **business, financial conditions, liquidity, capital, and results of operations** could **be materially adversely** ~~affect~~ **affected** our business. Our primary market area...... accrual loans and other real estate owned . Changes in interest rates could adversely affect our financial condition and results of operations. Our financial condition and results of operations are significantly affected by changes in interest rates. We can neither predict with certainty nor control changes in interest rates. These changes can occur at any time and are affected by many factors, including international, national, regional and local economic conditions, competitive **and inflationary** pressures and monetary policies of the Federal Reserve. Our results of operations depend substantially on our net interest income, which is the difference between the interest income that we earn on our interest ~~–~~earning assets and the interest expense that we pay on our interest bearing liabilities. Our profitability depends on our ability to manage our assets and liabilities during periods of changing interest rates. If rates increase rapidly, we may have to increase the rates paid on our deposits and borrowed funds more quickly than loans and investments re – price, resulting in a negative impact on interest spreads and net interest income. The impact of rising rates could be compounded if deposit customers funds away from us into direct investments, such as U. S. Government bonds, corporate securities and other investments, including mutual funds, which, because of the absence of federal deposit insurance premiums and reserve requirements, generally pay higher rates of return than those offered by financial institutions. We also expect that we will periodically experience " gaps " in the interest rate sensitivities of our assets and liabilities, meaning that either our interest bearing liabilities will be more sensitive to changes in market interest rates than our interest earning assets, or vice versa. In either event, if market interest rates should move contrary to our position, this " gap " will negatively impact our earnings. The impact on earnings is more adverse when the slope of the yield curve flattens, that is, when short – term interest rates increase more than long – term interest rates or when long – term interest rates decrease more than short – term interest rates. Changes in interest rates also could affect loan volume. For instance, an increase in interest rates could cause a decrease in the demand for mortgage loans (and other loans), which could result in a significant decline in our revenues. **In addition, as market interest rates rise, the value of the Company' s investment securities, particularly those that have fixed rates or longer maturities, could decrease. Increasing rates would also increase debt service requirements for some of the Bank' s borrowers and may adversely affect those borrowers' ability to pay as contractually obligated and could result in additional delinquencies or charge – offs.** Conversely, should market interest rates fall below current levels, our net interest margin could also be negatively affected, as competitive pressures could keep us from further reducing rates on our deposits, and prepayments on loans may continue. Such movements may cause a decrease in our interest rate spread and net interest margin, and therefore, decrease our profitability. We also are subject to reinvestment risk associated with changes in interest rates. Changes in interest rates may affect the average life of loans and mortgage – related securities. Increases in interest rates may decrease loan demand and / or may make it more difficult for borrowers to repay adjustable rate loans, which increases the

potential for default. An increase in interest rates that adversely affects the ability of borrowers to pay the principal or interest on may also lead to an increase in non – performing assets and a reduction of income recognized, which could have a material adverse effect on our results of operations and cash flows. Further, when we place a loan on non – accrual status, we reverse any accrued but unpaid interest receivable, which decreases interest income. At the same time, we continue to have a cost to fund the loan, which is reflected as interest expense, without any interest income to offset the associated funding expense. Decreases in interest rates often result in increased prepayments of loans and mortgage – related securities, as borrowers refinance their loans to reduce borrowing costs. Under these circumstances, we are subject to reinvestment risk to the extent that we are unable to reinvest the cash received from such prepayments in loans or other investments that have interest rates that are comparable to the interest rates on existing loans and securities. We are **exposed to intangible asset risk in that our goodwill may become impaired. As of December 31, 2023, we had $ 168. 8 million of goodwill and other intangible assets. A significant and sustained decline in our stock price and market capitalization, a significant decline in our expected future cash flows, a significant adverse change in the business climate, or slower growth rates could result in impairment of goodwill. If we were to conclude that a future write- down of our goodwill is necessary, then we would record the appropriate charge, which could be materially adverse to our operating results and financial position. For further discussion, see Notes 1 and 8, " Nature of Operations and Summary of Significant Accounting Policies " and " Goodwill and Intangible Assets, " to the Consolidated Financial Statements included in Item 8 of our Annual Report on Form 10 – K for the year ended December 31, 2023. Our mortgage lending profitability could be significantly reduced as changes in interest rates could affect mortgage origination volume and pricing for selling mortgages on the secondary market. Currently, we sell a substantial portion of the mortgage loans we originate. The profitability of our mortgage banking operations depends in large part upon our ability to originate and sell mortgages to the secondary market at a gain. A higher interest rate environment can negatively affect the volume of loan originations and refinanced loans reducing the dollar amount of loans available to be sold to the secondary market. Higher interest rates can also negatively affect the premium received on loans sold to the secondary market as competitive pressures to originate loans can reduce pricing. Our ability to sell mortgage loans readily is dependent upon the availability of an active secondary market for single – family mortgage loans, which in turn depends in part upon the continuation of programs currently offered by Fannie Mae, Freddie Mac and Ginnie Mae (the " Agencies ") and other institutional and non – institutional investors. These entities account for a substantial portion of the secondary market in residential mortgage loans. Some of the largest participants in the secondary market, including the Agencies, are government – sponsored enterprises whose activities are governed by federal law. Any future changes in laws that significantly affect the activity of such government – sponsored enterprises could, in turn, adversely affect our operations. Any significant impairment of our eligibility with any of the Agencies could materially and adversely affect our operations. Further, the criteria for loans to be accepted under such programs may be changed from time – to – time by the sponsoring entity which could result in a lower volume of corresponding loan originations. The profitability of participating in specific programs may vary depending on a number of factors, including our administrative costs of originating and purchasing qualifying loans and our costs of meeting such criteria. The price of our common stock may fluctuate significantly, and this may make it difficult for you to resell our common stock at times or at prices you find attractive. Although our common stock is listed on the NASDAQ Global Select Market, our stock price constantly changes, and we expect our stock price to continue to fluctuate in the future. Our stock price is impacted by a variety of factors, some of which are beyond our control. These factors include: • variations in our operating results or the quality of our assets; • operating results that vary from the expectations of management, securities analysts and investors; • increases in loan losses, non – performing loans and other real estate owned; • changes in the U. S. corporate tax rates; • changes in expectations as to our future financial performance; • announcements of new products, strategic developments, new technology, acquisitions and other material events by us or our competitors; • ability to fund Horizon' s assets through core deposits and / or wholesale funding; • the operating and securities prices performance of other companies that investors believe are comparable to us; • our inclusion on the Russell 2000 or other indices; • actual or anticipated sales of our equity or equity – related securities; • our past and future dividend practice; • our creditworthiness; • interest rates; • the credit, mortgage and housing markets, and the markets for securities relating to mortgage or housing; • developments with respect to financial institutions generally; and • economic, financial, geopolitical, regulatory, congressional or judicial events that affect us or the financial markets. In addition, the stock market in general has experienced price and volume fluctuations. The volatility has had a significant effect on the market price of securities issued by many companies and particularly those in the financial services and banking sector, including for reasons unrelated to their operating performance. These broad market fluctuations may adversely affect our stock price, notwithstanding our operating results. Because our stock is moderately traded, it may be more difficult for you to sell your shares or buy additional shares when you desire to do so and the price may be volatile. Although our common stock has been listed on the NASDAQ stock market since December 2001, our common stock is moderately traded. The prices of moderately traded stocks, such as ours, can be more volatile than stocks traded in a large, active public market and can be more easily impacted by sales or purchases of large blocks of stock. Moderately traded stocks are also less liquid, and because of the low volume of trades, you may be unable to sell your shares when you desire to do so. We are** subject to liquidity risk in our operations, which could adversely affect the ability to fund various obligations. Liquidity risk is the possibility of being unable to meet obligations as they come due, pay deposits when withdrawn, capitalized on growth opportunities as they arise, or pay dividends because of an inability to liquidate assets or obtain adequate funding on a timely basis, at a reasonable cost and within acceptable risk tolerances. Liquidity is derived primarily from retail deposit growth and retention, principal and interest payments on loans and investment securities, net cash provided from operations, and access to other funding sources. Liquidity is essential to our

business. We must maintain sufficient funds to respond to the needs of depositors and borrowers. An inability to raise funds through deposits, borrowings, the sale or pledging as collateral of loans and other assets could have a material adverse effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities could be impaired by factors that affect us specifically or the financial services industry in general. Factors that could detrimentally impact our access to liquidity sources include a decrease in the level of our business activity due to a market downturn, failures of other financial institutions which reduces overall market confidence in the banking and financial services industry, or regulatory action that limits or eliminates our access to alternate funding sources. Our ability to borrow could also be impaired by factors that are nonspecific to us, such as severe disruption of the financial markets or negative expectations about the prospects for the financial services industry as a whole, as evidenced by the recent failures of certain depository institutions and the resulting market turmoil and volatility stemming from such failures. Unrealized losses in our investment portfolio could adversely affect liquidity. As market interest rates increased during 2022 and ~~continued into the early months of~~ 2023, we have experienced increased unrealized losses within our investment portfolio. Our investment portfolio consists of obligations of the U. S. Treasury and federal agencies, obligations of state and local municipalities, federal agency mortgage obligations, private labeled mortgage – backed pools and corporate notes. Many of these instruments are particularly sensitive to interest rate fluctuations, especially long – term fixed – income securities. ~~From December 31, 2021, to December 31, 2022, the available for sale investment portfolio experienced unrealized losses of approximately $ 147. 3 million and our held to maturity of approximately $ 349. 0 million, which coincided with an increase by the Federal Reserve in the federal funds target rate from 0. 25 % as of December 31, 2021 to 4. 50 % as of December 31, 2022. See Note 4 in the 2022 Annual Report for more details on the securities. As of the date of this report, the current federal funds target rate is 4. 75 %.~~ The ~~increase in~~ unrealized losses for available for sale investments is reflected in Accumulated Other Comprehensive Income (**“** AOCI **”**) on our balance sheet and reduces our book capital and tangible common equity ratio. However, unrealized losses do not affect our regulatory capital ratios. Management continues to actively monitor the investment portfolio and does not currently anticipate the need to realize material losses from the investment portfolio, and we believe it is unlikely we would be required to sell the securities before recovery of their amortized cost bases, which may be at maturity. However, our access to liquidity sources could be affected by unrealized losses if securities within the investment portfolio must be sold at a loss or tangible capital ratios decline from an increase in unrealized losses or realized credit losses **our** business.Our primary market area for ~~deposit~~ **deposits** and loans consists of northern and central Indiana and southern and central Michigan.An economic slowdown could hurt our business and the possible consequences of such a downturn could include the following:• increases in loan delinquencies and foreclosures;• declines in the value of real estate and other collateral securing loans;• an increase in loans charged off;• an increase in expense to fund loan loss reserves;• an increase in collection costs;• a decline in the demand for our products and services;and • an increase in non – accrual loans and other real estate owned ~~.~~ . We face intense competition in all phases of our business from other banks, financial institutions and non – banks. The banking and financial services business in most of our markets is highly competitive. Our competitors include large banks, local community banks, savings and loan associations, securities and brokerage companies, mortgage companies, insurance companies, finance companies, money market mutual funds, credit unions, neo – banks (a digital or mobile – only bank that exists without any physical bank branches), and other non – bank financial and digital service providers, many of which have greater financial, marketing and technological resources than we do. Many of these competitors are not subject to the same regulatory restrictions that we are and may be able to compete more effectively as a result. Also, technology and other changes have lowered barriers to entry and made it possible for customers to complete financial transactions using neo – banks, non – banks and financial technology (“ FinTech ”) companies that historically have involved banks at one or both ends of the transaction. These entities now offer products and services traditionally provided by banks and often at lower costs. The wide acceptance of Internet – based commerce has resulted in a number of alternative payment processing systems, and deposit and lending platforms in which banks play only minor roles. For example, consumers can maintain funds that would have historically been held as bank deposits in brokerage accounts or mutual funds. Consumers can also complete transactions such as paying bills and / or transferring funds directly without the assistance of banks. Use of emerging alternative payment platforms, such as Apple Pay ~~or Bitcoin or other cryptocurrencies~~ , **Google Pay, and PayPal** can alter consumer credit card behavior and consequently impact our interchange fee income. The continuing process of eliminating banks as intermediaries, known as “ disintermediation, ” will likely result in the loss of additional fee income, as well as the loss of customer deposits and the related income generated from those deposits. The effects of disintermediation are also likely to continue to negatively impact the lending activities of traditional banks because of the fast growing number of FinTech companies that use software and technology to deliver mortgage lending and other financial services with fewer employees. A related risk is the migration of bank personnel away from the traditional bank environments into neo – banks, FinTech companies and other non – banks. Increased competition in our markets may result in a decrease in the amounts of our loans and deposits, reduced spreads between loan rates and deposit rates or loan terms that are more favorable to the borrower. Any of these results could have a material adverse effect on our ability to maintain our earnings record, grow our loan portfolios and obtain low – cost funds. If increased competition causes us to significantly discount the interest rates we offer on loans or increase the amount we pay on deposits, our net interest income could be adversely impacted. If increased competition causes us to change our underwriting standards, we could be exposed to higher losses from lending activities. Additionally, many of our competitors are larger in total assets and capitalization and have greater access to capital markets. Horizon is also experiencing an increase in competition to acquire other banks, due to the overall strength of financial institutions and their high capital levels. In addition, credit unions, private equity groups, and FinTech companies are now actively pursuing small bank acquisitions. Increased competition for bank acquisitions may slow Horizon’ s ability to grow earning assets at comparable historical growth rates. ~~We may need to raise additional capital in the future, and such capital may not be available when needed or at all. We may need to raise additional capital in the future to fund acquisitions and to provide us with sufficient capital resources and liquidity~~

~~to meet our commitments, regulatory capital requirements and business needs, particularly if our asset quality or earnings were to deteriorate significantly. Although we are currently, and have historically been, " well capitalized " for regulatory purposes, in the past we have been required to maintain increased levels of capital in connection with certain acquisitions. Additionally, we periodically explore acquisition opportunities with other financial institutions, some of which are in distressed financial condition. Any future acquisition, particularly the acquisition of a significantly troubled institution or an institution of comparable size to us, may require us to raise additional capital in order to obtain regulatory approval and / or to remain well capitalized. Our ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, which are outside of our control, and our financial performance. Economic conditions and the loss of confidence in financial institutions may increase our cost of funding and limit access to certain customary sources of capital, including inter – bank borrowings, repurchase agreements and borrowings from the discount window of the Federal Reserve. We cannot guarantee that such capital will be available on acceptable terms or at all. Any occurrence that may limit our access to the capital markets, such as a decline in the confidence of debt purchasers, our depositors or counterparties participating in the capital markets, may adversely affect our capital costs and our ability to raise capital and, in turn, our liquidity. Moreover, if we need to raise capital in the future, we may have to do so when many other financial institutions are also seeking to raise capital and would have to compete with those institutions for investors. An inability to raise additional capital on acceptable terms when needed could have a materially adverse effect on our business, financial condition and results of operations and may restrict our ability to grow. Our commercial, residential mortgage and consumer loans expose us to increased credit risks. We have a large percentage of commercial, residential mortgage and consumer loans. Commercial loans generally have greater credit risk than residential mortgage loans because repayment of these loans often depends on the successful business operations of the borrowers. Commercial real estate loans generally have greater risk than residential mortgage loans because repayment of these loans is often dependent upon income being generated in amounts sufficient to cover operating costs and debt service. Both types of commercial loans also typically have much larger loan balances than residential mortgage loans. Consumer loans generally involve greater risk than residential mortgage loans because they are unsecured or secured by assets that depreciate in value. Although we undertake a variety of underwriting, monitoring and reserving protections with respect to these types of loans, there can be no guarantee that we will not suffer unexpected losses. Residential mortgage loans and consumer loans are at risk due to the continuing volatility of unemployment rates and increasing interest rates, which may adversely affect the underlying real estate and other collateral values and the ability of our borrowers to repay their loans on scheduled terms. Our holdings of construction, land and home equity loans may pose more credit risk than other types of mortgage loans. Construction loans, loans secured by commercial real estate and home equity loans generally entail more risk than other types of mortgage loans. When real estate values decrease, the developers to whom we lend are likely to experience a decline in sales of new homes from their projects. Land and construction loans are more likely to become non – performing as developers are unable to build and sell homes in volumes large enough for orderly repayment of loans and as other owners of such real estate (including homeowners) are unable to keep up with their payments. We strive to establish what we believe are adequate reserves on our financial statements to cover the credit risk of these loan portfolios. However, there can be no assurance that losses will not exceed our reserves, and ultimately result in a material level of charge – offs, which would adversely impact our results of operations, liquidity and capital. The allowance for credit losses on loans may prove inadequate or be negatively affected by credit risk exposures. Our business depends on the creditworthiness of our customers. We periodically review the allowance for credit losses for adequacy considering economic conditions and trends, collateral values, and credit quality indicators, including past charge – off experience and levels of past due loans and non – performing assets. There is no certainty that the allowance for credit losses will be adequate over time to cover credit losses in the portfolio because of unanticipated adverse changes in the economy, market conditions or events adversely affecting specific customers, industries or markets. If the credit quality of our customer base materially decreases, if the risk profile of a market, industry or group of customers changes materially, or if the allowance for credit losses is not adequate, our business, financial condition, liquidity, capital, and results of operations could be materially adversely affected. Our mortgage warehouse and indirect lending operations are subject to a higher fraud risk than our other lending operations. We buy loans originated by mortgage bankers and automobile dealers. Because we must rely on the mortgage bankers and automobile dealers in making and documenting these loans, there is an increased risk of fraud to us on the part of the third – party originators and the underlying borrowers. In order to guard against this increased risk, we perform investigations on the mortgage companies and other third parties who originate loans we purchase, and we review the loan files and loan documents we purchase to attempt to detect any irregularities or legal noncompliance. However, there is no guarantee that our procedures will detect all cases of fraud or legal noncompliance. Our mortgage lending profitability could continue to be significantly reduced if we are not able to resell mortgages at a reasonable gain on sale or experience other problems with the secondary market process. Currently, we sell a substantial portion of the mortgage loans we originate. The profitability of our mortgage banking operations depends in large part upon our ability to aggregate a high volume of loans and to sell them in the secondary market at a gain. Thus, we are dependent upon the existence of an active secondary market and our ability to profitably sell loans into that market. Our ability to sell mortgage loans readily is dependent upon the availability of an active secondary market for single – family mortgage loans, which in turn depends in part upon the continuation of programs currently offered by Fannie Mae, Freddie Mac and Ginnie Mae (the " Agencies ") and other institutional and non – institutional investors. These entities account for a substantial portion of the secondary market in residential mortgage loans. Some of the largest participants in the secondary market, including the Agencies, are government – sponsored enterprises whose activities are governed by federal law. Any future changes in laws that significantly affect the activity of such government – sponsored enterprises could, in turn, adversely affect our operations. Any significant impairment of our eligibility with any of the Agencies could materially and adversely affect our operations. Further, the criteria for loans to be accepted under such programs may be changed from time – to – time by the sponsoring entity which could result in a lower volume of corresponding loan originations.~~

~~The profitability of participating in specific programs may vary depending on a number of factors, including our administrative costs of originating and purchasing qualifying loans and our costs of meeting such criteria. Our mortgage lending profitability could be significantly reduced as changes in interest rates could affect mortgage origination volume and pricing for selling mortgages on the secondary market. Currently, we sell a substantial portion of the mortgage loans we originate. The profitability of our mortgage banking operations depends in large part upon our ability to originate and sell mortgages to the secondary market at a gain. A higher interest rate environment can negatively affect the volume of loan originations and refinanced loans reducing the dollar amount of loans available to be sold to the secondary market. Higher interest rates can also negatively affect the premium received on loans sold to the secondary market as competitive pressures to originate loans can reduce pricing. We may be exposed to risk of environmental liabilities with respect to real property to which we take title. In the course of our business, we may own or foreclose and take title to real estate, and could be subject to environmental liabilities with respect to these properties (including liabilities for property damage, personal injury, investigation and clean- up costs incurred by these parties in connection with environmental contamination), or may be required to investigate or clean up hazardous or toxic substances, or chemical releases at a property. We are exposed to intangible asset risk in that our goodwill may become impaired. As of December 31, 2022, we had $ 172. 5 million of goodwill and other intangible assets. A significant and sustained decline in our stock price and market capitalization, a significant decline in our expected future cash flows, a significant adverse change in the business climate, or slower growth rates could result in impairment of goodwill. If we were to conclude that a future write- down of our goodwill is necessary, then we would record the appropriate charge, which could be materially adverse to our operating results and financial position. For further discussion, see Notes 1 and 9, " Nature of Operations and Summary of Significant Accounting Policies " and " Goodwill and Intangible Assets, " to the Consolidated Financial Statements included in Item 8 of our Annual Report on Form 10 – K for the year ended December 31, 2022. Our prior role as a trustee for employee stock ownership plans (" ESOPs ") may expose us to increased risk of litigation due to heightened scrutiny of this role by the U. S. Department of Labor and the plaintiffs' bar. Prior to September 30, 2021, we acted as an independent trustee for corporate ESOP plans throughout the U. S. Over the last several years, the U. S. Department of Labor and the plaintiffs' bar have been aggressively targeting ESOP trustees and transactions on a variety of fronts, including valuations and the amount that ESOP trustees pay to buy back stock from selling shareholders, as well as the indemnity agreements commonly used by ESOP companies to protect ESOP trustees from undue risk and liability exposure. In December 2021, Horizon reached a mediation settlement with the U. S. Department of Labor concerning ESOP valuations and sale transactions relating to ESOPs for which we acted as trustee. On September 30, 2021, we sold our ESOP trustee business to a third party. Despite exiting this line of business and our settlement with the U. S. Department of Labor with respect to many of our prior engagement, we may still be exposed to an increased risk of litigation from the U. S. Department of Labor and the plaintiffs' bar for these historical activities. We may be adversely impacted by the discontinuance of LIBOR as a short – term interest rate utilized for loans and other financing agreements. In 2017, the United Kingdom' s Financial Conduct Authority (the authority that regulates LIBOR) (the " FCA ") announced that after 2021 it would no longer compel banks to submit the rates required to calculate the London Interbank Offered Rate (" LIBOR "). Subsequently, on March 5, 2021, the FCA announced that all LIBOR settings will either cease to be provided by any administrator or no longer be representative immediately after December 31, 2021, in the case of 1 – week and 2 – month LIBOR, and immediately after June 30, 2023, in the case of the remaining LIBOR settings. On March 15, 2022, the President of the United States signed into law the Adjustable Interest Rate (LIBOR) Act (the " LIBOR Act "). This legislation establishes a uniform benchmark replacement process for certain contracts that do not contain clearly defined or practicable fall – back provisions. Under the LIBOR Act, such contracts will automatically transition as a matter of law to a Secured Overnight Financing Rate (" SOFR ") based replacement rate identified by the Board of Governors of the Federal Reserve System (the " Federal Reserve Board "). The legislation also creates a safe harbor that shields lenders from litigation if they choose to utilize a replacement rate recommended by the Federal Reserve. We have loans, borrowings and other financial instruments with attributes that are directly or indirectly dependent on LIBOR and do not provide a replacement rate or include other fall – back provisions that would apply after June 30, 2023. Thus, Horizon has elected to allow the LIBOR under these contracts to automatically convert into the CME Term SOFR after June 30, 2023 pursuant to and in accordance with the LIBOR Act. The preparation of our financial statements requires the use of estimates that may vary from actual results. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make significant estimates that affect the financial statements. One of our most critical estimates is the level of the allowance for credit losses. Due to the inherent nature of these estimates, we cannot provide absolute assurance that we will not have to increase the allowance for loan losses and / or sustain loan losses that are significantly higher than the provided allowance. Our information systems may experience cyber – attacks or an interruption or breach in security. Our cybersecurity systems could be inadequate or fail. We rely heavily on internal and outsourced technologies, communications, and information systems to conduct our business. Additionally, in the normal course of business, we collect, process and retain sensitive and confidential information regarding our customers. As our reliance on technology has increased, so have the potential risks of a technology – related operational interruption (such as disruptions in our customer relationship management, general ledger, deposit, loan, or other systems) or the occurrence of cyber – attacks (such as unauthorized access to our systems, computer viruses, ransom ware, or other malicious code). These risks have increased for all financial institutions as new technologies, including the use of the Internet and telecommunications technologies (including mobile devices), have become commonly used to conduct financial and other business transactions, during a time of increased technological sophistication of organized crime, perpetrators of fraud, hackers, terrorists and others. In addition to cyber – attacks or other security breaches involving the theft of sensitive and confidential information, hackers recently have engaged in attacks against large financial institutions, particularly denial of service attacks, which are designed to disrupt key business services, such as customer – facing web sites. Although we have programs in place related to business continuity, disaster recovery and information security to maintain the confidentiality,~~

integrity, and availability of our systems, business applications and customer information, we are not able to anticipate or implement effective preventive measures against all cyber – security threats, especially because the techniques used change frequently and because attacks can originate from a wide variety of sources, both domestic and foreign. We also face risks related to cyber – attacks and other security breaches in connection with credit card and debit card transactions that typically involve the transmission of sensitive information regarding our customers through various third parties, including merchant acquiring banks, payment processors, payment card networks and our processors. Some of these parties have in the past been the target of security breaches and cyber – attacks, and because the transactions involve third parties and environments such as the point of sale that we do not control or secure, future security breaches or cyber – attacks affecting any of these third parties could impact us through no fault of our own, and in some cases, we may have exposure and suffer losses for breaches or attacks relating to them. Further cyber – attacks or other breaches in the future, whether affecting us or others, could intensify consumer concern and regulatory focus and result in reduced use of payment cards and increased costs, all of which could have a material adverse effect on our business. To the extent we are involved in any future cyber – attacks or other breaches, we may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance we maintain. We could also suffer significant damage to our reputation. Although we are insured against many of these risks, including privacy breach response costs, notification expenses, breach support and credit monitoring expenses, cyber extortion and cyber terrorism, there can be no assurances that such insurance will be sufficient to cover all costs arising from a data or information technology breach and our exposure may exceed our coverage. We continually encounter technological changes. The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology – driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements, and we may not be able to effectively implement new technology – driven products and services at the same speed at which our competitors do (or not at all) or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on our business and, in turn, our financial condition and results of operations. We rely on other companies to provide key components of our business infrastructure. Third – party vendors provide key components of our business infrastructure, including Internet connections, mobile and internet banking, statement processing, loan document preparation, network access and transaction and other processing services. Although we have selected these third – party vendors carefully, we do not control their actions. Any problems caused by these third parties, including as a result of inadequate or interrupted service or breach of customer information, could adversely affect our ability to deliver products and services to our customers and otherwise to conduct our business. In addition, any breach in customer information could affect our reputation and cause legal liability and a loss of business. Replacing these third – party vendors also could result in significant delay and expense. The loss of key members of our senior management team and our lending teams could affect our ability to operate effectively. We depend heavily on the services of our existing senior management team to carry out our business and investment strategies. As we continue to grow and expand our business and our locations, products and services, we will increasingly need to rely on our senior management team' s experience, judgment and expertise. We also depend heavily on our experienced and effective lending teams and their respective special market insights, including, for example, our agricultural lending specialists. In addition to the importance of retaining our lending team, we will also need to continue to attract and retain qualified banking personnel at all levels. Competition for such personnel is intense in our geographic market areas. If we are unable to attract and retain an effective lending team and other talented people, our business could suffer. The loss of the services of any senior management personnel or the inability to recruit and retain qualified lending and other personnel in the future, could have a material adverse effect on our consolidated results of operations, financial condition and prospects. Pandemics, natural disasters, global climate change, acts of terrorism and global conflicts may have a negative impact on our business. Pandemics, including the continuing COVID – 19 pandemic, natural disasters, global climate change, acts of terrorism, global conflicts or other similar events have in the past, and may in the future have, a negative impact on our business and operations. These events impact us negatively to the extent that they result in reduced capital markets activity, lower asset price levels, or disruptions in general economic activity in the United States or abroad, or in financial market settlement functions. In addition, these or similar events may impact economic growth negatively, which could have an adverse effect on our business and operations and may have other adverse effects on us in ways that we are unable to predict. Potential acquisitions may disrupt our business and dilute stockholder value. We periodically evaluate merger and acquisition opportunities and conduct due diligence activities related to possible transactions with other financial institutions and financial services companies. We generally seek merger or acquisition partners that are culturally similar and possess either significant market presence or have potential for improved profitability through financial management, economies of scale or expanded services. Acquiring other banks, businesses, or branches involves various risks commonly associated with acquisitions, including, among other things: • potential exposure to unknown or contingent liabilities of the target company; • exposure to potential asset quality issues of the target company; • potential disruption to our business; • potential diversion of our management' s time and attention away from day – to – day operations; • the possible loss of key employees, business and customers of the target company; • difficulty in estimating the value of the target company; and • potential problems in integrating the target company' s data processing and ancillary systems, customers and employees with ours. As a result, merger or acquisition discussions and, in some cases, negotiations may take place and future mergers or acquisitions involving the payment of cash or the issuance of our debt or equity securities may occur at any time. Acquisitions typically involve the

~~payment of a premium over book and market values, and, therefore, some dilution of our tangible book value and net income per common share may occur in connection with any future transaction. To the extent we were to issue additional shares of common stock in any such transaction, our current shareholders would be diluted and such an issuance may have the effect of decreasing our stock price, perhaps significantly. Furthermore, failure to realize the expected revenue increases, cost savings, increases in geographic or product presence, and / or other projected benefits from an acquisition could have a material adverse effect on our financial condition and results of operations. In addition, merger and acquisition costs incurred by Horizon may temporarily increase operating expenses. Risks Related to the Banking Industry Generally We are subject to extensive regulation and changes in laws and regulatory policies could adversely affect our business. Our operations are subject to extensive regulation by federal and state agencies. See " Regulation and Supervision " in the description of our Business in Item 1 of Part I of this report for detailed information on the laws and regulations to which we are subject. Many of these regulations are intended to protect depositors, the public or the FDIC insurance funds, not shareholders. Regulatory requirements affect our lending practices, capital structure, investment practices, dividend policy and many other aspects of our business. Changes in applicable laws, regulations or regulator policies can materially affect our business. The likelihood of any major changes in the future and their effects are impossible to predict. As an example, the Bank could experience higher credit losses because of federal or state legislation or by regulatory or bankruptcy court action that reduces the amount the Bank' s borrowers are otherwise contractually required to pay under existing loan contracts. Also, the Bank could experience higher credit losses because of federal or state legislation or regulatory action that limits its ability to foreclose on property or other collateral or makes foreclosure less economically feasible. We face other risks from recent actions of the U. S. Treasury and the Internal Revenue Service. In November 2016, these agencies issued a Notice making captive insurance company activities " transactions of interest " due to the potential for tax avoidance or evasion. We have a captive insurance company and it is not certain at this point how the Notice may impact us on our operation of the captive insurance company as a risk management tool. Legislation enacted in recent years, together with additional actions announced by the U. S. Treasury and other regulatory agencies, continue to develop. It is not clear at this time what impact legislation and liquidity and funding initiatives of the U. S. Treasury and other bank regulatory agencies, and additional programs that may be initiated in the future, will have on the financial markets and the financial services industry. We may also face compliance risks arising from the new and growing body of privacy and data security laws enacted by foreign governments, such as the European Union' s comprehensive 2018 General Data Privacy Regulation, and by U. S. state governments, such as the California Consumer Privacy Act that went into effect on January 1, 2020. The soundness of other financial institutions could adversely affect us. Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these transactions expose us to credit risk in the event of default by our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due us. There is no assurance that any such losses would not materially and adversely affect our results of operations or earnings. Our inability to continue to process large volumes of transactions accurately could adversely impact our business and financial results. We process large volumes of transactions on a daily basis and are exposed to numerous types of operational risk. Operational risk resulting from inadequate or failed internal processes, people and systems includes the risk of fraud by persons inside or outside Horizon, the execution of unauthorized transactions by employees, errors relating to transaction processing and systems, and breaches of the internal control system and compliance requirements. This risk of loss also includes the potential legal actions that could arise as a result of the operational deficiency or as a result of noncompliance with applicable regulatory standards. Accordingly, if systems of internal control should fail to work as expected, if systems are used in an unauthorized manner, or if employees subvert the system of internal controls, significant losses could result. We establish and maintain systems of internal operational controls that are designed to provide us with y and accurate information about our level of operational risk. While not foolproof, these systems have been designed to manage operational risk at appropriate, cost – effective levels. Procedures also exist that are designed to ensure that policies relating to conduct, ethics and business practices are followed. If these systems fail, significant losses could result. While we continually monitor and improve the system of internal controls, data processing systems and corporate – wide processes and procedures, there can be no assurance that future losses will not occur. Acts of terrorism or war, as well as the threat of terrorism or war, may adversely affect our results of operations, financial condition, and liquidity. Any act of terror, sustained military campaign, or war (threat of any of the foregoing) may cause general economic decline and instability, volatility and / or weakness of U. S. and global financial markets. Historically, U. S. and global markets have been adversely impacted by political and civil unrest occurring in the Middle East, Eastern Europe, Russia, Venezuela and Asia. The current Russia and Ukraine conflict has raised similar economic and financial market concerns causing uncertainty and disruption in financial markets globally and further straining an already struggling global supply chain. Furthermore, such events have the potential to adversely impact the availability of commodities, commodity prices, and create global inflationary pressures. As a result of any such events, the demand for our products and services may be significantly impacted and could influence the recognition of credit losses in our loan portfolio and increase our allowance for credit losses as both businesses and consumers are negatively impacted by such events and the economic uncertainty and volatility related thereto. They may also cause significant decreases in value in our investment portfolio, cause us to have to raise capital, or take other unforeseen actions to offset such effects. The extent to which such actions may impact our business, results of operations, and financial condition, as well as our regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain, including the scope and duration of such conflicts and actions taken by governmental authorities and other third parties in response thereto. Even after such conflicts subside, the U. S. and global economies often require some time to recover, the length of which is unknown. Any continued or~~

~~further negative impact on economic conditions and global markets from these developments could adversely affect our business, financial condition and liquidity. Risks Related to our Common Stock The price of our common stock may fluctuate significantly, and this may make it difficult for you to resell our common stock at times or at prices you find attractive. Although our common stock is listed on the NASDAQ Global Select Market, our stock price constantly changes, and we expect our stock price to continue to fluctuate in the future. Our stock price is impacted by a variety of factors, some of which are beyond our control. These factors include: • variations in our operating results or the quality of our assets; • operating results that vary from the expectations of management, securities analysts and investors; • increases in loan losses, non – performing loans and other real estate owned; • changes in the U. S. corporate tax rates; • changes in expectations as to our future financial performance; • announcements of new products, strategic developments, new technology, acquisitions and other material events by us or our competitors; • ability to fund Horizon' s assets through core deposits and / or wholesale funding; • the operating and securities price performance of other companies that investors believe are comparable to us; • our inclusion on the Russell 2000 or other indices; • actual or anticipated sales of our equity or equity – related securities; • our past and future dividend practice; • our creditworthiness; • interest rates; • the credit, mortgage and housing markets, and the markets for securities relating to mortgages or housing; • developments with respect to financial institutions generally; and • economic, financial, geopolitical, regulatory, congressional or judicial events that affect us or the financial markets. In addition, the stock market in general has experienced price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies and particularly those in the financial services and banking sector, including for reasons unrelated to their operating performance. These broad market fluctuations may adversely affect our stock price, notwithstanding our operating results. Because our stock is moderately traded, it may be more difficult for you to sell your shares or buy additional shares when you desire to do so and the price may be volatile. Although our common stock has been listed on the NASDAQ stock market since December 2001, our common stock is moderately traded. The prices of moderately traded stocks, such as ours, can be more volatile than stocks traded in a large, active public market and can be more easily impacted by sales or purchases of large blocks of stock. Moderately traded stocks are also less liquid, and because of the low volume of trades, you may be unable to sell your shares when you desire to do so. Provisions in our articles of incorporation, our by – laws, and Indiana law may delay or prevent an acquisition of us by a third party. Our articles of incorporation and by – laws and Indiana law contain provisions that have certain anti – takeover effects. While the purpose of these provisions is to strengthen the negotiating position of the board of directors in the event of a hostile takeover attempt, the overall effects of these provisions may be to render more difficult or discourage a merger, tender offer or proxy contest, the assumption of control by a holder of a large block of our shares, and the removal of incumbent directors and key management. Our articles of incorporation provide for a staggered board, which means that only one – third of our board can be replaced by shareholders at any annual meeting. Our articles also provide that our directors may only be removed without cause by shareholders owning 70 % or more of our outstanding common stock. Our articles also preempt Indiana law with respect to business combinations with a person who acquires 10 % or more of our common stock and provide that such transactions are subject to independent and super – majority shareholder approval requirements unless certain pricing and board pre – approval requirements are satisfied. Our by – laws do not permit cumulative voting of shareholders in the election of directors, allowing the holders of a majority of our outstanding shares to control the election of all our directors, and our directors are elected by plurality voting; although, under our newly adopted Director Resignation Policy, directors not receiving a majority of the votes cast in an uncontested election are required to submit a resignation, which our Board has the discretion to accept or reject. Our by – laws also establish detailed procedures that shareholders must follow if they desire to nominate directors for election or otherwise present issues for consideration at a shareholders' meeting. These and other provisions of our governing documents and Indiana law are intended to provide the board of directors with the negotiating leverage to achieve a more favorable outcome for our shareholders in the event of an offer for the Company. However, there is no assurance that these same anti – takeover provisions could not have the effect of delaying, deferring or preventing a transaction or a change in control that shareholders might believe to be in their best interests.~~