HBNC 10-K 12/31/2007

Section 1: 10-K (HORIZON BANCORP 10-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2007

Commission file number 0-10792

Horizon Bancorp

(Exact name of registrant as specified in its charter)

Indiana	35-1562417
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
515 Franklin Square, Michigan City	46360
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 219-879-0211

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, no par value	The NASDAQ Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 of Section 15(d) of the Exchange Act Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One)

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-Accelerated Filer ☐ Smaller Reporting Company ☑
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant, based on the average bid price of such stock as of June 30, 2007, the last day of the registrant's most recently completed second fiscal quarter, was approximately $66,408,840.

As of March 14, 2008, the registrant had 3,252,232 shares of Common Stock outstanding.

Part of Form 10-K into which

Documents Incorporated by Reference Document	portion of document is incorporated
Portions of the Registrant’s Proxy Statement to be filed for its May 8, 2008 annual meeting of shareholders	III

Horizon Bancorp

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PART I

BUSINESS

General

Horizon Bancorp ("Horizon" or the "Company") is a registered bank holding company incorporated in Indiana and headquartered in Michigan City, Indiana. Horizon provides a broad range of banking services in Northwestern Indiana and Southwestern Michigan through its bank subsidiary, Horizon Bank, N.A. (the "Bank") and other affiliated entities. Horizon operates as a single segment, which is commercial banking. Horizon's Common Stock is traded on the Nasdaq Global Market under the symbol HBNC. The Bank was chartered as a national banking association in 1873 and has operated continuously since that time. The Bank is a full-service commercial bank offering commercial and retail banking services, corporate and individual trust and agency services and other services incident to banking.

On June 10, 2005, Horizon acquired Alliance Financial Corporation and its wholly owned bank subsidiary, Alliance Banking Company (collectively referred to as Alliance). Alliance had three offices in southwest Michigan, and one office in Michigan City, Indiana, $141 million of assets and $117 million of deposits at the date of the acquisition. See Note 2 of the Consolidated Financial Statements for further discussion regarding the acquisition.

On April 23, 2007, the Bank opened a full service branch in Benton Harbor, Michigan and on January 28, 2008 the Bank opened its second full service branch in Valparaiso, Indiana. The Bank maintains fourteen other full service facilities and one loan production office in Northwest Indiana . At December 31, 2007, the Bank had total assets of $1.259 million and total deposits of $894 million. The Bank has four wholly-owned subsidiaries: Horizon Trust & Investment Management, N.A. ("Horizon Trust"), Horizon Investments, Inc. ("Horizon Investments"), Horizon Insurance Services, Inc. ("Horizon Insurance") and Horizon Grantor Trust. Horizon Trust offers corporate and individual trust and agency services and investment management services. Horizon Investments manages the investment portfolio of the Bank. Horizon Insurance offered a full line of personal insurance products until March 2005, at which time the majority of its assets were sold to a third party. Horizon Grantor Trust holds title to certain company owned life insurance policies.

Horizon formed Horizon Bancorp Capital Trust II in 2004 ("Trust II") and Horizon Bancorp Capital Trust III in 2006 ("Trust III") for the purpose of participating in pooled trust preferred securities offerings. The Company assumed additional debentures as the result of the acquisition of Alliance in 2005, which formed Alliance Financial Statutory Trust I ("Alliance Trust"). See Note 10 of the Consolidated Financial Statements for further discussion regarding these previously consolidated entities that are now reported separately. The business of Horizon is not seasonal to any material degree.

No material part of Horizon's business is dependent upon a single or small group of customers, the loss of any one or more of whom would have a materially adverse effect on the business of Horizon. In 2007, revenues from loans accounted for 73% of the total consolidated revenue and revenues from investment securities accounted for 13% of total consolidated revenue.

Employees

The Bank, Horizon Trust and Horizon Investments employed approximately 265 full and part-time people as of December 31, 2007. Horizon does not have any employees.

Competition

A high degree of competition exists in all major areas where Horizon engages in business. The Bank's primary market consists of Porter, LaPorte, St. Joseph and Elkhart Counties, Indiana, and Berrien County, Michigan. The Bank competes with commercial as well as with savings and loan associations, consumer finance companies and credit unions. To a more moderate extent, the Bank competes with Chicago money center banks, mortgage banking companies, insurance companies, brokerage houses, other institutions engaged in money market financial services and certain government agencies.

Based on deposits as of June 30, 2007, Horizon was the largest of the 11 bank and thrift institutions in LaPorte County with a 35.74% market share and the fifth largest of the 16 such institutions in Porter County with an 8.18% market share. In Berrien County, Michigan, Horizon was the fourth largest of the 10 bank and thrift institutions with an 8.09% market share. In 2005, Horizon opened new offices in St. Joseph and Elkhart Counties, Indiana. Horizon's market share of deposits was less than 1.00% in each of these counties. (Source: FDIC Summary of Deposits Market Share Reports, available at www.fdic.gov).

Supervision and Regulation

Horizon is registered as a bank holding company and is subject to the supervision of, and regulation by, the Board of Governors of the Federal Reserve System ("Federal Reserve") under the Bank Holding Company Act of 1956, as amended ("BHC Act"). The Federal Reserve has issued regulations under the BHC Act requiring a bank holding company to serve as a source of financial and managerial strength to its subsidiary banks. It is the policy of the Federal Reserve that, pursuant to this requirement, a bank holding company should stand ready to use its resources to provide adequate capital funds to its subsidiary banks during periods of financial stress or adversity.

The BHC Act requires the prior approval of the Federal Reserve to acquire more than a 5% voting interest of any bank or bank holding company. Additionally, the BHC Act restricts Horizon's nonbanking activities to those, which are determined by the Federal Reserve to be closely related to banking and a proper incident thereto.

Under the Federal Deposit Insurance Corporation Improvement Act of 1991 (the "FDICIA"), a bank holding company is required to guarantee the compliance of any insured depository institution subsidiary that may become "undercapitalized" (as defined in FDICIA) with the terms of any capital restoration plan filed by such subsidiary with its appropriate federal bank regulatory agency.

Bank holding companies are required to comply with the Federal Reserve's risk-based capital guidelines. The Federal Deposit Insurance Corporation (the "FDIC") and the Office of the Comptroller of the Currency (the "OCC") have adopted risk-based capital ratio guidelines to which depository institutions under their respective supervision are subject. The guidelines establish a systematic analytical framework that makes regulatory capital requirements more sensitive to differences in risk profiles among banking organizations. Risk-based capital ratios are determined by allocating assets and specified off-balance sheet commitments to four risk weighted categories, with higher levels of capital being required for the categories perceived as representing greater risk. For Horizon's regulatory capital ratios and regulatory requirements as of December 31, 2007, see the information in Management's Discussion and Analysis of Financial Condition and Results of Operation in Item 7 below, which is incorporated herein by reference.

The Bank is (i) subject to the provisions of the National Bank Act; (ii) supervised, regulated, and examined by the OCC; and (iii) subject to the rules and regulations of the OCC, Federal Reserve, and the FDIC.

The Bank's deposits are insured to applicable limits by the Federal Deposit Insurance Corporation ("FDIC"). The Federal Deposit Insurance Reform Act of 2005 (the "Reform Act"), which was signed into law in February 2006, has resulted in significant changes to the federal deposit insurance program:

- Effective March 31, 2006, the Bank Insurance Fund ("BIF") and the Savings Association Insurance Fund ("SAIF") were merged to create a new fund, called the Deposit Insurance Fund ("DIF")
- The current $100,000 deposit insurance coverage is subject to adjustment for inflation beginning in 2010 and every succeeding five years
- Deposit insurance coverage for individual retirement accounts and certain other retirement accounts has been increased from $100,000 to $250,000 and also will be subject to adjustment for inflation

Pursuant to the Reform Act, the FDIC is authorized to set the reserve ratio for the DIF annually at between 1.15% and 1.5% of estimated insured deposits and the FDIC has been given discretion to set assessment rates according to risk regardless of the level of the fund reserve ratio. On November 2, 2006, the FDIC adopted final regulations that set the designated reserve ratio for the DIF at 1.25% beginning January 1, 2007.

Insured depository institutions that were in existence on December 31, 1996, and paid assessments prior to that date (or their successors) are entitled to a one-time credit against future assessments based on their past contributions to the BIF or SAIF. In 2006, the Bank received a one-time credit of $457,534 against future assessments. Of the initial credit, $143,623 remained unused at December 31, 2007.

Also on November 2, 2006, the FDIC adopted final regulations that establish a new risk-based premium system. Under the new system, the FDIC will evaluate each institution's risk based on three primary sources of information: supervisory ratings for all insured institutions, financial ratios for most institutions, and long-term debt issuer ratings for large institutions that have such ratings. An institution's assessments will be based on the insured institution's ranking in one of four risk categories. Effective January 1, 2007, well-capitalized institutions with the CAMELS ratings of 1 or 2 are grouped in Risk Category I and will be assessed for deposit insurance at an annual rate of between five and seven cents for every $100 of domestic deposits. Institutions in Risk Categories II, III and IV will be assessed at annual rates of 10, 28 and 43 cents, respectively. An increase in assessments could have a material adverse effect on the Company's earnings.

FDIC-insured institutions remain subject to the requirement to pay assessments to the FDIC to fund interest payments on bonds issued by the Financing Corporation ("FICO"), an agency of the Federal government established to recapitalize the predecessor to the SAIF. These assessments will continue until the FICO bonds mature in 2017. For the quarter ended December 31, 2007, the FICO assessment rate was equal to 1.14 cents for each $100 in domestic deposits maintained at an institution.

Both federal and state law extensively regulates various aspects of the banking business, such as reserve requirements, truth-in-lending and truth-in-savings disclosures, equal credit opportunity, fair credit reporting, trading in securities and other aspects of banking operations. Branching by the Bank is subject to the jurisdiction and requires notice to or the prior approval of the OCC.

Horizon and the Bank are subject to the Federal Reserve Act, which restricts financial transactions between banks and affiliated companies. The statute limits credit transactions between banks, affiliated companies and its executive officers and its affiliates. The statute prescribes terms and conditions for bank affiliate transactions deemed to be consistent with safe and sound banking practices, and restricts the types of collateral security permitted in connection with a bank's extension of credit to an affiliate.

The FDICIA accomplished a number of sweeping changes in the regulation of depository institutions and their holding companies. The FDICIA requires, among other things, federal bank regulatory authorities to take "prompt corrective action" with respect to banks that do not meet minimum capital requirements. The FDICIA further directs that each federal banking agency prescribe standards for depository institutions and depository institution holding companies relating to internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, management compensation, a maximum ratio of classified assets to capital, minimum earnings sufficient to absorb losses, a minimum ratio of market value to book value of publicly traded shares and such other standards as the agency deems appropriate.

On November 12, 1999, the President signed into law comprehensive legislation that modernizes the financial services industry for the first time in decades. The Gramm-Leach-Bliley Act ("GLBA") permits bank holding companies to conduct essentially unlimited securities and insurance activities, in addition to other activities determined by the Federal Reserve to be related to financial services. As a result of the GLBA, Horizon may underwrite and sell securities and insurance. It may acquire, or be acquired by, brokerage firms and insurance underwriters. Horizon does not anticipate significant changes in its products or services as a result of the GLBA.

The USA PATRIOT Act of 2001 (the "PATRIOT Act") is intended to strengthen the ability of U.S. Law Enforcement to combat terrorism on a variety of fronts. The PATRIOT Act contains sweeping anti-money laundering and financial transparency laws and requires financial institutions to implement additional policies and procedures with respect to, or additional measures designed to address, any or all the following matters, among others: money laundering, suspicious activities and currency transaction reporting, and currency crimes. Many of the provisions in the PATRIOT Act were to have expired December 31, 2005, but the U.S. Congress authorized renewals that extended the provisions until March 10, 2006. In early March 2006, the U.S. Congress approved the USA PATRIOT Improvement and Reauthorization Act of 2005 (the "Reauthorization Act") and the USA PATRIOT Act Additional Reauthorizing Amendments Act of 2006 (the "PATRIOT Act Amendments"), and they were signed into law by President Bush on March 9, 2006. The Reauthorization Act makes permanent all but two of the provisions that had been set to expire and provides that the remaining two provisions, which relate to surveillance and the production of business records under the Foreign Intelligence Surveillance Act, will expire in three years. The PATRIOT Act Amendments include provisions allowing recipients of certain subpoenas to obtain judicial review of nondisclosure orders and clarifying the use of certain subpoenas to obtain information from libraries. Horizon does not anticipate that these changes will materially affect its operations.

On July 30, 2002, President Bush signed into law the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). The Sarbanes-Oxley Act represents a comprehensive revision of laws affecting corporate governance, accounting obligations and corporate reporting. The Sarbanes-Oxley Act is applicable to all companies with equity or debt securities registered under the Securities Exchange Act of 1934 (the "1934 Act"). In particular, the Sarbanes-Oxley Act establishes: (i) new requirements for audit committees, including independence, expertise and responsibilities; (ii) additional responsibilities regarding financial statements for the Chief Executive Officer and Chief Financial Officer of the reporting company; (iii) new standards for auditors and regulation of audits; (iv) increased disclosure and reporting obligations for the reporting company and their directors and executive officers; and (v) new and increased civil and criminal penalties for violation of the securities laws. Management expects that significant additional efforts and expense will continue to be required to comply with the provisions of the Sarbanes-Oxley Act.

The Fair and Accurate Credit Transactions Act of 2003 (the "FACT Act") amended the Fair Credit Reporting Act and made permanent certain federal preemptions that form the basis for a national credit reporting system. The FACT Act was also intended to (i) address identity theft, (ii) increase access to credit information, (iii) enhance the accuracy of credit reporting, (iv) facilitate the opt-out by consumers from certain marketing solicitations, (v) protect medical information, and (vi) promote financial literacy. The statute applies to credit reporting agencies (commonly referred to as "credit bureaus"), financial institutions, other users of credit reports and those who furnish information to credit bureaus.

In addition to the matters discussed above, Horizon Bank is subject to additional regulation of its activities, including a variety of consumer protection regulations affecting its lending, deposit, and collection activities and regulations affecting secondary mortgage market activities. The earnings of financial institutions are also affected by general economic conditions and prevailing interest rates, both domestic and foreign, and by the monetary and fiscal policies of the United States Government and its various agencies, particularly the Federal Reserve.

Additional legislative and administrative actions affecting the banking industry may be considered by the United States Congress, state legislatures and various regulatory agencies, including those referred to above. It cannot be predicted with certainty whether such legislative or administrative action will be enacted or the extent to which the banking industry in general or Horizon and its affiliates will be affected.

BANK HOLDING COMPANY STATISTICAL DISCLOSURES

I. DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL

Information required by this section of Securities Act Industry Guide 3 is presented in Management's Discussion and Analysis as set forth in Item 7 below, herein incorporated by reference.

II. INVESTMENT PORTFOLIO

A. The following is a schedule of the amortized cost and fair value of investment securities available for sale at December 31, 2007, 2006 and 2005:

(dollar amounts in thousands)	2007		2006		2005	
Available for Sale	**Cost**	**Fair Value**	**Cost**	**Fair Value**	**Cost**	**Fair Value**
U.S. Treasury and U.S. Government agencies and corporations	$ 25,660	$ 26,220	$ 58,595	$ 58,445	$ 72,153	$ 70,367
State and municipal	86,389	86,931	81,363	81,800	64,608	65,972
Mortgage-backed securities	108,247	107,371	93,591	91,174	119,392	116,020
Collateralized mortgage obligations	13,650	13,552	11,215	11,010	22,781	22,153
Corporate notes	632	601	632	649	632	665
Total investment securities	$234,578	$234,675	$245,396	$243,078	$279,566	$275,177

B. The following is a schedule of maturities of each category of debt securities and the related weighted-average yield of such securities as of December 31, 2007:

(dollar amounts in thousands)	One Year or Less		After One Year Through Five Years		After Five Years Through Ten Years		After Ten Years	
Available for Sale	**Amount**	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**	**Amount**	**Yield**
U.S. Treasury and U.S. Government agency securities (1)	$ 1,012	4.77%	$ 1,700	4.39%	$ 7,475	5.06%	$16,033	5.88%
Obligations of states and political subdivisions	4,127	4.76	5,888	4.15	22,802	4.24	54,114	4.21
Mortgage-backed securities (2)	2,677	3.40	43,602	4.34	35,427	4.90	25,665	5.54
Collateralized mortgage obligations (2)	1,360	4.56	8,937	5.43	321	4.22	2,934	4.82
Other securities	—		—		—		601	7.58
Total	$ 9,177	4.33	$60,127	4.49	$66,025	4.69	$99,346	4.86

(1) Fair value is based on contractual maturity or call date where a call option exists

(2) Maturity based upon final maturity date

The weighted-average interest rates are based on coupon rates for securities purchased at par value and on effective interest rates considering amortization or accretion if the securities were purchased at a premium or discount. Yields are not presented on a tax-equivalent basis.

Excluding those holdings of the investment portfolio in U.S. Treasury securities and other agencies and corporations of the U.S. Government, there were no investments in securities of any one issuer that exceeded 10% of the consolidated stockholders' equity of Horizon at December 31, 2007.

III. LOAN PORTFOLIO

A. Types of Loans — Total loans on the balance sheet are comprised of the following classifications at December 31 for the years indicated.

(dollar amounts in thousands)	2007	2006	2005	2004	2003
Commercial, financial, agricultural and commercial tax-exempt loans	$307,535	$271,457	$273,310	$203,966	$152,362
Mortgage warehouse loans	78,225	112,267	97,729	127,992	126,056
Real estate mortgage loans	216,019	222,235	159,312	89,139	67,428
Installment loans	287,073	237,875	202,383	142,945	101,872
Total loans	$888,852	$843,834	$732,734	$564,042	$447,718

B. Maturities and Sensitivities of Loans to Changes in Interest Rates — The following is a schedule of maturities and sensitivities of loans to changes in interest rates, excluding real estate mortgage, mortgage warehousing and installment loans, as of December 31, 2007:

Maturing or repricing (dollar amounts in thousands)	One Year or Less	One Through Five Years	After Five Years	Total
Commercial, financial, agricultural and commercial tax-exempt loans	$189,501	$115,316	$2,718	$307,535

The following is a schedule of fixed-rate and variable-rate commercial, financial, agricultural and commercial tax-exempt loans due after one year. (Variable-rate loans are those loans with floating or adjustable interest rates.)

(dollar amounts in thousands)	Fixed Rate	Variable Rate
Total commercial, financial, agricultural and commercial tax-exempt loans due after one year	$67,260	$50,773

C. Risk Elements

1. Nonaccrual, Past Due and Restructured Loans — The following schedule summarizes nonaccrual, past due and restructured loans.

December 31 (dollar amounts in thousands)	2007	2006	2005	2004	2003
a. Loans accounted for on a nonaccrual basis	$2,862	$2,481	$1,822	$1,358	$1,707
b. Accruing loans which are contractually past due 90 days or more as to interest and principal payments	87	144	251	—	176
c. Loans not included in (a) or (b) which are "Troubled Debt Restructuring's" as defined by SFAS No. 15	—	—	—	—	—
Totals	$2,949	$2,625	$2,073	$1,358	$1,883

LOAN PORTFOLIO (continued)

The increase in non-accrual loans in 2007 is primarily due to an increase in commercial real estate loans of $281 thousand and an increase in consumer loans of $381 thousand. This increase was partially offset by a decrease in mortgage loans of $281. The increase in non-accrual loans in 2006 was primarily due to an increase in commercial real estate loans of $761 thousand. This increase was partially offset by a decrease in mortgage loans and consumer loans of $67 thousand and $36 thousand, respectively. The increase in non-accrual loans in 2005 was primarily due to non-accrual loans acquired from Alliance of $389 thousand, an increase in consumer and commercial loans of $44 thousand and $189 thousand, respectively. The decrease in non-accrual loans in 2004 was primarily due to decreases in consumer loans of $125 thousand and mortgage loans of $337 thousand partially offset by an increase in commercial loans of $112 thousand. The increase in non-accrual loans in 2003 was primarily due to increases in consumer loans of $89 thousand, mortgage loans of $254 thousand and commercial loans of $146 thousand.

(dollar amounts in thousands)	
Gross interest income that would have been recorded on non-accrual loans outstanding as of December 31, 2007, in the period if the loans had been current, in accordance with their original terms and had been outstanding throughout the period or since origination if held for part of the period	$ 287
Interest income actually recorded on non-accrual loans outstanding as of December 31, 2007, and included in net income for the period	165
Interest income not recognized during the period on non-accrual loans outstanding as of December 31, 2007	$ 122

Discussion of Non-Accrual Policy

1. From time to time, the Bank obtains information, which may lead management to believe that the collection of payments may be doubtful on a particular loan. In recognition of such, it is management's policy to convert the loan from an "earning asset" to a non-accruing loan. Further, it is management's policy to place a commercial loan on a non-accrual status when delinquent in excess of 90 days, unless the Loan Committee approves otherwise. The officer responsible for the loan, the senior lending officer and the senior collection officer must review all loans placed on non-accrual status. The senior collection officer monitors the loan portfolio for any potential problem loans.

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2. Potential Problem Loans

Impaired loans for which the discounted cash flows or collateral value exceeded the carrying value of the loan totaled $1,870,000 and $1,768,000 at December 31, 2007 and 2006, respectively. The allowance for impaired loans, included in the Bank's allowance for loan losses totaled $345,000 and $406,000 at those respective dates. The average balance of impaired loans during 2007 and 2006 was $1,673,000 and $942,000, respectively.

3. Foreign Outstandings

None

4. Loan Concentrations

As of December 31, 2007, there are no significant concentrations of loans exceeding 10% of total loans. See Item III A above for a listing of the types of loans by concentration.

D. Other Interest-Bearing Assets

There are no other interest-bearing assets as of December 31, 2007, which would be required to be disclosed under Item III C.1 or 2 if such assets were loans.

IV. SUMMARY OF LOAN LOSS EXPERIENCE

A. The following is an analysis of the activity in the allowance for loan losses account:

(dollar amounts in thousands)	2007	2006	2005	2004	2003
LOANS					
Loans outstanding at the end of the period (1)	$888,852	$843,834	$732,734	$564,042	$447,718
Average loans outstanding during the period (1)	$839,591	780,555	640,758	514,916	$512,441

(1) Net of unearned income and deferred loan fees

	2007	2006	2005	2004	2003
ALLOWANCE FOR LOAN LOSSES					
Balance at beginning of the period	$ 8,738	$ 8,368	$ 7,193	$ 6,909	$ 6,255
Loans charged-off:					
Commercial and agricultural loans	—	23	305	161	—
Real estate mortgage loans	36	—	29	41	226
Installment loans	2,701	1,120	1,096	863	758
Total loans charged-off	2,737	1,143	1,430	1,065	984
Recoveries of loans previously charged-off:					
Commercial and agricultural loans	48	201	161	79	20
Real estate mortgage loans	—	—	2	2	23
Installment loans	674	407	364	278	245
Total loan recoveries	722	608	527	359	288
Net loans charged-off	2,015	535	903	706	696
Provision charged to operating expense	3,068	905	1,521	990	1,350
Acquired through acquisition	—	—	557	—	—
Balance at the end of the period	$ 9,791	$ 8,738	$ 8,368	$ 7,193	$ 6,909
Ratio of net charge-offs to average loans outstanding for the period	.24%	.07%	.14%	.14%	.14%

B. The following schedule is a breakdown of the allowance for loan losses allocated by type of loan and the percentage of loans in each category to total loans.

Allocation of the Allowance for Loan Losses at December 31 (dollar amounts in thousands)

	2007		2006		2005		2004		2003	
	Allowance Amount	% of Loans to Total Loans	Allowance Amount	% of Loans to Total Loans	Allowance Amount	% of Loans to Total Loans	Allowance Amount	% of Loans to Total Loans	Allowance Amount	% of Loans to Total Loan
Commercial, financial and agricultural	$2,656	35%	$2,987	32%	$2,733	37%	2,469	36%	$1,829	28%
Real estate mortgage	779	24	768	27	585	22	808	16	834	12
Mortgage warehousing	1,309	9	1,762	13	1,958	13	2,029	23	2,445	37
Installment	5,047	32	3,181	28	2,958	28	1,860	25	1,524	23
Unallocated	—	—	40	—	134	—	27	—	277	—
Total	$9,791	100%	$8,738	100%	$8,368	100%	$7,193	100%	$6,909	100%

In 1999, Horizon began a mortgage warehousing program. This program is described in Management's Discussion and Analysis of Financial Condition and Results of Operation in Item 7 below and in the Notes to the Financial Statements in Item 8 below, which are incorporated herein by reference. The greatest risk related to these loans is transaction and fraud risk. During 2007, Horizon processed over $1.8 billion in mortgage warehouse loans.

V. DEPOSITS

Information required by this section is found in Management's Discussion and Analysis of Financial Condition and Results of Operation in Item 7 below and in the Consolidated Financial Statements and related notes in Item 8 below, which are incorporated herein by reference.

VI. RETURN ON EQUITY AND ASSETS

Information required by this section is found in Management's Discussion and Analysis of Financial Condition and Results of Operation in Item 7 below and in the Consolidated Financial Statements and related notes in Item 8 below, which are incorporated herein by reference.

VII. SHORT TERM BORROWINGS

The following is a schedule of statistical information relative to securities sold under agreements to repurchase which are secured by U.S. Treasury and U.S. Government agency securities and mature within one year. There were no other categories of short-term borrowings for which the average balance outstanding during the period was 30 percent or more of stockholders' equity at the end of the period.

December 31 (dollar amounts in thousands)	2007	2006
Outstanding at year end	$ 41,369	$ 38,642
Approximate weighted-average interest rate at year-end	2.54%	3.09%
Highest amount outstanding as of any month-end during the year	$ 42,961	$ 40,179
Approximate average outstanding during the year	$ 39,931	$ 35,334
Approximate weighted-average interest during the year	2.94%	2.91%

FORWARD-LOOKING STATEMENTS AND RISK FACTORS

A cautionary note about forward-looking statements: In its oral and written statements, Horizon from time to time includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements can include statements about estimated cost savings, plans and objectives for future operations and expectations about Horizon's financial and business performance as well as economic and market conditions. They often can be identified by the use of words like "expect," "may," "could," "intend," "project," "estimate," "believe" or "anticipate."

Horizon may include forward-looking statements in filings with the Securities and Exchange Commission ("SEC"), such as this Form 10-K, in other written materials, and in oral statements made by senior management to analysts, investors, representatives of the media, and others. It is intended that these forward-looking statements speak only as of the date they are made, and Horizon undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the forward-looking statement is made or to reflect the occurrence of unanticipated events.

By their nature, forward-looking statements are based on assumptions and are subject to risks, uncertainties, and other factors. You are cautioned that actual results may differ materially from those contained in the forward-looking statement. The discussion in Management's Discussion and Analysis of Financial Condition and Results of Operation in Item 7 of this Form 10-K lists some of the factors that could cause Horizon's actual results to vary materially from those expressed in or implied by any forward-looking statements. Your attention is directed to this discussion.

Other risks and uncertainties that could affect Horizon's future performance are set forth immediately below in Item 1A — Risk Factors

ITEM 1A. RISK FACTORS

As a financial institution, we are subject to a number of types of risks. 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; and
- operational risk: the risk of loss resulting from inadequate or failed internal processes, people and systems, or external events.

Investors should consider carefully these risks and the other risks and uncertainties described below. Any of the following risks could materially adversely affect our business, financial condition or operating results which could cause our stock price to decline. The risks and uncertainties described below are not, however, the only ones that we may face. Additional risks and uncertainties not currently known to us, or that we currently believe are not material, could also materially adversely affect our business, financial condition or operating results.

Our financial performance may be adversely impacted if we are unable to continue to grow our commercial and consumer loan portfolios, obtain low-cost funds and compete with other providers of financial services.

Our ability to maintain our history of record earnings year after year will depend, in large part, on our ability to continue to grow our commercial and consumer loan portfolios and obtain low-cost funds. During 2006 and 2007, we focused on increasing consumer loans, and we intend to continue to emphasize and grow consumer, as well as commercial types of loans in the foreseeable future. This represented a shift in our emphasis from 2002 and 2003 when we focused on mortgage banking services, which generated a large portion of our income during those years.

We have also funded our growth with low-cost consumer deposits, and our ability to sustain our growth will depend in part on our continued success in attracting such deposits or finding other sources of low-cost funds.

Another factor in maintaining our history of record earnings will be our ability to expand our scope of available financial services to our customers in an increasingly competitive environment. In addition to other banks, our competitors include credit unions, securities dealers, brokers, mortgage bankers, investment advisors, and finance and insurance companies. Competition is intense in most of our markets. We compete on price and service with our competitors. Competition could intensify in the future as a result of industry consolidation, the increasing availability of products and services from non-banks, greater technological developments in the industry, and banking reform.

Our commercial and consumer loans expose us to increased credit risks.

We have a large percentage of commercial 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. These 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.

Changes in market 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 market interest rates. 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 market interest rates. If rates increase rapidly as a result of an improving economy, we may have to increase the rates paid on our deposits and borrowed funds more quickly than loans and investments reprice, resulting in a negative impact on interest spreads and net interest income. The impact of rising rates could be compounded if deposit customers move funds from savings accounts to higher rate certificate of deposit accounts. 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 and curtailments on assets 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. 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.

An economic slowdown in Northwestern Indiana and Southwestern Michigan could affect our business.

Our primary market area for deposits and loans consists of LaPorte and Porter Counties in Northwestern Indiana and Berrien County in Southwestern Michigan. An economic slowdown in these areas could hurt our business. 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 for loans; and
- a decline in the demand for our products and services.

Because our stock is thinly 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 Capital Market since December 2001 and since February 1, 2007, has been listed on NASDAQ Global Market, our common stock is thinly traded. Average daily trading volume during 2007 was only 1,689 shares. The prices of thinly traded stocks, such as ours, are typically 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. Thinly 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.

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 of America requires management to make significant estimates that affect the financial statements. One of our most critical estimates is the level of the allowance for loan 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 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 loan originators with whom we do business, 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.

We are subject to extensive regulation and changes in laws, regulations and policies could adversely affect our business.

Our operations are subject to extensive regulation by federal agencies. See "Supervision and Regulation" in the description of our Business in Item 1 above for detailed information on the laws and regulations to which we are subject. Changes in applicable laws, regulations or regulator policies could materially affect our business. The likelihood of any major changes in the future and their effects are impossible to determine.

Our inability to continue to accurately process large volumes of transactions could adversely impact our business and financial results.

In the normal course of business, we process large volumes of transactions. 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 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 the company, 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.

We establish and maintain systems of internal operational controls that provide us with timely 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 exist that are designed to ensure that policies relating to conduct, ethics and business practices are followed. From time to time, losses from operational risk may occur, including the effects of operational errors.

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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

The main office of Horizon and the Bank is located at 515 Franklin Square, Michigan City, Indiana. The building located across the street from the main office of Horizon and the Bank, at 502 Franklin Square, houses the credit administration, operations, facilities and purchasing and information technology departments of the Bank. In addition to these principal facilities, the Bank has 16 sales offices located at:

3631 South Franklin Street, Michigan City, Indiana

113 W. First St., Wanatah, Indiana

1500 W. Lincolnway, LaPorte, Indiana

423 South Roosevelt Street, Chesterton, Indiana

4208 N. Calumet, Valparaiso, Indiana

902 Lincolnway, Valparaiso, Indiana

2650 Willowcreek Road, Portage, Indiana

233 East 84th Drive, Merrillville, Indiana

811 Ship Street, St. Joseph, Michigan

2608 Niles Road, St. Joseph, Michigan

1041 E. Napier Ave., Benton Harbor, Michigan

233 South Main Street, South Bend, Indiana

1909 East Bristol Street, Elkhart, Indiana

500 West Buffalo Street, New Buffalo, Michigan

13696 Redarrow Highway, Harbert, Michigan

6801 West U.S. 12 Three Oaks, Michigan

Horizon owns all of the facilities, except for the South Bend and Merrillville, Indiana offices, which are leased from third parties.

ITEM 3. LEGAL PROCEEDINGS

No material pending legal proceedings, other than ordinary routine litigation incidental to the business to which Horizon or any of its subsidiaries is a party or of which any of their property is subject.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of Horizon's stockholders during the fourth quarter of the 2007 fiscal year.

SPECIAL ITEM: EXECUTIVE OFFICERS OF REGISTRANT

Robert C. Dabagia	69	Chairman of Horizon since 1998; Chief Executive Officer of Horizon and the Bank until July 1, 2001.
Craig M. Dwight	51	Chairman and Chief Executive Officer of the Bank since January 2003; President and Chief Executive Officer of Horizon and the Bank since July 1, 2001.
Thomas H. Edwards	55	President and Chief Operating Officer of the Bank since January 2003.
James H. Foglesong	62	Chief Financial Officer of Horizon and the Bank since January 2001.
James D. Neff	48	Corporate Secretary of Horizon since 2007; Executive Vice President-Mortgage Banking of Horizon Bank since January 2004; Senior Vice President of Horizon Bank since October 1999.

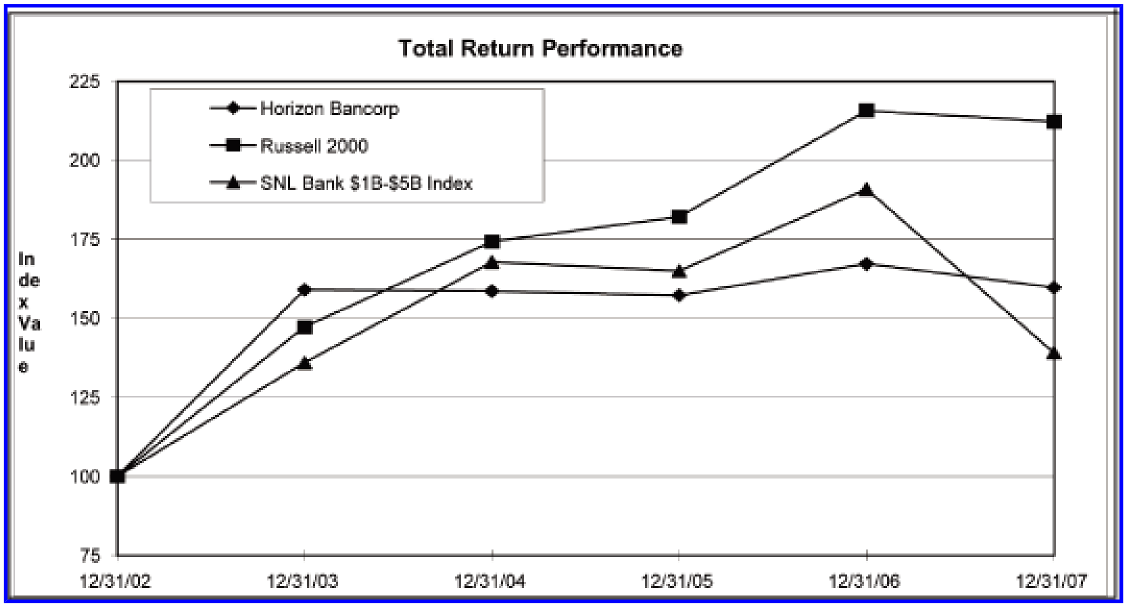
PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

There were no purchases by the Company of its common stock during the fourth quarter.

The Securities and Exchange Commission requires Horizon to include a line graph comparing Horizon's cumulative five-year total shareholder returns on the Common Shares with market and industry returns over the past five years. SNL Financial LC prepared the following graph. The return represented in the graph assumes the investment of $100 on January 1, 2003, and further assumes reinvestment of all dividends. The Common Shares began trading on the NASDAQ Global Market February 1, 2007. Prior to that date, the Common Shares were traded on the NASDAQ Capital Market.

Horizon Bancorp



	Period Ending					
Index	**12/31/02**	**12/31/03**	**12/31/04**	**12/31/05**	**12/31/06**	**12/31/07**
Horizon Bancorp	100.00	159.04	158.62	157.28	167.20	159.77
Russell 2000	100.00	147.25	174.24	182.18	215.64	212.26
SNL Bank $1B-$5B Index	100.00	135.99	167.83	164.97	190.90	139.06

The other information regarding Horizon's common stock is included under the caption "Horizon's Common Stock and Related Stockholders' Matters" in Item 8 below, which is incorporated by reference.

ITEM 6. SELECTED FINANCIAL DATA

The information required under this item is incorporated by reference to the information appearing under the caption "Summary of Selected Financial Data" in Item 8 of this Form 10-K.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Horizon Bancorp and Subsidiaries

Management's Discussion and Analysis of
Financial Condition and Results of Operations
(Table Dollar Amounts in Thousands)

Overview

Horizon's net interest margin at 3.03% for 2007 declined two basis points from 2006. Average earning assets increased approximately $54 million, which was the primary cause of an increase of $1.3 million or 4.0% in net interest income. Growth in earning assets occurred in commercial and consumer loans. Growth in these higher yielding asset categories offset a higher cost core deposits.

Non-interest income increased $2.1 million or 21% over the prior year, which was the largest contributor to the growth in net income. Growth occurred in most areas of non-interest income, especially gain on sale of loans which increased due to a higher percentage of new loans being sold and better sales execution.

Non-interest expenses increased $689 thousand or 2.3% over the prior year. Horizon began to see positive impact from staff reductions initiated during 2007 and other expense categories were held constant with the previous year.

Critical Accounting Policies

Horizon has established various accounting policies, which govern the application of accounting principles generally accepted in the United States in the preparation the Company's financial statements. The significant accounting policies of the Company are described in the notes to the consolidated financial statements included in Part II, Item 8 on Form 10-K. Certain of these policies are important to the portrayal of the Company's financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. Management has identified the following as critical accounting policies:

Allowance for Loan Losses

An allowance for loan losses is maintained to absorb loan losses inherent in the loan portfolio. The determination of the allowance for loan losses is a critical accounting policy that involves management's ongoing quarterly assessments of the probable incurred losses inherent in the loan portfolio. The identification of loans that have probable incurred losses is subjective, therefore, a general reserve is maintained to cover all probable losses within the entire loan portfolio. Horizon utilizes a loan grading system that helps identify, monitor and address asset quality problems in an adequate and timely manner. Each quarter, various factors affecting the quality of the loan portfolio are reviewed. Large credits are reviewed on an individual basis for loss potential. Other loans are reviewed as a group based upon previous trends of loss experience. Horizon also reviews the current and anticipated economic conditions of its lending market as well as transaction risk to determine the effect they may have on the loss experience of the loan portfolio.

Goodwill and Intangible Assets

Management believes that the accounting for goodwill and other intangible assets also involves a higher degree of judgment than most other significant accounting policies. Statement of Financial Accounting Standard (SFAS) No. 142, "Accounting for Goodwill and Other Intangible Assets," establishes standards for the amortization of acquired intangible assets and impairment assessment of goodwill. At December 31, 2007, Horizon had core deposit intangibles of $2.068 million subject to amortization and $5.787 million of goodwill, which is not subject to amortization. Goodwill arising from business combinations represents the value attributable to unidentifiable intangible assets in the business acquired. Horizon's goodwill relates to the value inherent in the banking industry and that value is dependent upon the ability of Horizon to provide quality, cost effective banking services in a competitive marketplace. The goodwill value is supported by revenue that is in part driven by the volume of business transacted. A decrease in earnings resulting from a decline in the customer base or the inability to deliver cost effective services over sustained periods can lead to impairment of goodwill that could adversely impact earnings in future periods. SFAS No. 142 requires an annual evaluation of goodwill for impairment. The evaluation of goodwill for impairment requires the use of estimates and assumptions. Horizon has concluded that the recorded value of goodwill is not impaired.

Mortgage Servicing Rights

Servicing assets are recognized as separate assets when rights are acquired through purchase or through the sale of financial assets on a servicing-retained basis. Capitalized servicing rights are amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Servicing assets are evaluated regularly for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is determined by stratifying servicing rights by predominant characteristics, such as interest rates, original loan terms and whether the loans are fixed or adjustable rate mortgages. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. When the book value of an individual stratum exceeds its fair value, an impairment reserve is recognized so that each individual stratum is carried at the lower of its amortized book value or fair value. In periods of falling market interest rates, accelerated loan prepayment speeds can adversely impact the fair value of these mortgage-servicing rights relative to their book value. In the event that the fair value of these assets was to increase in the future, Horizon can recognize the increased fair value to the extent of the impairment allowance but cannot recognize an asset in excess of its amortized book value. Future changes in management's assessment of the impairment of these servicing assets, as a result of changes in observable market data relating to market interest rates, loan prepayment speeds, and other factors, could impact Horizon's financial condition and results of operations either positively or adversely.

Analysis of Financial Condition

Investment Securities

Investment securities totaled $234.675 million at December 31, 2007, and consisted of U. S. Treasury and Government Agency securities of $26.220 million (11.2)%; Municipal securities of $86.931 million (37.0)%; Mortgage-backed securities of $107.371 million (45.8)%; collateralized mortgage obligations of $13.552 million (5.8)%; and corporate securities of $601 thousand (.2)%.

As indicated above, 51.9% of the investment portfolio consists of mortgage-backed securities and collateralized mortgage obligations. These instruments are secured by residential mortgages of varying maturities. Principal and interest payments are received monthly as the underlying mortgages are repaid. These payments also include prepayments of mortgage balances as borrowers either sell their homes or refinance their mortgages. Therefore, mortgage-backed securities and collateralized mortgage obligations have maturities that are stated in terms of average life. The average life is the average amount of time that each dollar of principal is expected to be outstanding. As of December 31, 2007, the mortgage-backed securities and collateralized mortgage obligations in the investment portfolio had an average life of 6.46 years. Securities that have interest rates above current market rates are purchased at a premium. These securities may experience a significant increase in prepayments when lower market interest rates create an incentive for the borrower to refinance the underlying mortgage. This may result in a decrease of current income, however, this risk is mitigated by a shorter average life. Management currently believes that prepayment risk on these securities is nominal.

At December 31, 2007 and 2006, all investment securities were classified as available for sale. Securities classified as available for sale are carried at their fair value, with both unrealized gains and losses recorded, net of tax, directly to stockholders’ equity. Net appreciation on these securities totaled $97 thousand, which resulted in a $63 thousand increase, net of tax, to stockholders’ equity at December 31, 2007. This compared to a $1.507 million, net of tax, reduction in stockholders’ equity at December 31, 2006.

As a member of the Federal Reserve and Federal Home Loan Bank system, Horizon is required to maintain an investment in the common stock of each entity. The investment in common stock is based on a predetermined formula. At December 31, 2007, Horizon has investments in the common stock of the Federal Reserve and Federal Home Loan Bank totaling $12.625 million compared to $12.136 million at December 31, 2006.

At December 31, 2007, Horizon does not maintain a trading account and is not using any derivative products for hedging or other purposes.

Loans

Total loans, the principal earning asset of the Bank, were $888.852 million at December 31, 2007. The current level of loans is an increase of 5.3% from the December 31, 2006, level of $843.834 million. As the table below indicates, the increase is related to growth in Commercial and Consumer loans. The categories related to residential real estate lending, Real estate and Mortgage warehouse, declined during 2007.

(dollar amounts in thousands) **December 31**	**2007**	**2006**	**Dollar Change**	**Percent Change**
Real estate loans				
1 - 4 family	$206,914	$214,031	$ (7,117)	(3.33)%
Other	9,105	8,204	901	10.98
Total	216,019	222,235	(6,216)	(2.80)
Commercial loans				
Working capital and equipment	154,459	128,500	25,959	20.20
Real estate, including agriculture	141,733	131,103	10,630	8.11
Tax exempt	3,809	3,861	(52)	(1.35)
Other	7,534	7,993	(459)	(5.74)
Total	307,535	271,457	36,078	13.29
Consumer loans				
Auto	174,331	125,542	48,789	38.86
Recreation	7,074	8,862	(1,788)	(20.18)
Real estate/home improvement	41,684	43,590	(1,906)	(4.37)
Home equity	59,131	54,527	4,604	8.44
Unsecured	1,979	1,979	—	—
Other	2,874	3,375	(501)	(14.84)
Total	287,073	237,875	49,198	20.68
Mortgage warehouse loans				
Prime	69,894	53,547	16,347	30.53
Sub-Prime	8,331	58,720	(50,389)	(85.81)
Total	78,225	112,267	(34,042)	(30.32)
Grand total	$888,852	$843,834	$ 45,018	5.33%

The acceptance and management of credit risk is an integral part of the Bank's business as a financial intermediary. The Bank has established underwriting standards including a policy that monitors the lending function through strict administrative and reporting requirements as well as an internal loan review of consumer and small business loans. The Bank also uses an independent third-party loan review function that regularly reviews asset quality.

Real Estate Loans

Real estate loans totaled $216.019 million or 24.3% of total loans as of December 31, 2007, compared to $222.235 million or 26.3% of total loans as of December 31, 2006. This category consists of home mortgages that generally require a loan to value of no more than 80%. Some special guaranteed or insured real estate loan programs do permit a higher loan to collateral value ratio.

In addition to the customary real estate loans described above, the Bank also has outstanding on December 31, 2007, $58.809 million in home equity lines of credit compared to $54.527 million at December 31, 2006. Credit lines normally limit the loan to collateral value to no more than 89%. These loans are classified as consumer loans in the table above and in Note 4 of the consolidated financial statements.

Residential real estate lending is a highly competitive business. As of December 31, 2007, the real estate loan portfolio reflected a wide range of interest rates and repayment patterns, but could generally be categorized as follows:

	2007			2006		
(dollar amounts in thousands)	Amount	Percent of Portfolio	Yield	Amount	Percent of Portfolio	Yield
Fixed rate						
Monthly payment	$ 41,491	19.21%	6.47%	$ 46,301	20.84%	6.35%
Biweekly payment	2,663	1.23	6.49	3,047	1.37	6.45
Adjustable rate						
Monthly payment	171,845	79.55	5.90	172,860	77.78	5.72
Biweekly payment	20	.01	7.79	27	.01	7.50
Total	$216,019	100.00%	6.03%	$222,235	100.00%	5.88%

During 2007 and 2006, approximately $135 million and $96 million, respectively, of residential mortgages were sold into the secondary market.

In addition to the real estate loan portfolio, the Bank sells real estate loans and retains the servicing rights. Loans serviced for others are not included in the consolidated balance sheets. During 2006 Horizon sold a large portion of its mortgage servicing business. The unpaid principal balances and number of loans serviced for others totaled approximately $26,191,000 and 324 and $23,702,000 and 279 at December 31, 2007 and 2006, respectively.

The Bank began capitalizing mortgage servicing rights during 2000 and the aggregate fair value of capitalized mortgage servicing rights at December 31, 2007, totaled approximately $269,000. Comparable market values and a valuation model that calculates the present value of future cash flows were used to estimate fair value. For purposes of measuring impairment, risk characteristics including product type, investor type and interest rates, were used to stratify the originated mortgage servicing rights.

(dollar amounts in thousands)	2007	2006	2005
Mortgage Servicing Rights			
Balances, January 1	$ 28	$1,278	$1,473
Servicing rights capitalized	79	83	239
Amortization of servicing rights	(51)	(251)	(434)
Servicing rights sold	—	(862)	—
	276	248	1,278
Impairment allowance	(7)	(3)	(44)
Balances, December 31	$269	$ 245	$1,234

Commercial Loans

Commercial loans totaled $307.535 million, or 34.6% of total loans as of December 31, 2007, compared to $271.457 million, or 32.1% as of December 31, 2006.

Commercial loans consisted of the following types of loans at December 31:

	2007			2006		
(dollar amounts in thousands)	Number	Amount	Percent of Portfolio	Number	Amount	Percent of Portfolio
SBA guaranteed loans	17	$ 3,863	1.26%	20	$ 4,321	1.60%
Municipal government	26	3,809	1.24	42	3,861	1.42
Lines of credit	346	59,025	19.19	395	49,549	18.25
Real estate and equipment term loans	959	240,838	78.31	997	213,726	78.73
Total	1,350	$307,535	100.00%	1,454	$271,457	100.00%

Consumer Loans

Consumer loans totaled $287.073 million, or 32.3% of total loans as of December 31, 2007, compared to $237.875 million, or 28.2% as of December 31, 2006. The total consumer loan portfolio increased 20.7% in 2007. The growth in consumer loans came from the indirect automobile segment of the portfolio as Horizon continued to expand its dealer network in southwest Michigan and north central Indiana that started in 2006 and into Northern Illinois in 2007. The Illinois indirect program was begun in the first quarter with the intent to sell the loans originated. Due to changes in economic conditions, efforts to sell these loans were unsuccessful and the program was terminated during the third quarter. Approximately $25 million of loans were originated under this program. These loans remain on Horizon's books and are generally performing as agreed. Direct consumer loans, mostly consisting of home equity term and revolving loans, were relatively stable in 2007.

Mortgage Warehouse Loans

Horizon's mortgage warehousing business line has specific mortgage companies as customers of Horizon Bank. Individual mortgage loans originated by these mortgage companies are funded as a secured borrowing with pledge of collateral under Horizon's agreement with the mortgage company. Each individual mortgage is assigned to Horizon until the loan is sold to the secondary market by the mortgage company. In addition, Horizon takes possession of each original note and forwards such note to the end investor once the mortgage company has sold the loan. At the time a loan is transferred to the secondary market, the mortgage company repurchases the loan under its option within the agreement. Due to the repurchase feature contained in the agreement, the transaction does not qualify as a sale under SFAS 140 paragraph 9 (c) and therefore is accounted for as a secured borrowing with pledge of collateral under paragraph 12 of SFAS 140 pursuant to the agreement with the mortgage company. When the individual loan is sold to the end investor by the mortgage company the proceeds from the sale of the loan are received by Horizon and used to payoff the loan balance with Horizon along with any accrued interest and any related fees. The remaining balance from the sale is forwarded to the mortgage company. These individual loans typically are sold by the mortgage company within 30 days and are seldom held more than 90 days. Interest income is accrued during this period and collected at the time each loan is sold. Fee income for each loan sold is recorded when collected and no costs are deferred due to the term between each loan funding and related payoff is typically less than 30 days.

Based on the agreements with each mortgage company, at any time a mortgage company can repurchase from Horizon their outstanding loan balance on an individual mortgage and regain possession of the original note. Horizon also has the option to request that the mortgage company repurchase an individual mortgage. Should this occur, Horizon would return the original note and reassign the assignment of the mortgage to the mortgage company. Also, in the event that the end investor would not be able to honor the sales commitment and the mortgage company would not be able to repurchase its loan on an individual mortgage, Horizon would be able to exercise its rights under the agreement.

Allowance and Provision for Loan Losses/Critical Accounting Policy

At December 31, 2007, the allowance for loan losses was $9.791 million, or 1.10% of total loans outstanding, compared to $8.738 million, or 1.03% at December 31, 2006. During 2007, the provision for loan losses totaled $3.068 million compared to $905 thousand in 2006. The need for an additional provision is a direct result of deterioration of loan quality in the wholesale mortgage (which total approximately $8.0 million) and indirect automobile portfolios.

In December, Horizon discovered a $189 thousand fraudulent loan in the wholesale mortgage portfolio. This, combined with three other delinquent wholesale mortgage loans, prompted Horizon to conduct an internal review of the portfolio. This review included approximately 65% of the portfolio and, while no additional fraudulent loans were detected, the review resulted in a specific allocation of over $1.400 million of the total allowance to this portfolio. The allocation included a combination of specific reserves assigned to certain loans as well as an amount based on Horizon's recent loss history and national charge off statistics of sub-prime mortgage loans.

Horizon's analysis of the indirect loan portfolio gave added weight to recent charge off history plus a comparison of current credit scores compared to original credit scores on approximately 65% of the borrowers in this portfolio. Original credit scores had only six percent of the borrowers at or below a 624 credit score. The recent analysis indicated that 19% of these borrowers now have credit scores of 624 or below. Based on this analysis, Horizon increased its allocation of the allowance by $500 thousand for future indirect loan losses.

Despite the increased allowance, no assurance can be given that Horizon will not, in any particular period, sustain loan losses that are significant in relation to the amount reserved, or that subsequent evaluations of the loan portfolio, in light of factors then prevailing, including economic conditions and management's ongoing quarterly assessments of the portfolio, will not require increases in the allowance for loan losses. Horizon considers the allowance for loan losses to be adequate to cover losses inherent in the loan portfolio as of December 31, 2007.

Nonperforming Loans

Nonperforming loans are defined as loans that are greater than 90 days delinquent or have had the accrual of interest discontinued by management. Management continues to work diligently toward returning nonperforming loans to an earning asset basis. Nonperforming loans for the previous three years ending December 31 are as follows:

(dollar amounts in thousands)	**2007**	**2006**	**2005**
Nonperforming loans	$2,949	$2,625	$1,822

Nonperforming loans total 31% of the allowance for loan losses at December 31, 2007, compared to 30% and 22% of the allowance for loan losses on December 31, 2006 and 2005, respectively.

A loan becomes impaired when, based on current information, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. When a loan is classified as impaired, the degree of impairment must be recognized by estimating future cash flows from the debtor. The present value of these cash flows is computed at a discount rate based on the interest rate contained in the loan agreement. However, if a particular loan has a determinable market value, the creditor may use that value. Also, if the loan is secured and considered collateral dependent, the creditor may use the fair value of the collateral. (See Note-4 of the audited financial statements for further discussion of impaired loans)

Smaller-balance, homogeneous loans are evaluated for impairment in total. Such loans include residential first mortgage loans secured by 1 — 4 family residences, residential construction loans, automobile, home equity, second mortgage loans and mortgage warehouse loans. Commercial loans and mortgage loans secured by other properties are evaluated individually for impairment. When analysis of borrower operating results and financial condition indicate that underlying cash flows of a borrower's business are not adequate to meet its debt service requirements, the loan is evaluated for impairment. Often this is associated with a delay or shortfall in payments of 30 days or more. Loans are generally moved to nonaccrual status when 90 days or more past due. These loans are often considered impaired. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

Other real estate owned (OREO) net of any related allowance for OREO losses for the previous three years ending December 31 are as follows:

(dollar amounts in thousands)	2007	2006	2005
Other real estate owned	$238	$75	$23

Deposits

The primary source of funds for the Bank comes from the acceptance of demand and time deposits. However, at times the Bank will use its ability to borrow funds from the Federal Home Loan Bank and other sources when it can do so at interest rates and terms that are superior to those required for deposited funds or loan demand is greater than the ability to grow deposits. Total deposits were $893.664 million at December 31, 2007, compared to $913.973 million at December 31, 2006, or a decrease of 2.2%. Average deposits and rates by category for the pervious three years ended December 31 are as follows:

	Average Balance Outstanding for the Year Ended December 31			Average Rate Paid for the Year Ended December 31		
(dollar amounts in thousands)	2007	2006	2005	2007	2006	2005
Noninterest-bearing demand deposits	$ 76,530	$ 78,654	$ 73,501			
Interest-bearing demand deposits	202,453	178,773	165,767	2.73%	2.43%	1.44%
Savings deposits	31,431	34,637	38,231	.28	.28	.36
Money market	112,266	139,177	143,652	3.30	3.28	2.37
Time deposits	402,287	387,365	320,014	4.75	4.37	3.42
Total deposits	$824,967	$818,606	$741,165			

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Horizon continually revises and enhances its interest-bearing consumer and commercial demand deposit products based on local market conditions and its need for funding to support various types of assets. These product changes caused the changes in the average balances and rates paid as displayed in the table above.

Certificates of deposit of $100,000 or more, which are considered to be rate sensitive and are not considered a part of core deposits, mature as follows as of December 31, 2007:

(dollar amounts in thousands)	
Due in three months or less	$82,417
Due after three months through six months	53,390
Due after six months through one year	38,751
Due after one year	53,223

Interest expense on time certificates of $100,000 or more was approximately $5.134 million, $5.533 million and $2.059 million for 2007, 2006 and 2005, respectively.

Off-Balance Sheet Arrangements

As of December 31, 2007, Horizon does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, change in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. The term "off-balance sheet arrangement" generally means any transaction, agreement, or other contractual arrangement to which an entity unconsolidated with the Company is a party under which the Company has (i) any obligation arising under a guarantee contract, derivative instrument or variable interest; or (ii) a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

Contractual Obligations

(dollar amounts in thousands)	Total	Within One Year	One to Three Years	Three to Five Years	After Five Years
Deposits	$893,664	$795,469	$78,353	$19,329	$ 513
Long-term debt obligations (1)	212,756	762	80,880	60,837	70,277
Subordinated debentures (2)	27,837	—	—	—	27,837

(1) Includes debt obligations to the Federal Home Loan Bank and term repurchase agreements with maturities beyond one year borrowed by Horizon's banking subsidiary. See Note 10 in Horizon's Consolidated Financial Statements.

(2) Includes Trust Preferred Capital Securities issued by Horizon Statutory Trusts II and III and those assumed in the acquisition of Alliance. See Note 11 in Horizon's Consolidated Financial Statements.

	Expiration by Period	
	Within One Year	Greater Than One Year
Letters of credit	$ 1,617	$ 312
Unfunded loan commitments	90,063	51,666

Shareholder Value Plan

During 2001, Horizon initiated a Shareholder Value Plan. The Plan is a comprehensive strategic plan to broaden and improve the market for Horizon's common stock with local community investors who have a long-term, personal interest in helping Horizon remain an independent community bank. It includes improved communications with stockholders and customers as well as efforts to improve the marketability of its common stock. During the fourth quarter of 2001, two important components of the Shareholder Value Plan were completed. These included a 3-for-1 stock split and the listing of Horizon's stock on the NASDAQ Capital Market (formerly named the NASDAQ SmallCap Market) and effective February 1, 2007, Horizon is listed on Nasdaq Global Market. Before this, Horizon's stock was traded on the Bulletin Board. A dividend reinvestment plan was implemented in early 2002 and the quarterly per share dividend was increased to $.102/3 in the fourth quarter of 2002. In October of 2003, Horizon's Board of Director's declared a 3-for-2 stock split and in December of 2003 increased the dividend to $.12. In December 2004, the Board of Director's increased the quarterly dividend to $.13 per share and to $.14 per share and $.15 per share in December 2005 and June 2007 respectively.

Capital Resources

The capital resources of Horizon and the Bank exceed regulatory capital ratios for "well capitalized" banks at December 31, 2007. Stockholders' equity totaled $70.645 million as of December 31, 2007, compared to $61.877 million as of December 31, 2006. At year-end 2007, the ratio of stockholders' equity to assets was 5.61% compared to 5.06% for 2006. Horizon's capital increased during the year 2007 as a result of increased earnings, net of dividends declared, exercise of stock options net of tax, improvement in unrealized gain (loss) on securities available for sale and the amortization of unearned compensation.

Horizon declared dividends in the amount of $.59 per share in 2007, and $.56 per share in 2006 and $.53 per share in 2005. The dividend payout ratio (dividends as a percent of net income) was 24% during 2007 and 2006 and 23% during 2005. For additional information regarding dividend conditions, see Note 1 of the Notes to the Consolidated Financial Statements.

In October of 2004, Horizon formed Horizon Statutory Trust II (Trust II), a wholly owned statutory business trust. Trust II issued $10.310 million of Trust Preferred Capital Securities as a participant in a pooled trust preferred securities offering. The proceeds from the sale of the trust preferred securities were used by the trust to purchase an equivalent amount of subordinated debentures from Horizon. The junior subordinated debentures are the sole assets of Trust II and are fully and unconditionally guaranteed by Horizon. The junior subordinated debentures and the trust preferred securities pay interest and dividends, respectively, on a quarterly basis. The junior subordinated debentures and the securities bear interest at a rate of 90 day LIBOR plus 1.95% and mature on October 21, 2034, and are non-callable for five years. After that period, the securities may be called at any quarterly interest payment date at par. Costs associated with the issuance of the securities totaling $17,500 were capitalized and are being amortized to the first call date of the securities.

In December of 2006, Horizon formed Horizon Bancorp Capital Trust III (Trust III), a wholly owned statutory business trust. Trust III issued $12.372 million of Trust Preferred Capital Securities as a participant in a pooled trust preferred securities offering. The proceeds from the sale of the trust preferred securities were used by the trust to purchase an equivalent amount of subordinated debentures from Horizon. The junior subordinated debentures are the sole assets of Trust III and are fully and unconditionally guaranteed by Horizon. The junior subordinated debentures and the trust preferred securities pay interest and dividends, respectively, on a quarterly basis. The junior subordinated debentures and the securities bear interest at a rate of 90 day LIBOR plus 1.65% and mature on January 30, 2037, and are noncallable for five years. After that period, the securities may be called at any quarterly interest payment date at par. Costs associated with the issuance of the securities totaling $12,647 were capitalized and are being amortized to the first call date of the securities. The proceeds of this issue were used to redeem the securities issued by Trust I on March 26, 2007.

The Company assumed additional debentures as the result of the acquisition of Alliance in 2005. In June 2004, Alliance formed Alliance Financial Statutory Trust I a wholly owned business trust (Alliance Trust) to sell $5.155 million in trust preferred securities. The proceeds from the sale of the trust preferred securities were used by the trust to purchase an equivalent amount of subordinated debentures from Alliance. The junior subordinated debentures are the sole assets of Alliance Trust and are fully and unconditionally guaranteed by Horizon. The junior subordinated debentures and the trust preferred securities pay interest and dividends, respectively, on a quarterly basis. The junior subordinated debentures and the securities bear interest at a rate of 90-day LIBOR plus 2.65%, mature in June 2034, and are non-callable for five years. After that period, the securities may be called at any quarterly interest payment date at par.

The Trust Preferred Capital Securities, subject to certain limitations, are included in Tier 1 Capital for regulatory purposes. At December 31, 2007, $6.049 million of the $27.837 million in securities were not included in Tier 1 Capital for regulatory purposes. Dividends on the Trust Preferred Capital Securities are recorded as interest expense.

As of December 31, 2007, management is not aware of any recommendations by banking regulatory authorities, which, if they were to be implemented, would have or are reasonably likely to have a material effect on Horizon's liquidity, capital resources or operations.

Results of Operations

Net Income

Consolidated net income was $8.140 million or $2.51 per diluted share in 2007, $7.484 million or $2.33 per diluted share in 2006 and $7.091 million or $2.24 per share in 2005.

Net Interest Income

The primary source of earnings for Horizon is net interest income. Net interest income is the difference between what Horizon has earned on assets it has invested and the interest paid on deposits and other funding sources. The net interest margin is net interest income expressed as a percentage of average earning assets. Horizon's earning assets consist of loans, investment securities and interest-bearing balances in banks.

	2007			2006			2005		
(dollar amounts in thousands)	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
Assets									
Interest-bearing assets									
Loans — total (1) (3)	$ 853,314	$63,619	7.45%	$ 785,448	$57,282	7.29%	$ 640,758	$44,749	6.98%
Taxable investment securities, including FRB and FHLB stock	169,295	8,121	4.80	190,670	8,348	4.38	244,495	9,610	3.93
Nontaxable investment securities (2)	74,222	3,061	4.12	65,773	2,796	4.25	54,806	2,372	4.32
Interest-bearing balances and money market investments (4)	2,602	125	4.80	4,469	153	3.42	1,177	38	3.23
Federal funds sold	2,854	142	4.97	1,890	101	5.34	755	24	3.18
Total interest-earning assets	1,102,287	75,068	6.81	1,048,250	68,680	6.55	941,991	56,793	6.03
Noninterest-earning assets									
Cash and due from banks	20,312			21,525			19,610		
Allowance for loan losses	(8,680)			(8,723)			(7,615)		
Other assets	66,481			57,053			46,127		
Total assets	$1,180,400			$1,118,105			$1,000,113		
Liabilities and Stockholders' Equity									
Interest-bearing liabilities									
Savings deposits	$ 31,431	88	.28%	$ 34,637	96	.28%	$ 38,231	139	.36
Money market	112,266	3,701	3.30	139,177	4,559	3.28	143,652	3,414	2.37
Interest-bearing demand deposits	202,453	5,531	2.73	178,773	4,164	2.33	165,767	2,385	1.44
Time deposits	402,287	19,122	4.75	387,365	16,915	4.37	320,014	10,934	3.42
Short-term borrowings	72,920	2,930	4.02	78,747	2,035	2.58	45,517	1,573	3.46
Long-term debt	209,419	10,888	5.20	157,179	9,366	5.95	155,393	7,475	4.81
Total interest-bearing liabilities	1,030,776	42,260	4.10	975,878	37,135	3.81	868,574	25,920	2.98
Noninterest-bearing liabilities Demand deposits	76,530			78,654			73,501		
Other liabilities	6,870			6,138			6,153		
Stockholders' equity	66,224			57,435			51,885		
Total liabilities and stockholders' equity	$1,180,400			$1,118,105			$1,000,113		
Net interest income		$32,808			$31,545			$30,873	
Net interest income as a percent of interest earning assets			2.98%			3.01%			3.28%

(1) Nonaccruing loans for the purpose of the computations above are included in the daily average loan amounts outstanding. Loan totals are shown net of unearned income and deferred loans fees.

(2) Yields are not presented on a tax-equivalent basis.

(3) Loan fees and late fees included in interest on loans aggregated $ 3,296,000, $3,470,000 and $3,246,000 in 2007, 2006 and 2005 respectively.

(4) Horizon has no foreign office and, accordingly, no assets or liabilities to foreign operations. Horizon's subsidiary bank had no funds invested in Eurodollar Certificates of Deposit at December 31, 2007.

(dollar amounts in thousands)	2007 - 2006 Increase/(Decrease) Total Change	Change Due to Volume	Change Due to Rate	2006 - 2005 Increase/(Decrease) Total Change	Change Due to Volume	Change Due to Rate
Interest Income						
Loans — total	$6,337	$5,037	$ 1,300	$12,533	$10,479	$ 2,054
Taxable investment securities	(227)	(984)	757	(1,310)	(2,281)	971
Nontaxable investment securities	265	350	(85)	424	467	(43)
Interest-bearing balances and money market investments	(28)	(77)	49	115	113	2
Federal funds sold	41	48	(7)	77	53	24
Total interest income	6,388	4,375	2,013	11,839	8,831	3,008
Interest Expense						
Savings deposits	(8)	(9)	1	(43)	(12)	(31)
Money market	(858)	(887)	29	1,145	(109)	1,254
Interest-bearing demand deposits	1,367	593	774	1,779	200	1,579
Time deposits	2,207	669	1,538	5,981	2,577	3,404
Short-term borrowings	895	(160)	1,055	462	933	(471)
Long-term debt	1,522	2,826	(1,304)	1,843	87	1,756
Total interest expense	5,125	3,032	2,093	11,167	3,676	7,491
Net Interest Earnings	$1,263	$1,343	$ (80)	$ 672	$ 5,155	$(4,483)

Horizon's average earning assets were $1,102.287 million in 2007 compared to $1,048.250 million in 2006 and $941.991 million in 2005. The net interest margin for 2007 was 2.98% compared to 3.01% and 3.28% in 2006 and 2005, respectively. Short-term interest rates began to increase in the third quarter of 2004 and continued through 2005 until June of 2006. Short-term interest remained relatively stable until the fourth quarter of 2007 at which point they began to decline.

Horizon's net interest margin declined three basis points for 2007 compared to 2006. During 2006, low yielding investment securities were sold and the proceeds were reinvested in higher yielding securities, which improved the yield on the investment portfolio. Increases in commercial and consumer loans improved the yield on the total loan portfolio. These caused an increase in yield on total earning assets. Offsetting this was were increases in the cost of short term funding from both negotiable certificates of deposit and short term borrowings. The cost of long term debt increased due to maturities of certain debt at low yields which were replaced with higher costing debt. Average loans outstanding during 2007 showed growth from 2006, however, the total growth was limited due to a decline in mortgage warehouse loans caused by a slow down in the residential lending market. Changes in the mix of the loan portfolio is shown in the following table.

(dollar amounts in thousands)	2007	2006	2005
Commercial loans	$291,656	$267,263	$234,971
Mortgage warehouse loans	70,279	96,334	108,298
Real estate loans	228,466	201,756	123,815
Installment loans	262,913	220,095	173,674
Total average loans outstanding	$853,314	$785,448	$640,758

Average commercial loans grew nearly 9%, consumer loans increased by over 19% and residential real estate loans increased by over 12%. Commercial loan growth came from nonresidential commercial real estate loans. Average consumer loans grew as a result of expansion of indirect lending into southwest Michigan and north central Indiana. Average consumer loans increased due to indirect loans originated within Horizon's normal market area, which are held in the portfolio, as well as approximately $24 million of indirect loans originated in the suburban Chicago market. Horizon terminated its Illinois indirect loan operation in October of 2007. Mortgage loans, while showing an increase in average balance, have declined since the end of 2006. This was intentional as Horizon shifts its emphasis to more traditional commercial and consumer banking lines of business. The decline in mortgage demand caused mortgage warehouse loans to decrease by over 27%.

Average interest-bearing deposits increased by over 11% during 2007. Short-term deposit rates increased due to a higher concentration of deposits in higher cost deposit products. The overall cost of time deposits increased as maturing certificates of deposit renewed at higher rates and a greater reliance on higher cost short term negotiable certificates of deposit.

The increase in net interest income during 2007 and 2006 is primarily the result of increased earning assets. The increase in net interest income resulting from increased earning assets was partially offset by declines in the net interest margin.

Non-interest Income

The major components of non-interest income consist of service charges on deposit accounts, gain on sale of loans and fiduciary fees. Service charges on deposit accounts are based upon: a) recovery of direct operating expenses associated with providing the service, b) allowing for a profit margin that provides an adequate return on assets and stockholders' equity and c) competitive factors within the Bank's markets. Service charges on deposits were $3.469 million, $3.102 million and $2.966 million, for 2007, 2006 and 2005, respectively.

Gain on sale of loans was $2.566 million for 2007, $1.681 million for 2006 and $1.756 million in 2005. Horizon has sold between 50% and 60% of its residential mortgage loan production in 2005 and 2006. In 2007 Horizon sold approximately 77% of its residential mortgage loan production. The loans retained are predominantly adjustable rate mortgage loans. During 2007, Horizon sold $135 million of current production of residential mortgage loans into the secondary market compared to $96 million in 2006 and $98 million in 2005.

Fiduciary fees were $3.556 million in 2007 compared to $3.100 million in 2006 and $2.748 million in 2005. Fiduciary income increased due to an increase in assets under administration, additional income from the ESOP line of business and a fee increase implemented in January of 2007.

Non-interest Expense

Non-interest expense totaled $31.144 million in 2007 compared to $30.455 million in 2006 and $29.129 million in 2005.

Salaries and benefits increased 4.4% during 2007 compared to a decrease of .6% during 2006. Incentive compensation accruals for various Horizon employees were reduced during the fourth quarter of 2006, as incentive targets were not met, while normal incentive compensation accruals continued all of 2007 as incentive targets were met. The reduction to the incentive accruals in 2006 is the main cause of the increase in salaries and employee benefits in 2007. The staff reductions, which took place in 2006 and 2007, are now favorably impacting compensation expense. The staff reductions in 2006 were accomplished through normal attrition and were the result of an efficiency study. The staff reduction in 2007 was the result of a reduction in force by eliminating certain positions. The 2007 expense includes approximately $262 thousand of severance benefits paid to the terminated employees. The ongoing annual impact of the 2007 staff reductions will be approximately $1.5 million.

Total other expenses, excluding salaries and benefits, decreased .4% in 2007 and increased 11.2% in 2006. During 2006 other expenses were impacted by a full year of additional costs related to the acquisition of Alliance including expenses relative to the operation of the additional branches, and the amortization of the core deposit intangible acquired in the acquisition. 2006 was also impacted by an increase in the deferred loan fees being amortized over the life of the loan. Efforts to maintain non-interest expenses at current levels were successful. Professional fees declined due to a reduction in legal fees.

Income Taxes

Income tax expense totaled $2.727 million in 2007 compared to $2.838 million in 2006 and $2.945 million in 2005. The effective tax rate was 25.1%, 27.5% and 29.3% for 2007, 2006 and 2005, respectively. The decrease in the effective tax rate was due to an increase in the percentage of tax-exempt income to pre-tax income.

Liquidity and Rate Sensitivity Management

Management and the Board of Directors meet regularly to review both the liquidity and rate sensitivity position of Horizon. Effective asset and liability management ensures Horizon’s ability to monitor the cash flow requirements of depositors along with the demands of borrowers and to measure and manage interest rate risk. Horizon utilizes an interest rate risk assessment model designed to highlight sources of existing interest rate risk and consider the effect of these risks on strategic planning. Management maintains (within certain parameters) an essentially balanced ratio of interest sensitive assets to liabilities in order to protect against the effects of wide interest rate fluctuations.

Liquidity

The Bank maintains a stable base of core deposits provided by long standing relationships with consumers and local businesses. These deposits are the principal source of liquidity for Horizon. Other sources of liquidity for Horizon include earnings, loan repayments, investment security sales and maturities, sale of real estate loans and borrowing relationships with correspondent banks, including the Federal Home Loan Bank (FHLB). At December 31, 2007, Horizon has available approximately $171.2 million in available credit from various money center banks, including the FHLB. During 2007, cash flows were generated primarily from proceeds from borrowings of $185.0 million and sales, maturities, and prepayments of investment securities of $62.5 million. Cash flows were used to purchase investments totaling $56.5 million, increase loans $47.8 million and repay debt $100.5 million. The net cash and cash equivalent position decreased by $3.8 million during 2007.

Interest Sensitivity

The degree by which net interest income may fluctuate due to changes in interest rates is monitored by Horizon using computer simulation models, incorporating not only the current GAP position but the effect of expected repricing of specific financial assets and liabilities. When repricing opportunities are not properly aligned, net interest income may be affected when interest rates change. Forecasting results of the possible outcomes determines the exposure to interest rate risk inherent in Horizon’s balance sheet. The goal is to manage imbalanced positions that arise when the total amount of assets that reprice or mature in a given time period differs significantly from liabilities that reprice or mature in the same time period. The theory behind managing the difference between repricing assets and liabilities is to have more assets repricing in a rising rate environment and more liabilities repricing in a declining rate environment. At December 31, 2007, the amount of assets that reprice within one year were 103% of liabilities that reprice within one year. At December 31, 2006, the amount of assets that reprice within one year were approximately 96% of the amount of liabilities that reprice within the same time period.

	Rate Sensitivity				
	3 Months or Less	> 3 Months and < 6 Months	> 6 Months and < 1 Year	Greater Than 1 Year	Total
Loans	$270,683	$82,169	$115,202	$429,211	$ 897,265
Federal funds sold	35,314	—	—	—	35,314
Interest-bearing balances with Banks	249	—	—	—	249
Investment securities and FRB and FHLB stock	22,954	10,259	13,579	200,508	247,300
Other assets	22,931	—	—	55,815	78,746
Total assets	$352,131	$92,428	$128,781	$685,534	$1,258,874

	Rate Sensitivity				
	3 Months or Less	> 3 Months and < 6 Months	> 6 Months and < 1 Year	Greater Than 1 Year	Total
Noninterest-bearing deposits	$ 6,959	$ 6,959	$ 11,614	$ 58,565	$ 84,097
Interest-bearing deposits	210,485	148,059	129,524	321,499	809,567
Borrowed funds	33,799	1,916	8,812	242,161	286,688
Other liabilities	—	—	—	7,877	7,877
Stockholders' equity	—	—	—	70,645	70,645
Total liabilities and stockholders' equity	$251,243	$156,934	$149,950	$700,747	$1,258,874
GAP	$100,888	$ (64,506)	$ (21,169)	$ (15,213)	
Cumulative GAP	$100,888	$ 36,382	$ 15,213		

Included in the GAP analysis are certain interest-bearing demand accounts and savings accounts. These interest-bearing accounts are subject to immediate withdrawal. However, Horizon considers approximately 58% of these deposits to be insensitive to gradual changes in interest rates and generally to behave like deposits with longer maturities based upon historical experience.

Quantitative and Qualitative Disclosures About Market Risk

Horizon's primary market risk exposure is interest rate risk. Interest rate risk (IRR) is the risk that Horizon's earnings and capital will be adversely affected by changes in interest rates. The primary approach to IRR management is one that focuses on adjustments to the asset/liability mix in order to limit the magnitude of IRR.

Horizon's exposure to interest rate risk is due to repricing or mismatch risk, embedded options risk, and yield curve risk. Repricing risk is the risk of adverse consequence from a change in interest rates that arise because of differences in the timing of when those interest rate changes affect Horizon's assets and liabilities. Basis risk is the risk that the spread, or rate difference, between instruments of similar maturities will change. Options risk arises whenever products give the customer the right, but not the obligation, to alter the quantity or timing of cash flows. Yield curve risk is the risk that changes in prevailing interest rates will affect instruments of different maturities by different amounts. Horizon's objective is to remain reasonably neutral with respect to IRR. Horizon utilizes a variety of strategies to maintain this position including the sale of mortgage loans on the secondary market and varying maturities of FHLB advances, certificates of deposit funding and investment securities.

The table, which follows, provides information about Horizon's financial instruments that are sensitive to changes in interest rates as of December 31, 2007. The table incorporates Horizon's internal system generated data related to the maturity and repayment/withdrawal of interest-earning assets and interest-bearing liabilities. For loans, securities and liabilities with contractual maturities, the table presents principal cash flows and related weighted-average interest rates by contractual maturities as well as the historical experience of Horizon related to the impact of interest rate fluctuations on the prepayment of residential loans and mortgage-backed securities. From a risk management perspective, Horizon believes that repricing dates are more relevant than contractual maturity dates when analyzing the value of financial instruments. For deposits with no contractual maturity dates, the table presents principal cash flows and weighted average rate, as applicable, based upon Horizon's experience and management's judgment concerning the most likely withdrawal behaviors.

Horizon had no derivative financial instruments or trading portfolio as of December 31, 2007.

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Quantitative Disclosure of Market Risk

	2008	2009	2010	2011	2012	2013 and Beyond	Total	Fair Value 12/31/07
Rate-sensitive assets								
Fixed interest rate loans	$176,129	$ 94,934	$ 63,179	$ 41,398	$24,662	$ 25,757	$ 426,059	$ 428,991
Average interest rate	7.22%	7.59%	7.88%	8.16%	8.34%	7.59%	7.58%	
Variable interest rate loans	291,924	62,478	50,792	41,773	15,767	8,472	471,206	483,650
Average interest rate	7.06%	6.20%	6.25%	6.39%	6.55%	6.17%	6.77%	
Total loans	468,053	157,412	113,971	83,171	40,429	34,229	897,265	912,641
Average interest rate	7.12%	7.04%	7.15%	7.27%	7.64%	7.24%	7.15%	
Securities, including FRB and FHLB stock	46,793	23,188	23,089	21,903	27,040	105,287	247,300	247,300
Average interest rate	4.83%	4.92%	5.18%	5.22%	4.49%	4.58%	4.76%	
Other interest-bearing assets	35,563						35,563	35,563
Average interest rate	2.30%						2.30%	
Total earnings assets	550,409	180,600	137,060	105,074	67,469	139,516	1,180,128	1,195,504
Average interest rate	7.32%	6.29%	6.26%	6.26%	6.30%	5.09%	6.60%	
Rate-sensitive liabilities								
Noninterest-bearing deposits	$ 25,533	$ 17,780	$ 12,382	$ 8,623	$ 6,005	$ 13,774	$ 84,097	$ 84,097
NOW accounts	100,361	28,285	20,551	15,181	10,616	55,580	230,574	229,914
Average interest rate	3.43%	2.27%	2.19%	2.15%	2.00%	2.12%	2.71%	
Savings and money market accounts	36,785	26,921	19,234	13,634	9,636	23,691	129,901	128,310
Average interest rate	2.33%	2.38%	2.39%	2.40%	2.41%	2.39%	2.37%	
Certificates of deposit	350,897	53,731	24,623	11,034	8,295	512	449,092	450,797
Average interest rate	4.75%	4.48%	4.85%	4.63%	4.14%	1.00%	4.71%	
Total deposits	513,576	126,717	76,790	48,472	34,552	93,557	893,664	893,118
Average interest rate	4.08%	2.91%	2.74%	2.40%	2.28%	1.87%	3.41%	
Fixed interest rate borrowings	5,789	65,465	45,415	30,375	30,462	35,277	212,783	219,728
Average interest rate	3.61%	4.71%	5.12%	5.03%	5.07%	3.97%	4.74%	
Variable interest rate borrowings	73,906						73,906	73,906
Average interest rate	3.93%						3.93%	
Total funds	593,271	192,182	122,205	78,847	65,014	128,834	1,180,353	1,186,752
Average interest rate	4.06%	3.53%	3.62%	3.41%	3.59%	2.44%	3.68%	

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required under this item is incorporated by reference to the information appearing in Management's Discussion and Analysis of Financial Condition and Results of Operation included in Item 7.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Horizon Bancorp
Consolidated Financial Statements
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Horizon Bancorp

Consolidated Balance Sheets
(Dollar Amounts in Thousands)

December 31	2007	2006
Assets		
Cash and due from banks	**$ 19,714**	$ 52,311
Interest-bearing demand deposits	**1**	1
Federal funds sold	**35,314**	6,500
Cash and cash equivalents	**55,029**	58,812
Interest-bearing deposits	**249**	898
Investment securities, available for sale	**234,675**	243,078
Loans held for sale	**8,413**	13,103
Loans, net of allowance for loan losses of $9,791 and $8,738	**879,061**	835,096
Premises and equipment	**24,607**	23,394
Federal Reserve and Federal Home Loan Bank stock	**12,625**	12,136
Goodwill	**5,787**	5,787
Other intangible assets	**2,068**	2,412
Interest receivable	**5,897**	6,094
Cash value life insurance	**22,384**	13,464
Other assets	**8,079**	8,156
Total assets	**$1,258,874**	$1,222,430
Liabilities		
Deposits		
Noninterest bearing	**$ 84,097**	$ 81,949
Interest bearing	**809,567**	832,024
Total deposits	**893,664**	913,973
Borrowings	**258,852**	199,793
Subordinated debentures	**27,837**	40,209
Interest payable	**2,439**	1,771
Other liabilities	**5,437**	4,807
Total liabilities	**1,188,229**	1,160,553
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, no par value Authorized, 1,000,000 shares No shares issued		
Common stock, $.2222 stated value Authorized, 22,500,000 shares Issued, 5,011,656 and 4,998,106 shares	**1,114**	1,111
Additional paid-in capital	**25,638**	25,229
Retained earnings	**60,982**	54,196
Accumulated other comprehensive income (loss)	**63**	(1,507)
Less treasury stock, at cost, 1,759,424 shares	**(17,152)**	(17,152)
Total stockholders' equity	**70,645**	61,877
Total liabilities and stockholders' equity	**$1,258,874**	$1,222,430

See notes to consolidated financial statements

Horizon Bancorp

Consolidated Statements of Income

(Dollar Amounts in Thousands, Except Per Share Data)

Years Ended December 31	2007	2006	2005
Interest Income			
Loans receivable	**$63,618**	$57,282	$44,749
Investment securities			
Taxable	**8,389**	8,602	9,720
Tax exempt	**3,061**	2,796	2,372
Total interest income	**75,068**	68,680	56,841
Interest Expense			
Deposits	**28,442**	25,734	16,374
Federal funds purchased and short-term borrowings	**2,930**	2,035	1,210
Long-term borrowings	**8,575**	7,100	6,789
Subordinated debentures	**2,313**	2,266	1,595
Total interest expense	**42,260**	37,135	25,968
Net Interest Income	**32,808**	31,545	30,873
Provision for loan losses	**3,068**	905	1,521
Net Interest Income After Provision for Loan Losses	**29,740**	30,640	29,352
Other Income			
Service charges on deposit accounts	**3,469**	3,102	2,966
Wire-transfer fee income	**357**	396	438
Fiduciary activities	**3,556**	3,100	2,748
Commission income from insurance agency	**—**	—	46
Gain on sale of loans	**2,566**	1,681	1,756
Gain on sale of mortgage servicing rights	**—**	656	—
Increase in cash surrender value of life insurance	**920**	470	487
Gain (loss) on sale of securities available for sale	**2**	(764)	4
Other income	**1,401**	1,496	1,368
Total other income	**12,271**	10,137	9,813
Other Expenses			
Salaries and employee benefits	**17,154**	16,433	16,518
Net occupancy expenses	**2,418**	2,338	2,217
Data processing and equipment expenses	**2,516**	2,560	2,342
Professional fees	**1,169**	1,386	1,225
Outside services and consultants	**1,022**	1,100	1,064
Loan expenses	**2,106**	1,952	1,427
Other expenses	**4,759**	4,686	4,336
Total other expenses	**31,144**	30,455	29,129
Income Before Income Tax	**10,867**	10,322	10,036
Income tax expense	**2,727**	2,838	2,945
Net Income	**$ 8,140**	$ 7,484	$ 7,091
Basic Earnings Per Share	**$ 2.54**	$ 2.36	$ 2.31
Diluted Earnings Per Share	**$ 2.51**	$ 2.33	$ 2.24

See notes to consolidated financial statements.

Horizon Bancorp

Consolidated Statements of Stockholders' Equity
(Dollar Amounts in Thousands)

	Common Stock	Additional Paid-in Capital	Comprehensive Income	Retained Earnings	Restricted Stock, Unearned Compensation	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balances, January 1, 2005	$ 1,062	$ 22,729		$ 43,092	$ (972)	$ 894	$ (16,373)	$ 50,432
Net income			$ 7,091	7,091				7,091
Other comprehensive loss, net of tax, unrealized holding losses on securities			(3,747)			(3,747)		(3,747)
Comprehensive income			$ 3,344					
Cash dividends ($.53 per share)				(1,660)				(1,660)
Exercise of stock options	30	916						946
Tax benefit related to stock options		907						907
Purchase treasury stock							(651)	(651)
Amortization of unearned compensation					212			212
Balances, December 31, 2005	1,092	24,552		48,523	(760)	(2,853)	(17,024)	53,530
Net income			$ 7,484	7,484				7,484
Other comprehensive loss, net of tax, unrealized holding gains on securities, net of reclassification adjustment			1,346			1,346		1,346
Comprehensive income			$ 8,830					
Cash dividends ($.56 per share)				(1,811)				(1,811)
Reclassification of restricted stock, unearned compensation to paid-in capital upon adoption of SFAS 123 (R)		(760)			760			
Exercise of stock options	19	716						735
Tax benefit related to stock options		469						469
Stock option expense		40						40
Purchase treasury stock							(128)	(128)
Amortization of unearned compensation		212						212
Balances, December 31, 2006	1,111	25,229		54,196	—	(1,507)	(17,152)	61,877
Net income			$ 8,140	8,140				8,140
Other comprehensive income, net of tax, unrealized holding gains on securities, net of reclassification adjustment			1,570			1,570		1,570
Comprehensive income			$ 9,710					
Adjustment to accrued income taxes upon adoption of financial interpretation 48				563				563
Cash dividends ($.59 per share)				(1,917)				(1,917)
Issuance of restricted stock	2	(2)						
Exercise of stock options	3	132						135
Tax benefit related to stock options		68						68
Stock option expense		53						53
Reversal of compensation expense for forfeiture of non-vested shares	(2)	(82)						(84)
Amortization of unearned compensation		240						240
Balances, December 31, 2007	$ 1,114	$ 25,638		$ 60,982	$ —	$ 63	$ (17,152)	$ 70,645

See notes to consolidated financial statements.

Horizon Bancorp

Consolidated Statements of Cash Flows
(Dollar Amounts in Thousands)

Years Ended December 31	2007	2006	2005
Operating Activities			
Net income	**$ 8,140**	$ 7,484	$ 7,091
Items not requiring (providing) cash			
Provision for loan losses	**3,068**	905	1,521
Depreciation and amortization	**2,278**	2,471	2,281
Share based compensation	**53**	40	—
Premium amortization on securities available for sale	**121**	240	764
Mortgage servicing rights impairment (recovery)	**2**	(41)	(97)
Deferred income tax	**(225)**	(78)	174
(Gain) loss on sales of securities available for sale	**(2)**	764	(4)
Gain on sale of mortgage servicing rights	**—**	(656)	—
Gain on sale of loans	**(2,566)**	(1,681)	(1,756)
Proceeds from sales of loans	**135,436**	95,471	98,150
Loans originated for sale	**(128,180)**	(104,453)	(94,998)
(Gain) loss on sale of other real estate owned	**(10)**	4	(38)
(Gain) loss on sale of premises and equipment	**10**	16	(22)
Tax benefit of options exercised	**(68)**	(469)	(907)
Increase in cash surrender value of life insurance	**(920)**	(470)	(487)
Net change in			
Interest receivable	**197**	(281)	(596)
Interest payable	**668**	108	497
Other assets	**(670)**	536	912
Other liabilities	**648**	(879)	(1,269)
Net cash provided by (used in) operating activities	**17,980**	(969)	11,216
Investing Activities			
Net change in interest-bearing deposits	**649**	14,837	(10,048)
Purchases of securities available for sale	**(51,822)**	(91,791)	(38,417)
Proceeds from maturities, calls and principal repayments of securities available for sale	**34,546**	33,695	54,071
Proceeds from sales of securities available for sale	**27,973**	91,265	7,150
Purchase of FRB and FHLB stock, net of redemption	**(539)**	(81)	(712)
Proceeds from sale of mortgage servicing rights	**—**	1,273	—
Proceeds from sale of Federal Home loan Bank Stock	**50**	928	—
Net change in loans	**(47,773)**	(112,203)	(83,118)
Proceeds from sale of fixed assets	**—**	1	723
Recoveries on loans previously charged-off	**722**	608	527
Proceeds from sale of other real estate owned	**768**	44	409
Purchases of premises and equipment	**(3,001)**	(3,877)	(1,421)
Purchase of trust preferred securities	**—**	(372)	—
Purchase of bank owned life insurance	**(8,000)**	—	—
Acquisition, net of cash acquired	**—**	—	(2,901)
Net cash used in investing activities	**(46,427)**	(65,673)	(73,737)

Horizon Bancorp

Consolidated Statements of Cash Flows
(Dollar Amounts in Thousands)

Years Ended December 31	2007	2006	2005
(Continued)			
Financing Activities			
Net change in			
Deposits	**$ (20,309)**	$ 58,407	$ 126,213
Repurchase agreements and note payable	**39,222**	(7,183)	(2,256)
Proceeds from long-term borrowings	**220,000**	250,000	107,000
Repayment of long-term borrowings	**(200,163)**	(226,657)	(146,982)
Proceeds from issuance of trust preferred securities	**—**	12,372	—
Redemption of trust preferred securities	**(12,372)**	—	—
Dividends paid	**(1,917)**	(1,811)	(1,660)
Exercise of stock options	**135**	735	946
Tax benefit of options exercised	**68**	469	907
Purchase of treasury stock	**—**	(128)	(651)
Net cash provided by financing activities	**24,664**	86,204	83,517
Net Change in Cash and Cash Equivalents	**(3,783)**	19,562	20,996
Cash and Cash Equivalents, Beginning of Year	**58,812**	39,250	18,254
Cash and Cash Equivalents, End of Year	**$ 55,029**	$ 58,812	$ 39,250
Additional Cash Flows Information			
Interest paid	**$ 41,592**	$ 36,960	$ 25,281
Income tax paid	**2,630**	1,530	1,870

See notes to consolidated financial statements.

Horizon Bancorp

Notes to Consolidated Financial Statements
(Table Dollar Amounts in Thousands)

Note 1 — Nature of Operations and Summary of Significant Accounting Policies

Nature of Business — The consolidated financial statements of Horizon Bancorp (Horizon) and its wholly owned subsidiary, Horizon Bank, N.A. (Bank) conform to accounting principles generally accepted in the United States of America and reporting practices followed by the banking industry.

The Bank is a full-service commercial bank offering a broad range of commercial and retail banking and other services incident to banking. The Bank has three active wholly owned subsidiaries: Horizon Trust & Investment Management, Inc. (HTIM), Horizon Investments, Inc. (Investment Company) and Horizon Grantor Trust. HTIM offers corporate and individual trust and agency services and investment management services. Horizon Investments, Inc. manages the investment portfolio of the Bank. Horizon Grantor Trust holds title to certain company owned life insurance policies. The Bank maintains sixteen full service facilities and one loan production office throughout Northwest Indiana and Southwest Michigan. The Bank also maintains a loan production office in Lake County Indiana. The Bank also wholly owns Horizon Insurance Services, Inc. (Insurance Agency) which is inactive, but previously offered a full line of personal insurance products. The net income generated from the insurance operations was not significant to the overall operations of Horizon and the majority of the insurance agency assets were sold during 2005. Horizon conducts no business except that incident to its ownership of the subsidiaries.

Horizon formed Horizon Statutory Trust II in 2004 and Horizon Bancorp Capital Trust III in 2006 for the purpose of participating in Pooled Trust Preferred Stock offerings. The Company assumed additional debentures as the result of the acquisition of Alliance in 2005 which formed Alliance Financial Statutory Trust I (Alliance Trust). See Note 10 for further discussion regarding these previously consolidated entities that are now reported separately.

Basis of Reporting — The consolidated financial statements include the accounts of Horizon and subsidiaries. All material inter-company accounts and transactions have been eliminated in consolidation.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Investment Securities Available for Sale — Horizon designates its investment portfolio as available for sale based on management's plans to use such securities for asset and liability management, liquidity and not to hold such securities as long-term investments. Management repositions the portfolio to take advantage of future expected interest rate trends when Horizon's long-term profitability can be enhanced. Investment securities available for sale and marketable equity securities are carried at estimated fair value and any net unrealized gains/losses (after tax) on these securities are included in accumulated other comprehensive income. Gains/losses on the disposition of securities available for sale are recognized at the time of the transaction and are determined by the specific identification method.

Loans Held for Sale — Loans held for sale are reported at the lower of cost or market value in the aggregate.

Interest and Fees on Loans — Interest on commercial, mortgage and installment loans is recognized over the term of the loans based on the principal amount outstanding. When principal or interest is past due 90 days or more, and the loan is not well secured or in the process of collection, or when serious doubt exists as to the collectibility of a loan, the accrual of interest is discontinued. Loan origination fees, net of direct loan origination costs, are deferred and recognized over the life of the loan as a yield adjustment.

Concentrations of Credit Risk — The Bank grants commercial, real estate and consumer loans to customers located primarily in Northwest Indiana and southwest Michigan and provides mortgage warehouse lines to mortgage companies in the United States. Commercial loans make up approximately 35% of the loan portfolio and are secured by both real estate and business assets. These loans are expected to be repaid from cash flows from operations of the businesses. Residential real estate loans make up approximately 24% of the loan portfolio and are secured by residential real estate. Installment loans make up approximately 32% of the loan portfolio and are primarily secured by consumer assets. Mortgage warehouse loans make up approximately 9% of the loan portfolio and are secured by residential real estate.

Mortgage Warehouse Loans — Horizon's mortgage warehousing business line has specific mortgage companies as customers of Horizon Bank. Individual mortgage loans originated by these mortgage companies are funded as a secured borrowing with pledge of collateral under Horizon's agreement with the mortgage company. Each individual mortgage is assigned to Horizon until the loan is sold to the secondary market by the mortgage company. In addition, Horizon takes possession of each original note and forwards such note to the end investor once the mortgage company has sold the loan. At the time a loan is transferred to the secondary market, the mortgage company repurchases the loan under its option within the agreement. Due to the repurchase feature contained in the agreement, the transaction does not qualify as a sale under SFAS 140 paragraph 9 (c) and therefore is accounted for as a secured borrowing with pledge of collateral under paragraph 12 of SFAS 140 pursuant to the agreement with the mortgage company. When the individual loan is sold to the end investor by the mortgage company the proceeds from the sale of the loan are received by Horizon and used to payoff the loan balance with Horizon along with any accrued interest and any related fees. The remaining balance from the sale is forwarded to the mortgage company. These individual loans typically are sold by the mortgage company within 30 days and are seldom held more than 90 days. Interest income is accrued during this period and collected at the time each loan is sold. Fee income for each loan sold is recorded when collected and no costs are deferred due to the term between each loan funding and related payoff is typically less than 30 days.

Based on the agreements with each mortgage company, at any time a mortgage company can repurchase from Horizon their outstanding loan balance on an individual mortgage and regain possession of the original note. Horizon also has the option to request that the mortgage company repurchase an individual mortgage. Should this occur, Horizon would return the original note and reassign the assignment of the mortgage to the mortgage company. Also, in the event that the end investor would not be able to honor the sales commitment and the mortgage company would not be able to repurchase its loan on an individual mortgage, Horizon would be able to exercise its rights under the agreement.

Horizon Bancorp
Notes to Consolidated Financial Statements
(Table Dollar Amounts in Thousands)

Allowance for Loan Losses — An allowance for loan losses is maintained to absorb loan losses inherent in the loan portfolio. The allowance is based on ongoing quarterly assessments of the probable losses inherent in the loan portfolio. The allowance is increased by the provision for credit losses, which is charged against current period operating results and decreased by the amount of charge offs, net of recoveries. Horizon's methodology for assessing the appropriateness of the allowance consists of several key elements, which include the general allowance, specific allowances for identified problem loans and the qualitative allowance.

The general allowance is calculated by applying loss factors to pools of outstanding loans. Loss factors are based on a historical loss experience and may be adjusted for significant factors that, in management's judgment, affect the collectibility of the portfolio as of the evaluation date.

Specific allowances are established in cases where management has identified conditions or circumstances related to a credit that management believes indicate the probability that a loss will be incurred in excess of the amount determined by the application of the formula allowance.

The qualitative allowance is based upon management's evaluation of various conditions, the effects of which are not directly measured in the determination of the general and specific allowances. The evaluation of the inherent loss with respect to these conditions is subject to a higher degree of uncertainty because they are not identified with specific credits. The conditions evaluated in connection with the qualitative allowance may include factors such as local, regional and national economic conditions and forecasts, concentrations of credit and changes in the composition of the portfolio.

Loan Impairment — When analysis determines a borrower's operating results and financial condition are not adequate to meet debt service requirements, the loan is evaluated for impairment. Often this is associated with a delay or shortfall in payments of 30 days or more. Loans are generally placed on non-accrual status when 90 days or more past due. These loans are also often considered impaired. Impaired loans, or portions thereof, are charged-off when deemed uncollectible. This typically occurs when the loan is 120 or more days past due.

Loans are considered impaired if full principal or interest payments are not made in accordance with the original terms of the loan. Impaired loans are measured and carried at the lower of cost or the present value of expected future cash flows discounted at the loan's effective interest rate, at the loan's observable market price or at the fair value of the collateral if the loan is collateral dependent.

Smaller balance homogenous loans are evaluated for impairment in the aggregate. Such loans include residential first mortgage loans secured by one to four family residences, residential construction loans and automobile, home equity and second mortgages. Commercial loans and mortgage loans secured by other properties are evaluated individually for impairment.

Premises and Equipment — Buildings and major improvements are capitalized and depreciated using primarily the straight-line method with useful lives ranging from 3 to 40 years. Furniture and equipment are capitalized and depreciated using primarily the straight-line method with useful lives ranging from 2 to 20 years. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on disposition are included in current operations.

Federal Reserve and Federal Home Loan Bank Stock — The stock is a required investment for institutions that are members of the Federal Reserve Bank (FRB) and Federal Home Loan Bank (FHLB) systems. The required investment in the common stock is based on a predetermined formula.

Mortgage Servicing Rights — Mortgage servicing rights on originated loans that have been sold are capitalized by allocating the total cost of the mortgage loans between the mortgage servicing rights and the loans based on their relative fair values. Capitalized servicing rights are amortized in proportion to and over the period of estimated servicing revenue. Impairment of mortgage-servicing rights is assessed based on the fair value of those rights. Fair values are estimated using discounted cash flows based on a current market interest rate. For purposes of measuring impairment, the rights are stratified based on the predominant risk characteristics of the underlying loans. The predominant characteristic currently used for stratification is type of loan. The amount of impairment recognized is the amount by which the capitalized mortgage servicing rights for a stratum exceed their fair value. Amortization expense and charges related to an impairment write-down are included in other income.

Goodwill — Goodwill is tested annually for impairment. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Goodwill totaled $5.787 million at December 31, 2007 and 2006. A large majority of the goodwill relates to the acquisition of Alliance financial Corporation.

Income Taxes — Horizon files annual consolidated income tax returns with its subsidiaries. Income tax in the consolidated statements of income includes deferred income tax provisions or benefits for all significant temporary differences in recognizing income and expenses for financial reporting and income tax purposes.

The Company adopted the provisions of the Financial Accounting Standards Board (FASB) Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109, on January 1, 2007. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As a result of the implementation of FIN 48, no material liabilities for uncertain tax positions have been recorded. However, the Company reduced its liabilities for certain tax position by $563,000. This reduction was recorded as a cumulative effect adjustment to equity. The following financial statement line items for 2007 were affected by the change in accounting principle.

Trust Assets and Income — Property, other than cash deposits, held in a fiduciary or agency capacity is not included in the consolidated balance sheets since such property is not owned by Horizon.

Earnings per Common Share — Basic EPS is computed by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. In August 2002, substantially all of the participants in Horizon's Stock Option and Stock Appreciation Rights Plans voluntarily entered into an agreement with Horizon to cap the value of their stock appreciation rights (SARS) at $14.67 per share and cease any future vesting of the SARS. These agreements with option holders make it more advantageous to exercise an option rather than a SAR whenever Horizon's stock price exceeds $14.67 per share, therefore, the option becomes potentially dilutive at $14.67 per share or higher. The number of shares used in the computation of basic earnings per share is 3,200,440 for 2007, 3,177,272 for 2006 and 3,067,632 for 2005. The number of shares used in the computation of diluted earnings per share is 3,243,565 for 2007, 3,217,050 for 2006 and 3,162,950 for 2005. There were 18,000 and 5,000 shares for 2007 and 2006 respectively that were excluded from diluted earnings per share, as they were anti-dilutive. There were no anti-dilutive shares for 2005.

Horizon Bancorp
Notes to Consolidated Financial Statements
(Table Dollar Amounts in Thousands)

Dividend Restrictions — Regulations of the Comptroller of the Currency limit the amount of dividends that may be paid by a national bank to its parent holding company without prior approval of the Comptroller of the Currency. At December 31, 2007, $7.787 million was available for payment of dividends from the Bank to Horizon. Additionally, the Federal Reserve Board limits the amount of dividends that may be paid by Horizon to its stockholders under its capital adequacy guidelines.

Consolidated Statements of Cash Flows — For purposes of reporting cash flows, cash and cash equivalents are defined to include cash and due from banks, money market investments and federal funds sold with maturities of one day or less. Horizon reports net cash flows for customer loan transactions, deposit transactions, short-term investments and short-term borrowings.

Share-Based Compensation — At December 31, 2007, Horizon has stock option plans, which are described more fully in Note 18. Effective January 1, 2006, Horizon adopted Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment* ("SFAS 123(R)"). SFAS 123(R) addresses all forms of share-based payment awards, including shares under employee stock purchase plans, stock options, restricted stock and stock appreciation rights. SFAS 123(R) requires all share-based payments to be recognized as expense, based upon their fair values, in the financial statements over the vesting period of the awards. Horizon has elected the modified prospective application and, as a result, has recorded approximately $53 thousand and $40 thousand for 2007 and 2006 respectively in compensation expense relating to vesting of stock options less estimated forfeitures for the 12 month period ended December 31, 2007 and 2006. Prior to adoption of SFAS 123(R), unearned compensation related to restricted stock awards was classified as a separate component of stockholders' equity. Upon the adoption of SFAS 123(R) on January 1, 2006, the balance in unearned compensation was reclassified to additional paid-in capital.

Prior to the adoption of SFAS 123(R), Horizon accounted for these plans under the recognition and measurement principles of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. No stock-based employee compensation cost was reflected in net income, as all options granted under the plan had an exercise price equal to the market value of the underlying common stock on the grant date. The following table illustrates the effect on net income and earnings per share if Horizon had applied the fair value provisions of Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation*, to stock-based employee compensation.

Years Ended December 31	2005
Net income, as reported	$ 7,091
Less: Total stock-based employee compensation cost determined under the fair value based method, net of income taxes	(35)
Pro forma net income	$ 7,056
Earnings per share:	
Basic – as reported	$ 2.31
Basic – pro forma	$ 2.30
Diluted – as reported	$ 2.24
Diluted – pro forma	$ 2.23

Reclassifications — Certain reclassifications have been made to the 2006 and 2005 consolidated financial statements to be comparable to 2007. These reclassifications had no effect on net income.

Horizon Bancorp
Notes to Consolidated Financial Statements
(Table Dollar Amounts in Thousands)

Recent Accounting Pronouncements

Fair Value Measurements — In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" (SFAS 157) on fair value measurement. SFAS 157 provides guidance for using fair value to measure assets and liabilities. SFAS 157 also responds to investors' requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value and the effect of fair value measurements on earnings. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. SFAS 157 does not expand the use of fair value in any new circumstances.

Over forty current accounting standards within generally accepted accounting principles require (or permit) entities to measure assets and liabilities at fair value. Prior to SFAS 157, the methods for measuring fair value were diverse and inconsistent, especially for items that are not actively traded. In the case of derivatives, the FASB consulted with investors, who generally supported fair value, even when market data are not available, along with expanded disclosure of the methods used and the effect on earnings.

Under SFAS 157, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers. SFAS 157 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability. In support of this principle, SFAS 157 establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data, for example, the reporting entity's own data. Under SFAS 157, fair value measurements would be separately disclosed by level within the fair value hierarchy.

SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Early adoption is permitted. Horizon has not determined the impact that SFAS 157 will have on its consolidated financial condition or results of operations.

Fair Value Option for Financial Assets and Financial Liabilities — In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities; including an Amendment of FASB Statement No. 115* (SFAS 159). SFAS 159 permits entities with an irrevocable option to report most financial assets and liabilities at fair value, with subsequent changes in fair value reported in earnings. The election can be applied on an instrument-by-instrument basis. The statement establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. The provisions of FAS 159 are effective for the fiscal year beginning January 1, 2008. The Company does not expect the adoption of SFAS No. 159 to have a material impact on the operations of the Company.

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In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* ("SFAS 141R"), which replaces the FASB Statement No. 141. SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets required, the liabilities assumed, any non-controlling interests in the acquiree and the goodwill acquired. The Statement also establishes disclosure requirements that will enable users to evaluate the nature and financial effects of the business combination. SFAS 141R is effective as of the beginning of an entity's fiscal year that begins after December 15, 2008. The Company is currently evaluating the potential impact, if any, of the adoption of SFAS 141R on the Company's financial condition, results of operations and cash flows.

Note 2 — Acquisition

On June 10, 2005, Horizon acquired Alliance Financial Corporation and its wholly owned bank subsidiary, Alliance Banking Company (collectively referred to as Alliance). Horizon purchased the outstanding shares of Alliance for $42.50 per share in cash. The cost of the transaction, including legal, accounting, and investment fees was $13.348 million. The assets and liabilities of Alliance were recorded on the balance sheet at their fair value as of the acquisition date. The results of Alliance's operations have been included in Horizon's consolidated statement of income from the date of acquisition. The $5,629,000 of goodwill is not deductible for tax purposes.

The following table summarizes the estimated fair values of the net assets acquired as of the June 10, 2005, acquisition date:

Assets	
Cash and cash equivalents	$ 10,447
Investment securities	28,922
Loans, net of allowance for loan losses	86,447
Premises and equipment	4,983
Goodwill	5,629
Core deposit intangible	2,952
Other assets	1,711
Total assets	141,091
Liabilities	
Deposits	117,137
Borrowings	9,040
Other liabilities	1,566
Total liabilities	127,743
Net Assets Acquired	$ 13,348

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The following pro forma disclosures, including the effect of the purchase accounting adjustments, depict the results of operations as though the merger had taken place January 1, 2004:

Year ended December 31	2005
Net interest income	$32,884
Net income	6,111
Per Share – combined	
Basic net income	$ 1.99
Diluted net income	1.93

Note 3 — Investment Securities

December 31	2007 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale				
U.S. Treasury and federal agencies	$ 25,660	$ 560	$ —	$ 26,220
State and municipal	86,389	906	364	86,931
Federal agency collateralized mortgage obligations	13,650	53	151	13,552
Federal agency mortgage-backed pools	108,247	253	1,129	107,371
Corporate notes	632	—	31	601
Total investment securities	$234,578	$1,772	$1,675	$234,675

December 31	2006 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale				
U.S. Treasury and federal agencies	$ 58,595	$ 58	$ 208	$ 58,445
State and municipal	81,363	806	369	81,800
Federal agency collateralized mortgage obligations	11,215	19	224	11,010
Federal agency mortgage-backed pools	93,591	54	2,471	91,174
Corporate notes	632	17	—	649
Total investment securities	$245,396	$954	$3,272	$243,078

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The amortized cost and fair value of securities available for sale at December 31, 2007, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Within one year	$ 5,099	$ 5,139
One to five years	7,457	7,588
Five to ten years	30,017	30,277
After ten years	70,108	70,748
	112,681	113,752
Federal agency collateralized mortgage obligations	13,650	13,552
Federal agency mortgage-backed pools	108,247	107,371
Totals	$234,578	$234,675

Securities with a carrying value of $116,931,000 and $78,795,000 were pledged at December 31, 2007 and 2006, respectively, to secure certain public and trust deposits and securities sold under agreements to repurchase.

Proceeds from sales of securities available for sale during 2007 were $27,973,000. Gross gains of $164,000 and gross losses of $162,000 were recognized on these sales in 2007. Proceeds from sales of securities available for sale during 2006 were $91,265,000. Gross gains of $1,247,000 and gross losses of $2,011,000 were recognized on these sales. Proceeds from the sales of securities available for sale during 2005 were $7,150,000. Gross gains of $37,000 and gross losses of $33,000 were recognized on these sales. The tax expense on net realized gains for 2007 and 2005 was $700 and $1,400 respectively. The tax benefit on net realized losses for 2006 was $267,000.

Certain investments in debt securities are reported in the financial statements at an amount less than their historical cost. Total fair value of these investments at December 31, 2007 and 2006, was $101,674,000 and $150,402,000, respectively, which is approximately 43% and 62% of Horizon's available-for-sale investment portfolio. These declines primarily resulted from decreases in market interest rates.

Based on evaluation of available evidence, including recent changes in market interest rates, credit rating information and information obtained from regulatory filings, management believes the declines in fair value for these securities are temporary. Horizon does not have a history of actively trading securities, but keeps the securities available for sale should liquidity or other needs develop that would warrant the sale of securities. While these securities are held in the available for sale portfolio, Horizon intends and has the ability to hold them until the earlier of a recovery in fair value or maturity.

Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified.

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The following table shows our investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2007 and 2006:

Description of Securities	Less than 12 Months Fair Value	Less than 12 Months Unrealized Losses	12 Months or More Fair Value	12 Months or More Unrealized Losses	Total Fair Value	Total Unrealized Losses
2007						
State and municipal	$21,498	$161	$11,177	$ 203	$ 32,675	$ 364
Federal agency collateralized mortgage obligations	2,665	22	4,995	129	7,660	151
Federal agency mortgage-backed pools	692	15	60,046	1,114	60,738	1,129
Corporate notes	601	31	—	—	601	31
Total temporarily impaired securities	$25,456	$229	$76,218	$1,446	$101,674	$1,675

Description of Securities	Less than 12 Months Fair Value	Less than 12 Months Unrealized Losses	12 Months or More Fair Value	12 Months or More Unrealized Losses	Total Fair Value	Total Unrealized Losses
2006						
U.S. Treasury and federal agencies	$10,804	$ 30	$ 10,899	$ 178	$ 21,703	$ 208
State and municipal	22,354	121	10,615	248	32,969	369
Federal agency collateralized mortgage obligations	—	—	9,203	224	9,203	224
Federal agency mortgage-backed pools	1,742	10	84,785	2,461	86,527	2,471
Total temporarily impaired securities	$34,900	$161	$115,502	$3,111	$150,402	$3,272

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Note 4 — Loans and Allowance

December 31	2007	2006
Commercial loans	$307,535	$271,457
Mortgage warehouse loans	78,225	112,267
Real estate loans	216,019	222,235
Installment loans	287,073	237,875
	888,852	843,834
Allowance for loan losses	(9,791)	(8,738)
Total loans	$879,061	$835,096

December 31	2007	2006	2005
Allowance for loan losses			
Balances, January 1	$ 8,738	$ 8,368	$ 7,193
Acquired through acquisition	—	—	557
Provision for losses	3,068	905	1,521
Recoveries on loans	722	608	527
Loans charged off	(2,737)	(1,143)	(1,430)
Balances, December 31	$ 9,791	$ 8,738	$ 8,368

Impaired loans for which the carrying value of the loans exceeded the discounted cash flows or collateral value totaled approximately $1,870,000 and $1,768,000 at December 31, 2007 and 2006, respectively. The allowance for impaired loans, included in the Bank's allowance for loan losses, totaled $345,000 and $406,000 at December 31, 2007 and 2006, respectively. The average balance of impaired loans during 2007 was $1,673,000 and $942,000 during 2006. There was $165,000, $117,000 and $63,000 of interest income recorded on the cash and accrual basis during 2007, 2006 and 2005, respectively, on impaired loans.

At December 31, 2007, loans past due more than 90 days and still accruing interest totaled approximately $87,000. At December 31, 2006, loans past due more than 90 days and still accruing interest totaled approximately $144,000. Non-accruing loans at December 31, 2007, 2006 and 2005, totaled approximately $2,862,000, $2,481,000 and $1,822,000, respectively. Interest income not recognized on these loans totaled approximately $122,000, $77,000 and $60,000 in 2007, 2006 and 2005, respectively.

Loans to directors and executive officers of Horizon and the Bank, including associates of such persons, amounted to $15,217,000 and $5,834,000, as of December 31, 2007 and 2006, respectively. During 2007, new loans or advances were $12,282,000 and loan payments were $2,899,000.

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Note 5 — Premises and Equipment

December 31	2007	2006
Land	$ 7,006	$ 6,641
Buildings and improvements	25,453	23,565
Furniture and equipment	10,366	9,809
Total cost	42,825	40,015
Accumulated depreciation	(18,218)	(16,621)
Net	$ 24,607	$ 23,394

Note 6 — Loan Servicing

Loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of loans serviced for others totaled approximately $26,191,000 and $23,702,000 at December 31, 2007 and 2006, respectively.

The aggregate fair value of capitalized mortgage servicing rights at December 31, 2007, totaled approximately $309,000. Comparable market values and a valuation model that calculates the present value of future cash flows were used to estimate fair value. For purposes of measuring impairment, risk characteristics including product type, investor type and interest rates, were used to stratify the originated mortgage servicing rights.

	2007	2006	2005
Mortgage Servicing Rights			
Balances, January 1	$248	$1,278	$1,473
Servicing rights capitalized	79	83	239
Servicing rights sold	—	(862)	—
Amortization of servicing rights	(51)	(251)	(434)
	276	248	1,278
Impairment allowance	(7)	(3)	(44)
Balances, December 31	$269	$ 245	$1,234

During 2006, the Bank sold mortgage servicing rights with a book value of $862,000. The principal balance of the loans on which the servicing was sold amounted to $134,465,000. During 2007, the Bank recorded additional impairment of approximately $2,000. During 2006, the Bank recorded a gross recovery of the impairment allowance totaling approximately $41,000.

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Note 7 — Intangible Assets

As a result of the acquisition of Alliance (Note 2) in 2005, the Company has recorded certain amortizable intangible assets related to core deposit intangibles. The Core deposit intangible is being amortized over ten years using an accelerated method. Additionally, the Company has a non-compete agreement being amortized over four years from the acquisition of a mortgage company in 2003. Amortizable intangible assets are summarized as follows:

	2007		2006	
December 31	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets				
Core deposit intangible	$2,952	$(884)	$2,952	$(553)
Noncompete agreement	90	(90)	90	(77)
	$3,042	$(974)	$3,042	$(630)

Amortization expense for intangible assets totaled $344,000, $368,000 and $230,000 for the years ended December 31, 2007, 2006 and 2005, respectively. Estimated amortization for the years ending December 31 are as follows:

2008	$ 317
2009	305
2010	292
2011	280
2012	269
Thereafter	605
	$ 2,068

Note 8 — Deposits

December 31	2007	2006
Noninterest-bearing demand deposits	$ 84,097	$ 81,949
Interest-bearing demand deposits	230,574	307,147
Money market (variable rate)	100,792	129,981
Savings deposits	29,110	31,495
Certificates of deposit of $100,000 or more	227,781	151,342
Other certificates and time deposits	221,310	212,059
Total deposits	$893,664	$913,973

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Certificates and other time deposits maturing in years ending December 31 are as follows:

2008	$350,922
2009	53,731
2010	24,623
2011	11,034
2012	8,295
Thereafter	486
	$449,091

Note 9 — Borrowings

December 31	2007	2006
Federal Home Loan Bank advances, variable and fixed rates ranging from 2.86% to 7.53%, due at various dates through November 15, 2024	$157,783	$137,951
Securities sold under agreements to repurchase	96,369	56,642
Notes payable	4,700	5,200
Total short-term borrowings	$258,852	$199,793

The Federal Home Loan Bank advances are secured by first and second mortgage loans and mortgage warehouse loans totaling approximately $427,815,000. Advances are subject to restrictions or penalties in the event of prepayment. In addition, $75,200,000 of the advances outstanding at December 31, 2007 contained options with dates ranging from March 17, 2008 to April 29, 2013, whereby the interest rate may be adjusted by the Federal Home Loan Bank, at which time the advances may be repaid at the option of the Company without penalty.

Securities sold under agreements to repurchase consist of obligations of the Bank to other parties. The obligations are secured by U.S. agency and mortgage-backed securities and such collateral is held in safekeeping by third parties. The maximum amount of outstanding agreements at any month end during 2007 and 2006 totaled $97,677,000 and $70,179,000 and the daily average of such agreements totaled $75,588,000 and $63,098,000, respectively. The agreements at December 31, 2007, mature at various dates through September 11, 2017. Securities sold under repurchase agreements totaling $20,000,000 may be cancelled at the discretion of the lender on various dates beginning on September 11, 2010.

Horizon has an unsecured $12,000,000 line of credit, of which, $4.7 million was outstanding at December 31, 2007. The line of credit is from an unrelated financial institution with interest payable quarterly at a rate indexed to LIBOR. The note matures within one year.

At December 31, 2007, the Bank has available approximately $171,167,000 in credit lines with various money center banks, including the FHLB.

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Contractual maturities in years ending December 31

2008	$ 51,355
2009	40,125
2010	45,133
2011	30,142
2012	41,568
Thereafter	50,529
	$258,852

Note 10 — Subordinated Debentures

In March of 2002, Horizon formed Horizon Statutory Trust I (Trust I), a wholly owned statutory business trust. Trust I sold $12.372 million of Trust Preferred Capital Securities as a participant in a pooled trust preferred securities offering. The proceeds from the sale of the trust preferred securities were used by the trust to purchase an equivalent amount of subordinated debentures from Horizon. The junior subordinated debentures are the sole assets of Trust I and are fully and unconditionally guaranteed by Horizon. The junior subordinated debentures and the trust preferred securities pay interest and dividends, respectively, on a quarterly basis. The junior subordinated debentures and the securities bear interest at a rate of 90-day LIBOR plus 3.60% and mature on March 26, 2032, and are noncallable for five years. After that period, the securities may be called at any quarterly interest payment date at par. These securities have been called and were redeemed on March 26, 2007. Costs associated with the issuance of the securities totaling $362,000 were capitalized and were amortized to the March 26,2007 first call date of the securities.

In October of 2004, Horizon formed Horizon Statutory Trust II (Trust II), a wholly owned statutory business trust. Trust II sold $10.310 million of Trust Preferred Capital Securities as a participant in a pooled trust preferred securities offering. The proceeds from the sale of the trust preferred securities were used by the trust to purchase an equivalent amount of subordinated debentures from Horizon. The junior subordinated debentures are the sole assets of Trust II and are fully and unconditionally guaranteed by Horizon. The junior subordinated debentures and the trust preferred securities pay interest and dividends, respectively, on a quarterly basis. The junior subordinated debentures and the securities bear interest at a rate of 90 day LIBOR plus 1.95% and mature on October 21, 2034, and are non-callable for five years. After that period, the securities may be called at any quarterly interest payment date at par. Costs associated with the issuance of the securities totaling $17,500 were capitalized and are being amortized to the first call date of the securities.

In December of 2006, Horizon formed Horizon Bancorp Capital Trust III (Trust III), a wholly owned statutory business trust. Trust III sold $12.372 million of Trust Preferred Capital Securities as a participant in a pooled trust preferred securities offering. The proceeds from the sale of the trust preferred securities were used by the trust to purchase an equivalent amount of subordinated debentures from Horizon. The junior subordinated debentures are the sole assets of Trust III and are fully and unconditionally guaranteed by Horizon. The junior subordinated debentures and the trust preferred securities pay interest and dividends, respectively, on a quarterly basis. The junior subordinated debentures and the securities bear interest at a rate of 90 day LIBOR plus 1.65% and mature on January 30, 2037, and are noncallable for five years. After that period, the securities may be called at any quarterly interest payment date at par. Costs associated with the issuance of the securities totaling $12,647 were capitalized and are being amortized to the first call date of the securities. The proceeds of this issue were used to redeem the securities issued by Trust I on March 26, 2007.

The Company assumed additional debentures as the result of the acquisition of Alliance in 2005. In June 2004, Alliance formed Alliance Financial Statutory Trust I a wholly owned business trust (Alliance Trust) to sell $5.155 million in trust preferred securities. The proceeds from the sale of the trust preferred securities were used by the trust to purchase an equivalent amount of subordinated debentures from Alliance. The junior subordinated debentures are the sole assets of Alliance Trust and are fully and unconditionally guaranteed by Horizon. The junior subordinated debentures and the trust preferred securities pay interest and dividends, respectively, on a quarterly basis. The junior subordinated debentures and the securities bear interest at a rate of 90-day LIBOR plus 2.65%, mature in June 2034, and are non-callable for five years. After that period, the securities may be called at any quarterly interest payment date at par.

The Trust Preferred Capital Securities, subject to certain limitations, are included in Tier 1 Capital for regulatory purposes. At December 31, 2007, $6.049 million of the $27.837 million in securities were not included in Tier 1 Capital for regulatory purposes. Dividends on the Trust Preferred Capital Securities are recorded as interest expense.

Note 11 — Employee Stock Ownership Plan

Effective January 1, 2007, Horizon converted its stock bonus plan to an employee stock ownership plan ("ESOP"). Prior to that date Horizon maintained an employee stock bonus plan that covered substantially all employees. The stock bonus plan was noncontributory and Horizon made matching contributions of amounts contributed by the employees to the Employee Thrift Plan and discretionary contributions. Prior to the establishment of the employee stock bonus plan, Horizon maintained an ESOP that was terminated in 1999. The prior ESOP accounts of active employees and the discretionary accounts of active employees will remain in the new ESOP. The Matching contribution accounts under the Stock Bonus Plan will be transferred to the Horizon Bancorp Employees’ Thrift Plan.

The ESOP exists for the benefit of substantially all employees. Contributions to the ESOP are by Horizon and are determined by the Board of Directors at their discretion. The contributions may be made in the form of cash or common stock. Shares are allocated among participants each December 31 on the basis of each participant’s eligible compensation to total eligible compensation. Eligible compensation is limited to $225,000 for each participant. Dividends on shares held by the plan, at the discretion of each participant, may be distributed to an individual participant or left in the plan to purchase additional shares.

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Total cash contributions and expense recorded for the ESOP was $300,000 in 2007. The expense recorded for the Stock Bonus Plan was $200,000 in 2006 and 2005.

The ESOP, which is not leveraged, owns a total of 380,332 shares of Horizon's stock or 13.9% of the outstanding shares.

Note 12 — Employee Thrift Plan

The Employee Thrift Plan ("Plan") provides that all employees of Horizon with the requisite hours of service are eligible for the Plan. The Plan permits voluntary employee contributions and Horizon may make discretionary matching and profit sharing contributions. Each eligible employee is vested according to a schedule based upon years of service. Employee voluntary contributions are vested at all times and Horizon's discretionary contributions vest over a six-year period. The Bank's expense related to the thrift plan totaled approximately $348,000 in 2007, $332,000 in 2006 and $384,000 for 2005.

Note 13 — Other Expenses

Years Ended December 31	2007	2006	2005
Supplies and printing	$ 452	$ 466	$ 452
Advertising	630	613	659
Communication	561	479	480
Directors fees	280	279	272
Insurance expense	430	466	509
Postage	354	340	301
Amortization of intangibles	344	367	230
Travel and entertainment	548	530	527
Other	1,160	1,146	906
Total other expenses	$4,759	$4,686	$4,336

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Note 14 — Income Tax

Years Ended December 31	2007	2006	2005
Income tax expense			
Currently payable			
Federal	$ 2,671	$ 2,381	$2,226
State	281	535	545
Deferred	(225)	(78)	174
Total income tax expense	$ 2,727	$ 2,838	$2,945
Reconciliation of federal statutory to actual tax expense			
Federal statutory income tax at 34%	$ 3,695	$ 3,510	$3,412
Tax exempt interest	(1,097)	(1,009)	(841)
Tax exempt income	(318)	(170)	(175)
Nondeductible and other	261	154	189
Effect of state income taxes	186	353	360
Actual tax expense	$ 2,727	$ 2,838	$2,945

A cumulative net deferred tax asset is included in other assets. The components of the asset are as follows:

December 31	2007	2006
Assets		
Allowance for loan losses	$ 3,944	$ 3,757
Difference in expense recognition	—	101
Director and employee benefits	829	855
Net operating loss carryforward	—	60
Tax credit carry forward	—	82
Unrealized loss on securities available for sale	—	811
Total assets	4,773	5,666
Liabilities		
Depreciation	(899)	(1,062)
Difference in expense recognition	(111)	—
Federal Home Loan Bank stock dividends	(326)	(326)
Difference in basis of intangible assets	(826)	(959)
Difference in basis of assets	—	(185)
Difference in basis of liabilities	—	(5)
Unrealized gain on securities available for sale	(34)	—
Other	(178)	(110)
Total liabilities	(2,374)	(2,647)
Net deferred tax asset	$ 2,399	$ 3,019

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Note 15 — Other Comprehensive Income (Loss)

Years Ended December 31	2007	2006	2005
Unrealized losses on securities:			
Unrealized holding gains (losses) arising during the year	$2,413	$1,307	$(5,765)
Less: reclassification adjustment for gains (losses) realized in net income	2	(764)	4
Net unrealized gains (losses)	2,415	2,071	(5,769)
Tax (expense) benefit	(845)	(725)	2,022
Other comprehensive income (loss)	$1,570	$1,346	$(3,747)

Note 16 — Commitments, Off-Balance Sheet Risk and Contingencies

Because of the nature of its activities, Horizon is subject to pending and threatened legal actions that arise in the normal course of business. In management's opinion, after consultation with counsel, none of the litigation to which Horizon or any of its subsidiaries is a party will have a material effect on the consolidated financial position or results of operations of Horizon.

The Bank was required to have approximately $2,367,000 of cash on hand or on deposit with the Federal Reserve Bank to meet regulatory reserve and clearing balance requirements at December 31, 2007. These balances are included in cash and cash equivalents and do not earn interest.

The Bank is a party to financial instruments with off-balance sheet risk in the ordinary course of business to meet financing needs of its customers. These financial instruments include commitments to make loans and standby letters of credit. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to make loans and standby letters of credit is represented by the contractual amount of those instruments. The Bank follows the same credit policy to make such commitments as is followed for those loans recorded in the financial statements.

At December 31, 2007 and 2006, commitments to make loans amounted to approximately $141,729,000 and $154,686,000 and commitments under outstanding standby letters of credit amounted to approximately $1,929,000 and $3,000,000. Since many commitments to make loans and standby letters of credit expire without being used, the amount does not necessarily represent future cash advances. No losses are anticipated as a result of these transactions. Collateral obtained upon exercise of the commitment is determined using management's credit evaluation.

Note 17 — Regulatory Capital

Horizon and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies and are assigned to a capital category. The assigned capital category is largely determined by three ratios that are calculated according to the regulations: total risk adjusted capital, Tier I capital and Tier I leverage ratios. The ratios are intended to measure capital relative to assets and credit risk associated with those assets and off-balance sheet exposures of the entity. The capital category assigned to an entity can also be affected by qualitative judgments made by regulatory agencies about the risk inherent in the entity's activities that are not part of the calculated ratios.

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There are five capital categories defined in the regulations, ranging from well capitalized to critically undercapitalized. Classification of a bank in any of the undercapitalized categories can result in actions by regulators that could have a material effect on a bank's operations. At December 31, 2007 and 2006, Horizon and the Bank are categorized as well capitalized and met all subject capital adequacy requirements.

Horizon's and the Bank's actual and required capital amounts and ratios are as follows:

	Actual		Minimum Required for Capital[1] Adequacy Purposes		Minimum Required To Be Well Capitalized[1] Under Prompt Corrective Action Requirements	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2007						
Total capital [1] (to risk-weighted assets)						
Consolidated	$ 99,491	10.90%	$72,998	8.00%	N/A	N/A
Bank	96,448	10.58	72,923	8.00	$91,154	10.00%
Tier I capital [1] (to risk-weighted assets)						
Consolidated	83,651	9.17	36,499	4.00	N/A	N/A
Bank	86,657	9.51	36,462	4.00	54,692	6.00
Tier I capital [1] (to average assets)						
Consolidated	83,651	6.99	47,853	4.00	N/A	N/A
Bank	86,657	7.29	47,573	4.00	59,466	5.00
As of December 31, 2006						
Total capital [1] (to risk-weighted assets)						
Consolidated	$102,897	12.92%	$63,738	8.00%	N/A	N/A
Bank	89,327	11.26	63,444	8.00	$79,305	10.00%
Tier I capital [1] (to risk-weighted assets)						
Consolidated	73,554	9.23	31,869	4.00	N/A	N/A
Bank	80,589	10.16	31,722	4.00	47,583	6.00
Tier I capital [1] (to average assets)						
Consolidated	73,554	6.25	47,040	4.00	N/A	N/A
Bank	80,589	6.89	46,760	4.00	58,449	5.00

1 As defined by regulatory agencies

Horizon Bancorp
Notes to Consolidated Financial Statements
(Table Dollar Amounts in Thousands)

Note 18 — Share Based Compensation

Under Horizon's 1997 Stock Option and Stock Appreciation Right Plan (1997 Plan), which is accounted for in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004) Share-Based Payment (FAS 123R), Horizon may grant certain officers and employees stock option awards or stock appreciation rights which vest and become fully exercisable at the end of five years of continued employment. SARs entitle eligible employees to receive cash, stock or a combination of cash and stock totaling the excess, on the date of exercise, of the fair market value of the shares of common stock covered by the option over the option exercise price. The underlying stock options are deemed to have been cancelled upon exercise of the SARs. In the third quarter of 2002, Horizon entered into agreements with participants that capped the value of their SARs at $14.67 per share and discontinued any future vesting. No additional compensation expense is recognized when the fair value of Horizon stock exceeds $14.67 per share as there is a presumption that participants will exercise their options rather than the SARs. No compensation expense relating to the SARs was recorded in 2007, 2006 or 2005.

A summary of option activity under the 1997 Plan as of December 31, 2007 and changes during the year then ended, is presented below:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Term	Aggregate Intrinsic Value
Outstanding, beginning of year	37,520	$ 7.95		
Exercised	(9,750)	9.44		
Outstanding, end of year	27,770	$ 8.07	3.65	$ 488
Exercisable, end of year	26,870	$ 7.74	5.01	$ 481

There were no options granted during the years 2007, 2006 and 2005. The total intrinsic value of options exercised during the years ended December 31, 2007, 2006 and 2005, was $166,613, $1,860,528 and $3,321,166, respectively.

Horizon Bancorp
Notes to Consolidated Financial Statements
(Table Dollar Amounts in Thousands)

On January 21, 2003, the Board of Directors adopted the Horizon Bancorp 2003 Omnibus Equity Incentive Plan (2003 Plan) which was approved by stockholders on May 8, 2003. Under the 2003 Plan, Horizon may issue up to 150,000 common shares, plus the number of shares that are tendered to or withheld by Horizon in connection with the exercise of options plus that number of shares that are purchased by Horizon with the cash proceeds received upon option exercises. The 2003 Plan limits the number of shares available to 150,000 for incentive stock options and to 75,000 for the grant of non-option awards. The shares available for issuance under the 2003 Plan may be divided among the various types of awards and among the participants as the Compensation Committee (Committee) determines. The Committee is authorized to grant any type of award to a participant that is consistent with the provisions of the 2003 Plan. Awards may consist of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, performance units, performance shares or any combination of these awards. The Committee determines the provisions, terms and conditions of each award. The restricted shares vest over a period of time established by the committee at the time of each grant. Holders of restricted shares receive dividends and may vote the shares. The restricted shares are recorded at fair market value (on the date granted) as a separate component of stockholders' equity. The cost of these shares is being amortized against earnings using the straight-line method over the vesting period. The options shares granted under the 2003 plan vest at a rate of 20% per year. The restricted shares granted under the 2003 Plan vest at the end of each grant's vesting period.

The fair value of options granted is estimated on the date of the grant using an option-pricing model with the following weighted-average assumptions:

December 31	2007	2006	2005
Dividend yields	2.18%	2.14%	1.87%
Volatility factors of expected market price of common stock	20.47%	18.10%	19.97%
Risk-free interest rates	5.05%	5.20%	4.37%
Expected life of options	6 years	9 years	9 years

A summary of option activity under the 2003 Plan as of December 31, 2007, and changes during the year then ended, is presented below:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, beginning of year	33,000	$ 24.96		
Granted	5,000	27.50		
Exercised	(1,400)	23.56		
Forfeited or expired	(7,600)	25.65		
Outstanding, end of year	29,000	$ 25.28	7.66	$ 11
Exercisable, end of year	11,000	$ 24.34	6.95	$ 14

Horizon Bancorp
Notes to Consolidated Financial Statements
(Table Dollar Amounts in Thousands)

The weighted average grant-date fair value of options granted during the years 2007, 2006 and 2005 was $6.59, $7.12 and $7.66, respectively. The total intrinsic value of options exercised during the year ended December 31, 2007 was $4,258. No options granted under the 2003 Plan were exercised in 2006.

A summary of the status of Horizon's non-vested, restricted shares as of December 31, 2007 and 2006, is presented below:

	2007		2006	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Non-vested beginning of year	45,000	$23.56	45,000	$23.56
Granted	10,000	27.22	—	—
Exercised	2,400	23.56	—	—
Forfeited	7,600	23.56	—	—
Non-vested, end of year	45,000	$24.37	45,000	$23.56

All grants vest at the end of five years of continuous employment.

Total compensation cost recognized in the income statement for option-based payment arrangements during 2007 was $53,000 and the related tax benefit recognized was $21,000. Total compensation cost recognized in the income statement for option-based payment arrangements during 2006 was $40,000 and the related tax benefit recognized was $16,000. No cost was recognized for the year 2005.

Total compensation cost recognized in the income statement for restricted share based payment arrangements during 2007, 2006 and 2005 was $240,000, $212,000 and $212,000, respectively. The recognized tax benefit related thereto was $96,000, $84,000 and $84,000 for the years ended December 31, 2007, 2006 and 2005, respectively.

Cash received from option exercise under all share-based payment arrangements for the years ended December 31, 2007, 2006 and 2005 was $135,000, $735,000 and $946,000, respectively. The actual tax benefit realized for the tax deductions from option exercise of the share-based payment arrangements totaled $68,000, $723,000 and $1,139,000, respectively, for the years ended December 31, 2007, 2006 and 2005.

As of December 31, 2007, there was $569,000 of total unrecognized compensation cost related to all non-vested share-based compensation arrangements granted under all of the plans. That cost is expected to be recognized over a weighted-average period of 2.5 years.

Horizon Bancorp
Notes to Consolidated Financial Statements
(Table Dollar Amounts in Thousands)

Note 19 — FDIC One-Time Assessment Credit

Effective November 17, 2006, the FDIC implemented a one-time credit of $4.7 billion to eligible institutions. The purpose of the credit is to recognize contributions made by certain institutions to capitalize the Bank Insurance Fund and Savings Association Insurance Fund, which have now been merged into the Deposit Insurance Fund. The Bank is an eligible institution and has received notice from the FDIC that its share of the credit is $457,534. Horizon utilized $313,911 of this credit during 2007 which reduced the Company's FDIC insurance expense. The remaining credit of $143,623 is not reflected in the accompanying financial statements as it represents contingent future credits against future insurance assessment payments. As such, the timing and ultimate recoverability of the one-time credit may change.

Note 20 — Fair Values of Financial Instruments

The estimated fair value amounts were determined using available market information, current pricing information applicable to Horizon and various valuation methodologies. Where market quotations were not available, considerable management judgment was involved in the determination of estimated fair values. Therefore, the estimated fair value of financial instruments shown below may not be representative of the amounts at which they could be exchanged in a current or future transaction. Due to the inherent uncertainties of expected cash flows of financial instruments, the use of alternate valuation assumptions and methods could have a significant effect on the derived estimated fair value amounts.

The estimated fair values of financial instruments, as shown below, are not intended to reflect the estimated liquidation or market value of Horizon taken as a whole. The disclosed fair value estimates are limited to Horizon's significant financial instruments at December 31, 2007 and 2006. These include financial instruments recognized as assets and liabilities on the consolidated balance sheet as well as certain off-balance sheet financial instruments. The estimated fair values shown below do not include any valuation of assets and liabilities which are not financial instruments as defined by SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and Cash Equivalents — The carrying amounts approximate fair value.

Interest-Bearing Deposits — The carrying amounts approximate fair value.

Investment Securities — For debt and marketable equity securities available for sale and held to maturity, fair values are based on quoted market prices or dealer quotes. For those securities where a quoted market price is not available, carrying amount is a reasonable estimate of fair value based upon comparison with similar securities.

Net Loans — The fair value of portfolio loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. The carrying amounts of loans held for sale approximate fair value.

Horizon Bancorp
Notes to Consolidated Financial Statements
(Table Dollar Amounts in Thousands)

Interest Receivable/Payable — The carrying amounts approximate fair value.

FHLB and FRB Stock — Fair value of FHLB and FRB stock is based on the price at which it may be resold to the FHLB and FRB.

Deposits — The fair value of demand deposits, savings accounts, interest-bearing checking accounts and money market deposits is the amount payable on demand at the reporting date. The fair value of fixed maturity certificates of deposit is estimated by discounting the future cash flows using rates currently offered for deposits of similar remaining maturity.

Borrowings — Rates currently available to Horizon for debt with similar terms and remaining maturities are used to estimate fair values of existing borrowings.

Subordinated Debentures — Rates currently available for debentures with similar terms and remaining maturities are used to estimate fair values of existing debentures.

Commitments to Extend Credit and Standby Letter of Credit — The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reporting date. Due to the short-term nature of these agreements, carrying amounts approximate fair value.

The estimated fair values of Horizon's financial instruments are as follows:

	2007		2006	
December 31	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Assets				
Cash and cash equivalents	$ 55,029	$ 55,029	$ 52,312	$ 52,312
Interest-bearing deposits	249	249	898	898
Investment securities available for sale	234,675	234,675	243,078	243,078
Loans including loans held for sale, net	887,474	902,837	848,199	855,468
Interest receivable	5,897	5,897	6,094	6,094
Stock in FHLB and FRB	12,625	12,625	12,136	12,136
Liabilities				
Noninterest-bearing deposits	84,097	84,097	81,949	81,949
Interest-bearing deposits	809,567	809,021	832,024	821,701
Borrowings	258,852	265,797	199,793	215,100
Subordinated debentures	27,837	27,860	40,209	44,032
Interest payable	2,439	2,439	1,771	1,771

Horizon Bancorp
Notes to Consolidated Financial Statements
(Table Dollar Amounts in Thousands)

Note 21 — Condensed Financial Information (Parent Company Only)

Presented below is condensed financial information as to financial position, results of operations and cash flows of Horizon Bancorp:

Condensed Balance Sheets

December 31	2007	2006
Assets		
Total cash and cash equivalents	$ 71	$ 481
Investment securities, available for sale	—	12,024
Investment in Bank	94,602	87,307
Other assets	9,326	8,295
Total assets	$103,999	$108,107
Liabilities		
Short-term borrowings	$ 4,700	$ 5,200
Subordinated debentures	27,837	40,209
Other liabilities	817	821
Stockholders' Equity	70,645	61,877
Total liabilities and stockholders' equity	$103,999	$108,107

Condensed Statements of Income

Years Ended December 31	2007	2006	2005
Operating Income (Expense)			
Dividend income from Bank	$ 4,250	$ 5,900	$ 9,900
Investment income	139	91	48
Other income	—	4	—
Interest expense	(2,571)	(2,675)	(1,800)
Employee benefit expense	(509)	(433)	(412)
Other expense	(97)	(155)	(153)
Income Before Undistributed Income of Subsidiaries	1,212	2,732	7,583
Undistributed Income (Loss) of Subsidiaries	5,725	3,497	(1,435)
Income Before Tax	6,937	6,229	6,148
Income Tax Benefit	1,203	1,255	943
Net Income	$ 8,140	$ 7,484	$ 7,091

Horizon Bancorp
Notes to Consolidated Financial Statements
(Table Dollar Amounts in Thousands)

Condensed Statements of Cash Flows

Years Ended December 31	2007	2006	2005
Operating Activities			
Net income	$ 8,140	$ 7,484	$ 7,091
Items not requiring (providing) cash			
Distributions in excess (equity in undistributed) net income of Bank	(5,725)	(3,497)	1,435
Change in			
Income taxes receivable	(1,836)	(1,745)	—
Dividends receivable from Bank	400	(100)	(1,600)
Share based compensation	53	40	—
Reversal of compensation expense	(84)	—	—
Amortization of unearned compensation	240	212	—
Other assets	596	298	(1,348)
Other liabilities	(4)	149	(785)
Net cash provided by operating activities	1,780	2,629	4,793
Investing Activities			
Purchases of securities available for sale	—	(12,024)	—
Proceeds from maturities, calls and principal repayments of securities available for sale	12,024	—	—
Investment in Bank	—	—	(8,764)
Investment in Statutory Trusts	—	(372)	—
Redemption of Statutory Trust	372	—	—
Acquisition, net of cash acquired	—	—	(2,901)
Net cash used in investing activities	12,396	(12,396)	(11,665)
Financing Activities			
Dividends paid	(1,917)	(1,811)	(1,660)
Change in short-term borrowings	(500)	(2,000)	7,200
Exercise of stock options	135	735	946
Tax benefit of stock options	68	469	907
Proceeds from issuance of trust preferred securities	—	12,372	—
Redemption of trust preferred securities	(12,372)	—	—
Purchase of treasury stock	—	(128)	(651)
Net cash provided by financing activities	(14,586)	9,637	6,742
Net Change in Cash and Cash Equivalents	(410)	(130)	(130)
Cash and Cash Equivalents at Beginning of Year	481	611	741
Cash and Cash Equivalents at End of Year	$ 71	$ 481	$ 611

Horizon Bancorp
Notes to Consolidated Financial Statements
(Table Dollar Amounts in Thousands)

Note 22 — Quarterly Results of Operations (Unaudited)

The following is a summary of the quarterly consolidated results of operations:

Three Months Ended 2007	March 31	June 30	September 30	December 31
Interest income	$ 17,948	$ 18,566	$ 19,173	$ 19,381
Interest expense	10,312	10,524	10,914	10,510
Net interest income	7,636	8,042	8,259	8,871
Provision for loan losses	225	365	550	1,928
Net income	1,844	2,016	2,270	2,010
Earnings per share				
Basic	$ .58	$ .63	$ .71	$ .63
Diluted	$ .57	$ .62	$ .70	$ .62
Average shares outstanding				
Basic	3,194,309	3,200,259	3,202,341	3,204,715
Diluted	3,239,479	3,243,537	3,242,919	3,247,843

Three Months Ended 2006	March 31	June 30	September 30	December 31
Interest income	$ 15,663	$ 16,650	$ 17,758	$ 18,609
Interest expense	7,853	8,814	9,946	10,522
Net interest income	7,810	7,836	7,812	8,087
Loss on sale of securities available for sale	158	91	515	—
Provision for loan losses	380	225	120	180
Net income	1,449	1,834	1,968	2,233
Earnings per share				
Basic	$ .46	$ .58	$ .62	$ .70
Diluted	$ .45	$ .57	$ .61	$ .69
Average shares outstanding				
Basic	3,142,219	3,183,870	3,189,004	3,193,306
Diluted	3,203,206	3,209,294	3,211,777	3,238,648

Report of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors and Stockholders
Horizon Bancorp
Michigan City, Indiana

We have audited the accompanying consolidated balance sheets of Horizon Bancorp as of December 31, 2007 and 2006, and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2007. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits also included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Horizon Bancorp as of December 31, 2007 and 2006, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, in 2007, the Company changed its method of accounting for income taxes.

BKD LLP

Indianapolis, Indiana
March 10, 2008

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HORIZON BANCORP

Management's Report on Financial Statements

Management is responsible for the preparation and presentation of the consolidated financial statements and related notes on the preceding pages. The statements have been prepared in conformity with accounting principles generally accepted in the United States of America appropriate in the circumstances and include amounts that are based on management's best estimates and judgments. Financial information elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

In meeting its responsibility for the accuracy of the consolidated financial statements, management relies on Horizon's system of internal accounting controls. This system is designed to provide reasonable assurance that assets are safeguarded and transactions are properly recorded to permit the preparation of appropriate financial information. The system of internal controls is supplemented by a program of internal audits to independently evaluate the adequacy and application of financial and operating controls and compliance with Company policies and procedures.

The Audit Committee of the Board of Directors meets periodically with management, the independent accountants and the internal auditors to ensure that each is properly discharging its responsibilities with regard to the consolidated financial statements and internal accounting controls. The independent accountants have full and free access to the Audit Committee and meet with it to discuss auditing and financial reporting matters.

The consolidated financial statements in the Annual Report have been audited by **BKD, LLP**, independent registered public accounting firm, for 2007, 2006 and 2005. Their audits were conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and included consideration of internal accounting controls, tests of accounting records and other audit procedures to the extent necessary to allow them to express their opinion on the fairness of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America.

Horizon Bancorp

Summary of Selected Financial Data

(Dollar Amounts In Thousands Except Per Share Data and Ratios)

	2007	2006	2005	2004	2003
Earnings					
Net interest income	$ 32,808	$ 31,545	$ 30,873	$ 25,422	$ 24,151
Provision for loan losses	3,068	905	1,521	990	1,350
Total non-interest income	12,271	10,137	9,813	10,669	11,140
Total non-interest expense	31,144	30,455	29,129	25,672	24,771
Provision for income taxes	2,727	2,838	2,945	2,494	2,636
Net income	$ 8,140	$ 7,484	$ 7,091	$ 6,935	$ 6,534
Cash dividend declared	$ 1,917	$ 1,811	$ 1,660	$ 1,481	$ 1,311
Per Share Data					
Net income basic	$ 2.54	$ 2.36	$ 2.31	$ 2.32	$ 2.19
Net income diluted	2.51	2.33	2.24	2.22	2.10
Cash dividends declared	.59	.56	.53	.49	.44
Book value at period end	21.72	19.11	17.01	16.56	15.48
Weighted average shares outstanding					
Basic	3,200,440	3,177,272	3,067,632	2,993,696	2,978,161
Diluted	3,243,565	3,217,050	3,162,950	3,123,325	3,108,178
Period End Totals					
Loans, net of deferred loan fees and unearned income	$ 888,852	$ 843,834	$ 732,734	$ 564,042	$ 447,718
Allowance for loan losses	9,791	8,738	8,368	7,193	6,909
Total assets	1,258,874	1,222,430	1,127,875	913,831	757,443
Total deposits	893,664	913,973	855,566	612,217	546,168
Total borrowings	286,689	240,002	211,470	244,668	158,585

Horizon Bancorp

Summary of Selected Financial Data
(Dollar Amounts In Thousands Except Per Share Data and Ratios)
(Continued)

	2007	2006	2005	2004	2003
Ratios					
Loan to deposit	99.46%	93.76%	85.64%	92.76%	81.97%
Loan to total funding	75.30	76.73	68.67	65.67	63.53
Return on average assets	.69	.67	.71	.85	.88
Average stockholders' equity to average total assets	5.61	5.14	5.19	5.90	6.01
Return on average stockholders' equity	12.29	13.03	13.67	14.38	14.65
Dividend payout ratio (dividends divided by net income)	23.51	24.20	21.21	21.36	20.06
Price to book value ratio	118.09	143.53	166.42	162.74	184.40
Price to earnings ratio	10.21	11.77	12.24	12.14	13.12

All share and per share amounts have been adjusted for the 3-for-2 stock split declared on October 21, 2003.

Horizon Bancorp

Horizon's Common Stock and Related Stockholders' Matters

Horizon common stock is traded on the NASDAQ Global Market under the symbol "HBNC." The following table sets forth, for the periods indicated, the high and low prices per share. Also summarized below are the cash dividends declared by quarter for 2007 and 2006.

	2007		
	Common Stock Prices		Dividends Declared
	High	Low	Per Share
First Quarter	$28.10	$26.60	$.14
Second Quarter	27.97	26.80	.15
Third Quarter	27.52	25.75	.15
Fourth Quarter	26.40	24.40	.15

	2006		
	Common Stock Prices		Dividends Declared
	High	Low	Per Share
First Quarter	$32.23	$26.30	$.14
Second Quarter	31.00	25.16	.14
Third Quarter	26.93	25.50	.14
Fourth Quarter	27.89	25.92	.14

There can be no assurance as to the amount of future dividends on Horizon common stock since future dividends are subject to the discretion of the Board of Directors, cash needs, general business conditions and dividends from the bank subsidiary.

The approximate number of holders of record of Horizon's outstanding common stock as of December 31, 2007, is 578.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A(T). CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision of and with the participation of its management, including the Chief Executive Officer and Chief Financial Office, Horizon has evaluated the effectiveness of the design and operation of its disclosure controls (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, such officers have concluded that, as of the evaluation date, Horizon's disclosure controls and procedures are effective to ensure that the information required to be disclosed by Horizon in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and are designed to ensure that information required to be disclosed in those reports is accumulated and communicated to management as appropriate to allow timely decisions regarding disclosure.

Management's Report on Internal Control Over Financial Reporting

Management of Horizon Bancorp is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Horizon's internal control over financial reporting is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements.

Management assessed the effectiveness of Horizon's internal control over financial reporting as of December 31, 2007. In making this assessment, management used the criteria set forth in "Internal Control – Integrated Framework" issued by the Committee of sponsoring Organizations (COSO) of the Treadway Commission. Based on this assessment, management has determined that Horizon's internal control over financial reporting as of December 31, 2007 is effective based on the specified criteria.

Internal Control Over Financial Reporting

Horizon's management, including its Chief Executive Officer and Chief Financial Officer, also have concluded that during the fiscal quarter ended December 31, 2007, there were no changes in Horizon's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect Horizon's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

This information is omitted from this report pursuant to General Instruction G. (3) of Form 10-K as Horizon intends to file with the Commission its definitive Proxy Statement for its 2008 Annual Meeting of Shareholders (the "Proxy Statement") pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, not later than 120 days after December 31, 2007.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information relating to Horizon's directors required by this item is found in the Proxy Statement under "Proposal I — Election of Directors" and is incorporated into this report by reference. The information relating to the Audit Committee of the Board of Directors required by this item is found in the Proxy Statement under "Corporate Governance — The Audit Committee" and is incorporated into this report by reference.

The information relating to Horizon's executive officers required by this item is included in Part I of this Form 10-K under "Special Item: Executive Officers" and is incorporated into this item by reference.

The information relating to certain filing obligations of directors and executive officers required by this item is found in the Proxy Statement under "Section 16(a) Beneficial Ownership Reporting Compliance" and is incorporated into this report by reference.

Horizon has a code of ethics that applies to its directors, chief executive officer and chief financial officer. The code is available on Horizon's website at http://www.accesshorizon.com/.

ITEM 11. EXECUTIVE COMPENSATION

The information on executive and director compensation and compensation committee matters required by this item can be found in the Proxy Statement under "Corporate Governance," "Compensation Committee Report," "Compensation Discussion and Analysis," "Executive Compensation" and "Compensation of Directors" and is incorporated into this report by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Equity Compensation Plan Information

The following table presents information regarding grants under all equity compensation plans of Horizon through December 31, 2007.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by security holders (1)	56,770	$ 16.86	138,802
Equity compensation plans not approved by security holders	—	—	—
Total	56,770	$ 16.86	138,802

(1) Represents options granted or available under the 1997 Key Employees' Stock Option and Stock Appreciation Rights Plan of Horizon Bancorp and the Horizon Bancorp 2003 Omnibus Equity Incentive Plan.

The remaining information required by this item can be found in the Proxy Statement under "Common Stock Ownership by Directors and Executive Officers" and "Stock Ownership of Certain Beneficial Owners" and is incorporated by reference into this report.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS; AND DIRECTOR INDEPENDENCE

The information required by this item is found in the Proxy Statement under "Corporate Governance" and "Certain Business Relationships and Transactions" and is incorporated by reference into this report.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference from the Proxy Statement section captioned "Accountant Fees and Services."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents Filed As Part of This Annual Report on Form 10-K:

1. Financial Statement

See the Financial Statements included in Item 8.

2. Financial Statement Schedules

Financial statement schedules are omitted for the reason that they are not required or are not applicable, or the required information is included in the financial statements.

3. Exhibits

The exhibits filed as part of this Annual Report on Form 10-K are identified in the Exhibit Index, which Exhibit Index specifically identifies those exhibits that describe or evidence all management contracts and compensation plans or arrangements required to be filed as exhibits to this Report. Such Exhibit Index is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized

Horizon Bancorp
Registrant

Date: March 11, 2008	By: /s/ Craig M. Dwight Craig M. Dwight President and Chief Executive Officer (Principal Executive Officer)
Date: March 11, 2008	By : /s/ James H. Foglesong James H. Foglesong Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date	Signature and Title
March 11, 2008	/s/ Robert C. Dabagia Robert C. Dabagia, Chairman of the Board and Director
March 11, 2008	/s/ Craig M. Dwight Craig M. Dwight, President and Chief Executive Officer and Director
March 11, 2008	/s/ Susan D. Aaron Susan D. Aaron, Director
March 11, 2008	/s/ James B. Dworkin James B. Dworkin, Director
March 11, 2008	/s/ Charley E. Gillispie Charley E. Gillispie, Director

Date	Signature and Title
March 11, 2008	/s/ Daniel F. Hopp Daniel F. Hopp, Director
March 11, 2008	/s/ Robert E. McBride Robert E. McBride, Director
March 11, 2008	/s/ Peter L. Pairitz Peter L. Pairitz, Director
March 11, 2008	/s/ Larry N. Middleton Larry N. Middleton, Director
March 11, 2008	/s/ Bruce E. Rampage Bruce E. Rampage, Director
March 11, 2008	/s/ Robert E. Swinehart Robert E. Swinehart, Director
March 11, 2008	/s/ Spero W. Valavanis Spero W. Valavanis, Director

EXHIBIT INDEX

The following exhibits are included in this Form 10-K or are incorporated by reference as noted in the following table:

Exhibit Number	Description	Incorporated by Reference/Attached
1.1	Placement Agreement, dated December 15, 2006, among Horizon Bancorp, Horizon Capital Trust III and J.P. Morgan Securities Inc.	Incorporated by Reference to Exhibit 1.1 to Registrant's Form 8-K filed December 21, 2006
2.1	Agreement of Merger and Plan of Reorganization for Horizon Bancorp and Alliance Financial Corporation	Incorporated by Reference to Exhibit 2.1 to Registrant's Form 8-K filed March 1, 2005
2.2	Amendment to Agreement of Merger and Plan of Reorganization for Horizon Bancorp and Alliance Financial Corporation	Incorporated by Reference to Exhibit 2.1 to Registrant's Form 8-K filed March 24, 2005
3.1	Articles of Incorporation of Horizon Bancorp, as amended	Incorporated by Reference to Exhibit 3to Registrant's Form 10-Q for the Quarter Ended September 30, 2007
3.2	Amended and Restated Bylaws of Horizon Bancorp (as adopted January 21, 2003)	Incorporated by Reference to Exhibit 3.2 to Registrant's Form 10-K for the Year Ended December 31, 2002
4.1	Indenture, dated as of October 21, 2004, between Horizon Bancorp and Wilmington Trust Company related to the issuance of Trust Preferred Securities	Incorporated by Reference to Exhibit 4.1 to Registrant's Form 8-K filed October 27, 2004
4.2	Amended and Restated Declaration of Trust of Horizon Bancorp Capital Trust II, dated as of October 21, 2004, related to the issuance of Trust Preferred Securities	Incorporated by Reference to Exhibit 4.2 to Registrant's Form 8-K filed October 27, 2004
4.3	Junior Subordinated Indenture, dated as of December 15, 2006, between Horizon Bancorp and Wilmington Trust Company.	Incorporated by Reference to Exhibit 4.1 to Registrant's Form 8-K filed December 21, 2006
4.4	Amended and Restated Trust Agreement of Horizon Bancorp Capital Trust III, dated as of December 15, 2006	Incorporated by Reference to Exhibit 4.2 to Registrant's Form 8-K filed December 21, 2006
10.1*	Supplemental Employee Retirement Plan, as amended	Attached
10.2*	1997 Key Employees Stock Option and Stock Appreciation Rights Plan	Attached
10.3*	Form of Amendment No. 1 to Horizon Bancorp Stock Option and Stock	Attached

Exhibit Number	Description	Incorporated by Reference/Attached
	Appreciation Rights Agreement and Schedule Identifying Material Details of Individual Amendments	
10.4*	Horizon Bancorp 2003 Omnibus Equity Incentive Plan	Incorporated by Reference to Appendix B to the Registrant's Proxy Statement for the Annual Meeting of Shareholders Held on May 8, 2003
10.5*	Agreement dated October 18, 1999, between Horizon Bank, N.A., and James D. Neff	Incorporated by Reference to Exhibit 10.11 to Registrant's Form 10-K for the year ended December 31, 2003
10.6*	Directors Deferred Compensation Plan	Incorporated by Reference to Exhibit 10.8 to Registrant's Form 10-K for the year ended December 31, 2004
10.7*	Form of Change of Control Agreement for certain executive officers	Incorporated by Reference to Exhibit 10.9 to Registrant's Form 10-K for the year ended December 31, 2004
10.8*	Form of Restricted Stock Award Agreement under 2003 Omnibus Plan	Incorporated by Reference to Exhibit 10.10 to Registrant's Form 10-K for the year ended December 31, 2004
10.9*	Form of Option Grant Agreement under 2003 Omnibus Plan	Incorporated by Reference to Exhibit 10.11 to Registrant's Form 10-K for the year ended December 31, 2004
10.10*	Description of Executive Officer Bonus Plan	Incorporated by Reference to Exhibit 10.12 to Registrant's Form 10-K for the year ended December 31, 2004
10.11	Guarantee Agreement of Horizon Bancorp, dated as of October 21, 2004, related to the issuance of Trust Preferred Securities	Incorporated by Reference to Exhibit 10.1 to Registrant's Form 8-K filed October 27, 2004
10.12*	Horizon Bancorp 2005 Supplemental Executive Retirement Plan	Incorporated by Reference to Exhibit 10.14 to Registrant's Form 10-K for the year ended December 31, 2006
10.13*	Employment Agreement, dated July 19, 2006, among Horizon Trust & Management, N.A., Horizon Bank, Horizon Bancorp and Lawrence J. Mazur	Incorporated by Reference to Exhibit 10.1 to Registrant's Form 8-K filed July 21, 2006
10.14*	Amendment to Horizon Bancorp Restricted Stock Award Agreement, dated July 19, 2006	Incorporated by Reference to Exhibit 10.2 to Registrant's Form 8-K filed July 21, 2006

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Exhibit Number	Description	Incorporated by Reference/Attached
10.15*	Employment Agreement, dated December 1, 2006, among Horizon Bancorp, Horizon Bank, N.A. and Craig M. Dwight	Incorporated by Reference to Exhibit 10.1 to Registrant's Form 8-K filed December 6, 2006
10.16*	Letter Agreement, dated December 1, 2006, between Horizon Bank, N.A. and Craig M. Dwight	Incorporated by Reference to Exhibit 10.2 to Registrant's Form 8-K filed December 6, 2006
10.17*	Guarantee Agreement of Horizon Bancorp, dated as of December 15, 2006	Incorporated by Reference to Exhibit 10.1 to Registrant's Form 8-K filed December 21, 2006
10.18*	Employment Agreement, dated July 16, 2007, among Horizon Bancorp, Horizon Bank, N.A. and Thomas H. Edwards	Incorporated by Reference to Exhibit 10.1 to Registrant's form 8-K filed July 19, 2007.
21	Subsidiaries of Horizon	Attached
23	Consent of **BKD, LLP**	Attached
31.1	Certification of Craig M. Dwight pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Attached
31.2	Certification of James H. Foglesong pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Attached
32.1	Certification of Craig M. Dwight Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Attached
32.2	Certification of James H. Foglesong Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Attached

* Indicates exhibits that describe or evidence management contracts or compensatory plans or arrangements required to be filed as exhibits to this Form 10-K.

Section 2: EX-10.1 (EX-10.1)

<u>EXHIBIT 10.1</u>

HORIZON BANCORP
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Amended and Restated as of January 1, 1997

2/98

HORIZON BANCORP SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

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INTRODUCTION

Effective January 1, 1997, Horizon Bancorp (the "Company") adopts the Horizon Bancorp Supplemental Executive Retirement Plan (the "Plan") as set forth herein. This Plan constitutes a complete amendment and restatement of the Plan which was originally effective January 1, 1993. The provisions of this amended and restated Plan shall be effective for Plan Years commencing on and after January 1, 1997, unless otherwise specified herein or required by applicable law. The rights and benefits, if any, of individuals who were employed by the Company prior to the Effective Date shall be determined in accordance with the provisions of the Plan, if any, in effect on the date their employment terminated.

The purpose of this Plan is to permit a select group of management or highly compensated employees of the Company or its subsidiaries who participate in the Horizon Bancorp Employees' Thrift Plan (the "Thrift Plan") to elect to defer compensation from the Company or receive contributions from the Company without regard to the limitations imposed by the Internal Revenue Code of 1986, as amended (the "Code") on the benefits which may accrue to such employees under the Thrift Plan. It is the intention of the Company that the Plan shall constitute an unfunded arrangement maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees for federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

ARTICLE I
DEFINITIONS

Whenever the initial letter of a word or phrase is capitalized herein, the following words and phrases shall have the meanings stated below unless a different meaning is plainly required by the context:

1.1 "Adjustment" means the amounts of earnings or losses credited to a Participant's Individual Account pursuant to Section 3.4 for each Plan Year. The amount of interest credited shall be determined based on the investment earnings under the funding method(s) used by the Company pursuant to Section 4.2. However, if no such method is used, interest shall be credited to a Participant's Individual Account at a rate equal to the average twenty-six (26) week U.S. Treasury Bill rate published in the Wall Street Journal as in effect as of the first business day of each calendar month. Effective January 1, 1997, Adjustments made to each Participant's Individual Account shall be determined as if the amounts credited to such Individual Account were invested in hypothetical investments designated by the Committee to be used to measure increases or decreases in the Individual Account over time.

1.2 "Adjustment Factor" means the cost of living adjustment factor prescribed by the Secretary of the Treasury under Section 415 (d) of the Code, as applied to such items and in such manner as the Secretary of the Treasury shall provide.

1.3 "Board" means the Board of Directors of the Company.

1.4 "Code" means the Internal Revenue Code of 1986, as amended from time to time. References to a section of the Code shall include that section and any comparable section or sections of any future legislation that amends, supplements or supersedes said section.

1.5 "Committee" means the Benefits Committee described in Section 6.2 of the Plan.

1.6 "Company" means Horizon Bancorp.

1.7 "Compensation" means a Participant's wages, salaries and fees for professional services and other amounts received (without regard to whether or not an amount is paid in cash) paid during a Plan Year for personal services actually rendered in the course of employment with the Company to the extent that the amounts are includable in gross income including, but not limited to, commissions paid salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, bonuses, fringe benefits, reimbursements, overtime and expense allowances. Compensation shall include (i) elective contributions to the Plan or any other plan maintained by the Company on the Employee's behalf, (ii) compensation deferred under an eligible deferred compensation plan within the meaning of Section 457(b) (relating to deferred compensation plans maintained by state and local governments and tax-exempt organizations), and (iii) employee contributions (under governmental plans) described in Section 141 (h)(2) of the Code that are picked up by the employing unit and thus are treated as company contributions. "Elective contributions" are amounts excludable from the Employee's gross income under Section 402(a)(8) of the Code (relating to an arrangement under Section 401(k)), Section 402(h) of the Code (relating to a simplified employee pension plan), Section 125 of the Code (relating to a cafeteria plan), Section 403(b) of the Code (relating to a tax-sheltered annuity), or under this Plan. Compensation taken into account for all purposes under the Plan shall not be limited as provided in Section 401(a)(17) of the Code to the first Two Hundred Thousand Dollars ($200,000), as adjusted by the Adjustment Factor, of any Participant's Compensation. Effective January 1, 1997, Compensation shall not include wages received upon the exercise by a Participant of a stock appreciation right ("SAR") received under any plan provided by the Company or its subsidiaries.

1.8 "Effective Date" means January 1, 1997.

1.9 "Employee" means any person who is employed by the Company or any of its "afffiliates" as defined under Code Sections 414 (b), 414(c), 414(m) or 414(o).

1.10 "Excess Matching Contributions" means contributions made to the Plan by the Company for the Plan Year, at the discretion of the Company, and allocated to a Participant's Individual Account by reason of the Participant's Excess Salary Redirection Contributions contributed to the Plan pursuant to Section 3.1(a).

1.11 "Excess Matching Contributions Account" means that portion of a Participant's Individual Account attributable to (a) Excess Matching Contributions allocated to such Participant pursuant to Section 3.2 and (b) the Participant's proportionate share, attributable to his Excess Matching Contribution Account, of the Adjustments, reduced by any distributions from such account pursuant to Article V.

1.12 "Employer Supplemental Contributions" means contributions made to the Plan by the Company for the Plan Year, at the discretion of the Company, pursuant to Section 3.3.

1.13 "Employer Supplemental Contributions Account" means that portion of a Participant's Individual Account attributable to (a) Employer Supplemental Contributions allocated to such Participant pursuant to Section 3.3 and (b) the Participant's proportionate share, attributable to his Employer Supplemental Contributions Account, of the Adjustments, reduced by any distributions from such account pursuant to Article V.

1.14 "Excess Salary Redirection Contributions" means contributions made to the Plan pursuant to Section 3.1 by the Company, at the election of the Participant, and at the discretion of the Company, in lieu of cash Compensation under a Participation Agreement between the Participant and the Company.

1.15 "Excess Salary Redirection Contributions Account" means that portion of a Participant's Individual Account attributable to (a) Excess Salary Redirection Contributions allocated to such Participant pursuant to Section 3.1 and (b) the Participant's proportionate share, attributable to his Excess Salary Redirection Contributions Account, of the Adjustments, reduced by any distributions from such account pursuant to Article V.

1.16 "Individual Account" means the detailed record kept of the amounts credited or charged to each Participant in accordance with the terms of the Plan. Such Individual Account is comprised of whichever of the following are applicable to a particular Participant: Excess Matching Contributions Account, Excess Salary Redirection Contributions Account and Employer Supplemental Contributions Account and any earnings (or losses) with respect thereto.

1.17 "Matching Contributions" means the matching contributions made to the Thrift Plan by the Company for the Plan Year and allocated to a Participant's Matching Contributions Account under the Thrift Plan by reason of the Participant's Salary Redirection Contributions made thereunder.

1.18 "Matching Contributions Account" means the account established for a Participant under the Thrift Plan to which Matching Contributions are made.

1.19 "Participant" means a salaried Employee of the Company or its subsidiaries who is a Participant under the Thrift Plan and who becomes a Participant pursuant to the provisions of Article II of the Plan.

1.20 "Plan" means the Horizon Bancorp Supplemental Executive Retirement Plan.

1.21 "Plan Year" means the twelve (12) month period beginning January 1 and ended December 31.

1.22 "Salary Redirection Contributions" means a Participant's contributions made to the Thrift Plan by the Company at the election of the Participant, in lieu of cash Compensation, pursuant to a salary redirection agreement between the Participant and the Company and allocated to a Participant's Salary Redirection Contributions Account under the Thrift Plan.

1.23 "Salary Redirection Contributions Account" means the account established for a Participant under the Thrift Plan to which Salary Redirection Contributions are allocated.

1.24 "Thrift Plan" means the Horizon Bancorp Employees' Thrift Plan, as amended from time to time.

1.25 "Total and Permanent Disability" or "Totally and Permanently Disabled" means a disability as determined for purposes of the Federal Social Security Act which qualifies the Participant for permanent disability insurance payments in accordance with such Act. Disability for purposes of the Plan shall not include any disability which is incurred while the Participant is on leave of absence because of military or similar service and for which a governmental pension is payable. The Committee may require subsequent proof of continued disability, prior to the Participant's sixty-fifth (65th) birthday, at intervals of not less than six (6) months. A minimal level of earnings in restricted activity during any period of disability shall not disqualify a Participant from receiving disability benefits for such period if the disabled Participant receives disability benefits under the Social Security Act for the same period.

ARTICLE II
ELIGIBILITY AND PARTICIPATION

A management or highly compensated Employee of the Company or its subsidiaries is eligible to participate in the Plan provided such Employee is designated as a Participant by the Board in writing.

ARTICLE III
CONTRIBUTIONS AND ALLOCATIONS

3.1 Excess Salary Redirection Contributions.

(a) Amount of Contribution. The Company shall credit, as of each pay period, Excess Salary Redirection Contributions on behalf of each executive who is a Participant under the Plan for the Plan Year, such percentage (or dollar amount) of such Participant's Compensation as mutually agreed upon between the Participant and the Company pursuant to the terms of a Participation Agreement meeting the requirements of Section 3.1(d) prior to the beginning of each Plan Year. The Participant will elect in the Participation Agreement to defer an overall percentage (or dollar amount) of the Participant's Compensation which shall represent the total amount of deferrals to both the Thrift Plan and this Plan. The percentage (or dollar amount) of the Participant's Excess Salary Redirection Contributions shall be the percentage (or dollar amount) remaining of the total percentage (or dollar amount) elected on the Participation Agreement after the maximum percentage (or dollar amount) of Salary Redirection Contributions made to the Thrift Plan are taken into account. Such percentage (or dollar amount) shall remain in effect for each Plan Year thereafter until or unless another percentage (or dollar amount) is agreed upon by the Participant and the Company prior to the beginning of the applicable Plan Year or until the Company notifies the Participant, prior to the beginning of such Plan Year, that the Participant is no longer eligible for contributions under this Section 3.1.

(b) The maximum percentage of a Participant's Compensation that may constitute Excess Salary Redirection Contributions for a Plan Year shall not, when added to a Participant's Salary Redirection Contributions under the Thrift Plan, exceed twenty-five percent (25%) of such Participant's Compensation for such Plan Year.

(c) Timing of Contributions. Excess Salary Redirection Contributions made for the benefit of a Participant for any Plan Year shall be made to a Participant's Excess Salary Redirection Contributions Account within the time prescribed for making Salary Redirection Contributions under the Thrift Plan.

(d) Participation Agreement. As a condition to the Company's obligation to make an Excess Salary Redirection Contribution for the benefit of a Participant pursuant to subsection (a), the Participant must execute a Participation Agreement with the Company on such forms as prescribed by the Committee in which it is agreed that the Company will redirect a portion of the Participant's Compensation, as specified in the Participation Agreement, during each pay period. The Participation Agreement for any Plan Year must be executed and delivered by the Participant and the Company prior to the January 1 of the calendar year to which the Participation Agreement relates. Provided, however, in the case of a Participant who has not previously elected to have Excess Salary Redirection Contributions made under the Plan on his behalf, such Participant may elect to have such contributions made after January 1 of the calendar year to which the Participation Agreement relates, so long as the Participant has executed and delivered an Excess Salary Redirection Agreement prior to the date the Participant renders services for the Company with respect to which the Excess Salary Redirection Contributions shall relate.

The Participant's election to defer a portion of his Compensation each year shall be irrevocable once made, except that the Committee, in its sole discretion, may waive the Participant's election to defer compensation if the Participant has suffered an unforeseeable emergency which results in severe financial hardship. Such waiver shall apply to the portion of the calendar year remaining after the Committee's determination that the Participant has suffered a severe financial hardship. The effective date of the waiver shall be fixed by the Committee after application by the Participant under such procedures as may be fixed by the Committee. The Participant's application shall include a signed statement of the facts causing financial hardship and any other facts required by the Committee in its discretion.

For purposes of this Section 3.1, an unforeseeable emergency is a severe financial hardship to a Participant resulting from a sudden and unexpected illness or accident of the Participant or a dependent of the Participant (as defined in Section 152(a) of the Code), loss of the Participant's property due to casualty, or other similar extraordinary and unforeseen circumstances arising as a result of events beyond the control of the Participant. The circumstances that will constitute an unforeseeable emergency will depend upon the facts of each case; however, the Committee shall not grant any waiver of a Participant's deferral election to the extent that his hardship may be relieved (i) through reimbursement or compensation by insurance or otherwise; (ii) by liquidation of the Participant's assets, to the extent liquidation of such assets would not itself cause severe financial hardship; or (iii) by cessation of Salary Redirection Contributions under the Thrift Plan. An unforeseeable emergency shall not include the need to send a Participant's child to college or the desire to purchase a home.

3.2 Excess Matching Contributions.

(a) Amount of Contribution. The Company may, but shall not be required to, make Excess Matching Contributions under the Plan. Excess Matching Contributions to be made by the Company for the benefit of a Participant for any Plan Year shall consist of two parts. The first part shall be in an amount, as determined by the Board, which does not exceed the difference between (i) and (ii) below:

(i) The Matching Contributions which would have been allocated to the Participant's Matching Contributions Account under the Thrift Plan for the Plan Year without giving effect to the limitations on Compensation imposed by Section 401(a)(17) of the Code, the reductions applicable to highly compensated employees due to the discrimination tests set forth in Section 401(k) and (m) of the Code, the limitations on Salary Redirection Contributions imposed by Section 402(g) of the Code or the limitations on annual additions imposed by Section 415 of the Code.

(ii) The amount of Matching Contributions actually allocated to the Participant's Matching Contributions Account under the Thrift Plan for the Plan Year.

(b) In addition to the Excess Matching Contributions specified in subsection (a), the Company may, as determined by the Board, make an additional Excess Matching Contribution in such amount as shall be determined by the Board in its discretion.

(c) Timing of Contributions. Excess Matching Contributions made for the benefit of a Participant for any Plan Year shall be credited to a Participant's Excess Matching Contributions Account within the time prescribed for making Matching Contributions under the Thrift Plan.

3.3 Employer Supplemental Contributions. In addition to the Excess Matching Contributions provided for in Section 3.2, the Employer may make Employer Supplemental Contributions under the plan in accordance with the provisions of subsections (a) and (b).

(a) Amount of Contribution. The Company may, but shall not be required to, contribute on behalf of a Participant such amounts as the Board may in its discretion determine from time to time to be advisable, which amounts shall constitute the Employer Supplemental Contributions under the Plan.

(b) Timing of Contributions. Employer Supplemental Contributions may be made by the Company at any time.

3.4 Allocation of Adjustments.

(a) Individual Accounts. The Committee shall establish and maintain an Individual Account in the name of each Participant to which the Committee shall credit all amounts allocated to each such Participant pursuant to this Article III. Each Individual Account shall be comprised of whichever of the following are applicable to a particular Participant: Excess Matching Contributions Account, Excess Salary Redirection Contributions Account and Employer Supplemental Contributions Account.

(b) Determination of Adjustments. Following the allocations made pursuant to Sections 3.1, 3.2, and 3.3, the Committee shall determine the Adjustments for December 31 of the applicable Plan Year (and, in the event a Participant is eligible for a distribution as provided in Article V, for the last day of the month immediately preceding the month the Participant terminates service for any reason), and on such other dates as the Committee deems advisable, by adding together all income received, and realized and unrealized gains and any realized and unrealized losses since the most recent allocation of Adjustments to Participants' Individual Accounts.

(c) Allocation of Adjustments Prior to January 1, 1997. For all Plan Years ending prior to January 1, 1997, the Adjustments shall be allocated as of the end of the Plan Year to the Individual Accounts of Participants who maintain a credit balance in their Individual Accounts as of such date in the same proportion that the balance of each Participant's Individual Account as of such date bears to the balance of all Individual Accounts of Participants in the Plan on such date. Provided, however, in the event any Participant is entitled to a distribution of his Individual Account under Article V, the Adjustments shall be allocated as of the last day of the month immediately preceding the month in which the Participant's termination of service occurs.

(d) Allocation of Adjustments Commencing on January 1, 1997. Effective as of January 1, 1997, Adjustments shall be determined for each Participant's Individual Account under Section 3.4(b) above, and then credited to each Participant's Individual Account under this subsection (d) as of the last day of the Plan Year and on such other dates as the Committee deems advisable. Provided, however, in the event any Participant is entitled to a distribution of this Individual Account under Article V, the Adjustments shall be allocated as of the last day of the month immediately preceding the month in which the Participant's termination of service occurs. No provision of the Plan shall impose or be deemed to impose any obligation upon the Company, other than an unsecured contractual obligation to make a cash payment to Participants and their beneficiaries in accordance with the terms of the Plan. Benefits payable under the Plan shall be paid directly by the Company from the Company's general assets.

3.5 Allocation of Forfeitures. The amount, if any, of a Participant's Excess Matching Contributions and Employer Supplemental Contributions Accounts forfeited under Section 5.1 shall be allocated to the Excess Matching Contributions Accounts or the Employer Supplemental Contributions Accounts, as the case may be, of all other Participants eligible to receive Excess Matching Contributions under Section 3.2 and Employer Supplemental Contributions under Section 3.3 for the Plan Year in which the forfeiture occurs. Such allocation shall be allocated in the proportion that the Participant's Compensation for the Plan Year bears to the total Compensation of all Participants for such Plan Year. If, however, there are no Participants under the Plan who are eligible to receive an allocation of forfeitures for the Plan Year in which a forfeiture occurs, then, once the Company has satisfied all obligations to Participants under the Plan, such forfeiture shall revert to the Company.

ARTICLE IV
FUNDING OF BENEFITS

4.1 Unsecured Contractual Rights. The Plan at all times shall be unfunded and shall constitute a mere promise by the Company to make benefit payments in the future. Notwithstanding any other provision of this Plan or any trust created in connection with the Plan, neither a Participant nor his designated beneficiary shall have any preferred claim on, or any beneficial ownership interest in, any assets of the Company prior to the time benefits are paid as provided in Article V, including any Compensation deferred hereunder by the Participant. All rights created under this Plan shall be mere unsecured contractual rights of the Participant against the Company.

4.2 Trust. Notwithstanding the provisions of Section 4.1, the Committee may, in its discretion, satisfy all or any part of the Company's obligations under the Plan from a trust established by the Company in connection with the Plan or from an insurance contract, annuity or similar vehicle owned by the Company or by setting aside and investing amounts deferred under the Plan as an asset of the Company. Any such trust or other vehicle shall constitute solely a means to assist the Company in meeting its promised obligations under the Plan and shall not constitute a funded account within the meaning of ERISA or the Code, nor shall it create a security interest for the benefit of any Participant or beneficiary. Any trust created hereunder shall conform in all respects to the terms of the Model Trust, as described in Revenue Procedure 92-64.

4.3 Change in Control.

(a) Establishment of a Trust Due to Change in Control of the Company. Notwithstanding the provisions of Sections 4.1 and 4.2, upon a Change in Control of the Company, as defined in Section 4.3(b), the Company shall, as soon as possible, but in no event later than ninety (90) days following the Change in Control, establish a trust that shall substantially conform to the model trust, as described in Revenue Procedure 92-64. Upon the creation of such trust, the Company shall make an irrevocable lump sum contribution to the trust in an amount that is sufficient to pay all Plan Participants and beneficiaries the benefits to which Plan Participants or their beneficiaries would be entitled pursuant to the terms of the Plan as of the date on which the Change in Control occurred.

(b) Definition of Change in Control. "Change in Control" means a change in control of a nature that would be required to be reported in response to

Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended, or if Item 6(e) is no longer in effect, any regulations issued by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 which serve similar purposes; provided that, without limitation, a Change in Control shall be deemed to have occurred if and when (i) any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) is or becomes a beneficial owner, directly or indirectly, of securities of the Company representing twenty-five percent (25%) or more of the combined voting power of the Company's then outstanding securities or (ii) individuals who were members of the Board of Directors of the Company immediately prior to a meeting of the shareholders of the Company involving a contest for the election of directors shall not constitute a majority of the Board of Directors following such election. Notwithstanding the foregoing, a Change in Control of the Company shall not occur as a result of the issuance of stock by the Company in connection with any public offering or private placement of its stock.

ARTICLE V
DISTRIBUTIONS

5.1 Forfeitures on Termination of Service. A Participant's Excess Salary Redirection Contributions Account shall not be subject to forfeiture or reversion to the Company hereunder. Provided, however, to the extent specified by the Board at the time an Employee becomes a Participant, the Participant's Excess Matching Contributions Account and Employer Supplemental Contributions Account under the Plan shall be subject to forfeiture upon the Participant's termination of employment, prior to his completion of such number of Years of Service as shall be determined by the Board at the time he became a Participant, under circumstances other than any one of the following: (i) the death of the Participant while still employed; (ii) the Committee's determination that the Participant is Totally and Permanently Disabled; or (iii) a Participant's retirement on or after attaining age sixty-five (65).

Notwithstanding the foregoing provisions of this Section 5.1, the Participant shall not have any preferred claim on, or any beneficial ownership interest in, any assets of the Company or any trust created in connection with the Plan and any such assets shall be and remain subject to the claims of the Company's creditors until the time such assets are actually paid to the Participant as provided in Article V.

5.2 Year of Service. For purposes of this Article V, a Year of Service means each Plan Year (commencing on and after the Effective Date) during which the Employee has completed one thousand (1,000) Hours of Service for the Company, as defined in Section 1.23 of the Thrift Plan.

5.3 Time of Payment of Benefits. All nonforfeitable amounts credited to a Participant's Individual Account, including any Adjustments credited in accordance with Section 3.5, shall be distributed to a Participant (or his designated beneficiary) within thirty (30) days after the earliest of a Participant's termination of service following death, Total and Permanent Disability, retirement on or after attaining age sixty-five (65) or other separation from service with the Company.

5.4 Method of Payment. Benefits shall be distributed in a single lump sum payment or in substantially equal annual installments over a period of not less than three (3) nor more than twelve (12) years, or in a combination of those two (2) methods, as elected by a Participant in accordance with the provisions of Section 5.6.

5.5 Death of the Participant and Beneficiary Designation. If a Participant dies before the distribution of his benefits under the Plan commences, the Participant's benefits shall be distributed to the Participant's designated beneficiary or beneficiaries in a single lump sum or in substantially equal annual installments or in a combination of those two methods, as elected by the Participant in accordance with the provisions of Section 5.6, as soon as reasonably practicable after the Participant's death. Installment payments under this Section 5.5 shall be made over a period which is not less than three (3) nor more than twelve (12) years. If a Participant dies after distribution of his benefits under the Plan has begun, the balance of the Participant's benefits yet to be distributed (if any) shall continue to be distributed to the Participant's designated beneficiary or beneficiaries in the manner in which such benefits were being distributed on the date of the Participant's death.

The Participant may designate a primary and contingent beneficiary or beneficiaries on forms provided by the Committee, which for this purpose may include the Participation Agreement. Such designation may be changed at any time for any reason by the Participant. If the Participant fails to designate a beneficiary, or if such designation shall for any reason be illegal or ineffective, or if the designated beneficiary shall not survive the Participant, his benefits under the Plan shall be paid: (i) to his surviving spouse; (ii) if there is no surviving spouse, to his descendants (including legally adopted children or their descendants) per stirpes; (iii) if there is neither a surviving spouse nor surviving descendants, to the duly appointed and qualified executor or other personal representative of the Participant to be distributed in accordance with the Participant's wills or applicable intestacy law; or (iv) in the event that there shall be no such representative duly appointed and qualified within thirty (30) days after the date of death of the Participant, then to such persons as, at the date of his death, would be entitled to share in the distribution of the Participant's estate under the provisions of the applicable statute then in force governing the descent of intestate property, in the proportions specified in such statute. The Committee may determine the identity of the distributees, and in so doing may act and rely upon any information it may deem reliable upon reasonable inquiry, and upon any affidavit, certificate, or other paper believed by it to be genuine, and upon any evidence believed by it to be sufficient.

5.6 Payment Form Elections. A Participant shall designate the method of payment to be used under Sections 5.4 and 5.5 at the time he becomes a Participant in this Plan on the form authorized by and filed with the Committee. A Participant may change such designation by completing and filing a new election form with the Committee at any time but in no event later than six (6) months prior to the date on which his benefits first become distributable under Section 5.3. If no election is in effect or if the Participant's election has not been timely or properly made at the time distributions are to commence under either Section 5.4 or 5.5, distribution shall be made in five (5) substantially equal annual installments.

ARTICLE VI
PLAN ADMINISTRATION

6.1 Company.

(a) The Company, in establishing and maintaining the Plan, of necessity retains control of the operation and administration of the Plan. The Company, in accordance with specific provisions of the Plan, has, as herein indicated, delegated certain of these rights and obligations to the Committee which, in turn, shall be solely responsible for those, and only those, delegated rights and obligations.

(b) The Company shall supply such full and timely information for all matters relating to the Plan as (i) the Committee, (ii) the trustee of any trust established in connection with the Plan, or (iii) the attorneys, accountants and investment manager(s) engaged on behalf of the Plan by the Company may require for the effective discharge of their respective duties.

6.2 Benefits Committee.

(a) The Company shall appoint a committee of not less than three (3) persons, who are members of the Board but who are not Employees, to hold office at the pleasure of the Company, such committee to be known as the Benefits Committee ("Committee"). No Compensation shall be paid to members of the Committee from the trust for service on such Committee. The Committee shall choose from among its members a chairman and a secretary. Any action of the Committee shall be determined by the vote of a majority of its members. Either the chairman or the secretary may execute any certificate or written direction on behalf of the Committee. If the Company shall fail to appoint the Committee, then the Company shall constitute the plan administrator of the Plan and all references to the Committee under the Plan shall be deemed for all purposes to refer to the Company.

(b) The Committee shall hold meetings upon such notice, at such place or places and at such time or times as the Committee may from time to time determine. A majority of the members of the Committee at the time in office shall constitute a quorum for the transaction of business.

(c) The Committee may employ such counsel, accountants, and other agents as it shall deem advisable. The Company shall pay, or cause to be paid, the reasonable compensation of such counsel, accountants, and other agents and any other reasonable expenses incurred by the Committee in the administration of the Plan and trust.

(d) All members of the Committee shall serve until their resignation or dismissal by the Board and vacancies shall be filled in the same manner as the original appointments. The Board may dismiss any member of the Committee with or without cause.

6.3 Claims Procedure.

(a) The Committee shall receive all applications for benefits. Upon receipt by the Committee of such an application, it shall determine all facts which are necessary to establish the right of an application to benefits under the provisions of the Plan and the amount thereof as herein provided. Upon request, the Committee shall afford the applicant the right of a hearing with respect to any finding of fact or determination. The applicant shall be notified in writing of any adverse decision with respect to his claim within sixty (60) days after its submission. The notice shall be written in a manner calculated to be understood by the applicant and shall include:

(i) The specific reason or reasons for the denial;

(ii) Specific references to the pertinent Plan provisions on which the denial is based;

(iii) A description of any additional material or information necessary for the applicant to perfect the claim and an explanation why such material or information is necessary; and

(iv) An explanation of the Plan's claim review procedures.

(b) If special circumstances require an extension of time for processing the initial claim, a written notice of the extension and the reason therefor shall be furnished to the claimant before the end of the initial sixty (60) day period. In no event shall such extension exceed sixty (60) days.

(c) In the event a claim for benefits is denied or if the applicant has had no response to such claim within sixty (60) days of its submission (in which case the claim for benefits shall be deemed to have been denied), the applicant or his duly authorized representative, at the applicant's sole expense, may appeal the denial to the Committee within sixty (60) days of the receipt of written notice of denial or sixty (60) days from the date such claim is deemed to be denied. In pursuing such appeal the applicant or his duly authorized representative:

(i) May request in writing that the Committee review the denial;

(ii) May review pertinent documents; and

(iii) May submit issues and comments in writing.

(d) The decision on review shall be made within sixty (60) days of receipt of the request for review, unless special circumstances require an extension of time for processing, in which case a decision shall be rendered as soon as possible, but not later than one hundred twenty (120) days after receipt of request for review. If such an extension of time is required, written notice of the extension shall be furnished to the claimant before the end of the original sixty (60) day period. The decision on review shall be made in writing, shall be written in a manner calculated to be understood by the claimant, and shall include specific references to the provisions of the Plan on which such denial is based. If the decision on review is not furnished within the time specified above, the claims shall be deemed denied on review.

6.4 Records. All acts and determinations of the Committee shall be duly recorded by the secretary thereof and all such records together with such other documents as may be necessary in exercising its duties under the Plan shall be reserved in the custody of such secretary. Such records and documents shall at all times be open for inspection and for the purpose of making copies by any person designated by the Company.

6.5 No Liability. The Company assumes no obligation or responsibility to any of its Employees, Participants or beneficiaries for any act of, or failure to act, on the part of the Committee (unless the Company is the Committee).

6.6 Indemnity of Committee Members. The Company shall indemnify and save harmless the members of the Committee, and each of them, from and against any and all loss resulting from liability to which the Committee, or the members of the Committee, may be subjected by reason of any act or conduct (except willful misconduct or gross negligence) in their official capacities in the administration of the Plan, including all expenses reasonably incurred in their defense, in case the Company fails to provide such defense. The Committee members and the Company may execute a letter agreement further delineating the indemnification agreement of this Section 6.6.

6.7 Discretionary Powers and Authority of the Company and Committee. The Company and the Committee shall have any and all power and authority (including discretion with respect to the exercise of that power and authority) which shall be necessary, properly advisable, desirable or convenient to enable them to carry out their responsibilities under the Plan. By way of illustration and not limitation, the Company and Committee are empowered and authorized to (a) make rules and regulations with respect to the Plan which are not inconsistent with the provisions of the Plan or the Code; (b) determine, consistently therewith, all questions that may arise concerning eligibility, benefits, status and rights of any person claiming particular status under the Plan, including without limitation Participants, beneficiaries and the spouses and beneficiaries thereof; and (c) subject to and consistent with the Code, to construe and interpret the Plan and correct any defect, supply any omissions or reconcile any inconsistencies in the Plan. Subject to the provisions of Section 6.3, such action shall be final, conclusive and binding upon all persons, whether or not claiming benefits under the Plan.

ARTICLE VII
AMENDMENT AND TERMINATION OF THE PLAN

7.1 Amendment of the Plan. The Company shall have the right at any time by action of the Board, to modify, alter or amend the Plan in whole or in part.

7.2 Termination of the Plan. The Company reserves the right at any time by action of its Board to terminate the Plan by resolution of the Board or to reduce or cease contributions at any time.

ARTICLE VIII
MISCELLANEOUS

8.1 Governing Law. The Plan shall be construed, regulated and administered according to the laws of the State of Indiana, except in those areas preempted by the laws of the United States of America in which case such laws will control.

8.2 Headings and Gender. The headings and subheadings in the Plan have been inserted for convenience of reference only and shall not affect the construction of the provisions hereof. In any necessary construction the masculine shall include the feminine and the singular the plural, and vice versa.

8.3 Administration Expenses. The expenses of administering the Plan shall be paid by the Company.

8.4 Participant's Rights; Acquittance. No Participant in the Plan shall acquire any right to be retained in the Company's employ by virtue of the Plan, nor, upon his dismissal, or upon his voluntary termination of employment, shall he have any right or interest in and to any assets of the Company other than as specifically provided herein. Unless a trust is established in connection with the Plan, the Company shall be liable for the payment of any benefit provided for herein.

8.5 Spendthrift Clause. No benefit or interest available hereunder will be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment by creditors of the Participant or the Participant's designated beneficiary, either voluntarily or involuntarily.

8.6 Counterparts. The Plan may be executed in any number of counterparts, each of which shall constitute but one and the same instrument and may be sufficiently evidenced by any one counterpart.

8.7 No Enlargement of Employment Rights. Nothing contained in the Plan shall be construed as a contract of employment between the Company and any person, nor shall the Plan be deemed to give any person the right to be retained in the employ of the Company or limit the right of the Company to employ or discharge any person with or without cause, or to discipline any Employee.

8.8 Limitations on Liability. Notwithstanding any of the preceding provisions of the Plan, neither the Company, the Committee nor any individual acting as an employee or agent of either of them shall be liable to any Participant, Employee or beneficiary for any claim, loss, liability or expense incurred in connection with the Plan, except when the same shall have been judicially determined to be due to the gross negligence or willful misconduct of such person.

8.9 Incapacity of Participant or Beneficiary. If any person entitled to receive a payment under the Plan is physically or mentally incapable of personally receiving and giving a valid receipt for any payment due (unless prior claim therefor shall have been made by a duly qualified guardian or other legal representative), then, unless and until claim therefor shall have been made by a duly appointed guardian or other legal representative of such person, the Company may provide for such payment or any part thereof to be made to any other person or institution then contributing toward or providing for the care and maintenance of such person. Any such payment shall be a payment for the account of such person and a complete discharge of any liability of the Company and the Plan therefor.

8.10 Corporate Successors. The Plan shall not be automatically terminated by a transfer or sale of assets of the Company or by the merger or consolidation of the Company into or with any other corporation or other entity, but the Plan shall be continued after such sale, merger or consolidation only if and to the extent that the transferee, purchaser or successor entity agrees to continue the Plan. In the event that the Plan is not continued by the transferee, purchaser or successor entity, then the Plan shall terminate in accordance with the provisions of Section 7.2.

SIGNATURES

IN WITNESS WHEREOF, the Company has caused this Amended and Restated Supplemental Executive Retirement Plan to be executed by its duly authorized officers, this day of ____________, 1998, but effective as of January 1, 1997.

HORIZON BANCORP

By: ___________________________________

Title: ___________________________________

ATTEST: [SEAL]

By: ___________________________________

Title: ___________________________________

SS-2313-2

Section 3: EX-10.2 (EX-10.2)

EXHIBIT 10.2
1997 KEY EMPLOYEES' STOCK OPTION AND STOCK APPRECIATION RIGHTS PLAN OF HORIZON BANCORP

ARTICLE I

Introduction

1.1. Purpose. The 1997 Key Employees' Stock Option and Stock Appreciation Rights Plan of Horizon Bancorp (the "Plan") is designed to promote the interests of the Company and its Subsidiaries by encouraging their officers and key employees, upon whose judgment, initiative and industry the Company and its Subsidiaries are largely dependent for the successful conduct and growth of their businesses, to continue their association with the Company and its Subsidiaries by providing additional incentive and opportunity for unusual industry and efficiency through stock ownership, and by increasing their proprietary interest in the Company and their personal interest in its continued success and progress. The Plan provides for the granting of (i) incentive stock options ("ISO's") and (ii) nonqualified stock options ("NSO's"), which the option grantee may exercise in order to purchase shares of Company common stock. The Plan also provides for the granting of stock appreciation rights ("SARs").

1.2. Effective Date and Duration. The Effective Date of the Plan is January 1, 1997. ISOs may be granted under the Plan for a period of ten (10) years commencing January 1, 1997 and NSOs and SARs may be granted under the Plan for a period of twenty (20) years commencing January 1, 1997. However, no option or SAR may be exercised until this Plan has been approved by a majority of the shares of the Company represented at the shareholders' meeting at which approval of the Plan is considered. No ISOs shall be granted after December 31, 2006 and no NSO's or SAR's shall be granted after December 31, 2016. On December 31, 2016, the Plan shall expire except as to outstanding options and SAR's, which options and SAR's shall remain in effect until they have been exercised or terminated or have expired. ISO's must be granted within ten (10) years of the date the Plan is adopted by the Board of Directors or approved by the shareholders of the Company, whichever is earlier.

1.3. Administration. The Plan shall be administered by the Committee. The Committee, from time to time, may adopt any rule or procedure it deems necessary or desirable for the proper and efficient administration of the Plan provided it is consistent with the terms of the Plan. The decision of a majority of the Committee members shall constitute the decision of the Committee. Subject to the provisions of the Plan, the Committee is authorized to take the following actions: (i) to grant ISO's, NSO's and SAR's; (ii) to determine the key employees to be granted ISO's, NSO's and SAR's; (iii) to determine the option period, the option price and, subject to the limitations of Section 3.2, the number of shares subject to each option and SAR; (iv) to determine the time or times at which options and SAR's will be granted; (v) to determine the time or times at which each option and related SAR becomes exercisable and the duration of the exercise period; (vi) to determine other conditions and limitations, if any, applicable to the exercise of each option and related SAR; and (vii) to determine the nature and duration of the restrictions, if any, to be imposed upon the sale or other disposition of shares acquired by any optionee upon exercise of an option, and the nature of the events, if any, and the duration of the period, in or with respect to which any optionee's rights to shares acquired upon exercise of an option may be forfeited. Each option and related SAR granted under the Plan shall be evidenced by a written stock option agreement containing terms and conditions established by the Committee consistent with the provisions of the Plan, including such terms as the Committee shall deem advisable in order that each ISO shall constitute an "incentive stock option" within the meaning of Section 422 of the Code. The Committee's determinations and interpretations with respect to the Plan shall be final and binding on all parties. Any notice or document required to be given to or filed with the Committee will be properly given or filed if delivered or mailed by certified mail, postage prepaid, to the Committee at 515 Franklin Square, P. O. Box 800, Michigan City, Indiana 46360.

1.4. Definitions. For purposes of this Plan, unless a different meaning is clearly required by the context:

(a) "Board of Directors" means the board of directors of the Company.

(b) "Change in Control of the Company" means (i) any merger, consolidation or similar transaction which involves the Company and in which persons who are the shareholders of the Company immediately prior to such transaction own, immediately after such transaction, shares of the surviving or combined entity which possess voting rights equal to or less than fifty percent (50%) of the voting rights of all shareholders of such entity, determined on a fully diluted basis; (ii) any sale, lease, exchange, transfer or other disposition of all or any substantial part of the consolidated assets of the Company; (iii) any tender, exchange, sale or other disposition (other than disposition of the stock of the Company or any Subsidiary in connection with bankruptcy, insolvency, foreclosure, receivership or other similar transactions) or purchases (other than purchases by the Company or any Company sponsored employee benefit plan, or purchases by members of the Board of Directors of the Company or any Subsidiary) of shares which represent more than twenty-five percent (25%) of the voting power of the Company or any Subsidiary; (iv) during any period of two (2) consecutive years, individuals who at the date of the adoption of the Plan constitute the Company's Board of Directors cease for any reason to constitute at least a majority thereof, unless the election of each director at the beginning of such period has been approved by directors representing at least a majority of the directors then in office who were directors on the date of the adoption of the Plan; (v) a majority of the members of the Company's Board of Directors recommend the acceptance of or accept any agreement, contract, offer or other arrangement providing for, or any series of transactions resulting in, any of the transactions described above. Notwithstanding the foregoing, a Change in Control of the Company (A) shall not occur as a result of the issuance of stock by the Company in connection with any public offering of its stock, or (B) be deemed to have occurred with respect to any transaction unless such transaction has been approved or shares have been tendered by a majority of the shareholders who are not Section 16 Grantees.

(c) "Code" means the Internal Revenue Code of 1986, as amended.

(d) "Committee" means the Compensation Committee of the Board of Directors of the Company.

(e) "Company" means Horizon Bancorp.

(f) "Effective Date" means January 1, 1997.

(g) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(h) "Fair Market Value" means the per share fair market value of the Company's stock as determined by the Committee in good faith based upon such factors as it shall determine.

(i) "For Cause" means (i) the willful and continued failure of an optionee to perform his required duties as an officer or key employee of the Company or any Subsidiary, (ii) any action by an optionee which involves willful misfeasance or gross negligence, (iii) the requirement of or direction by a federal or state regulatory agency which has jurisdiction over the Company or any Subsidiary to terminate the employment of an optionee, (iv) the conviction of an optionee of the commission of any criminal offense which involves dishonesty or breach of trust, or (v) any intentional breach by an optionee of a material term, condition or covenant of any agreement between the optionee and the Company or any Subsidiary.

(j) "Permanent and Total Disability" or "Permanently and Totally Disabled" means any disability that would qualify as a disability under Section 22(c)(3) of the Code.

(k) "Plan" means the stock option plan embodied herein, as amended from time to time, known as the 1997 Key Employees' Stock Option and Stock Appreciation Rights Plan of Horizon Bancorp.

(l) "Retirement" means the termination of employment by an optionee on or after attaining age fifty-five (55) and completing ten (10) full years of employment with the Company and/or any Subsidiary for reasons other than For Cause, death or Permanent and Total Disability.

(m) "Section 16 Grantee" or "Section 16 Grantees" or means a person or persons subject to potential liability under Section 16 (b) of the Exchange Act with respect to transactions involving equity securities of the Company.

(n) "Subsidiary" or "Subsidiaries" means a corporation, partnership or limited liability company, a majority of the outstanding voting stock, general partnership interests or membership interests, as the case may be, of which is owned or controlled, directly or indirectly, by the Company or by one or more other Subsidiaries of the Company. For the purposes of this definition, "voting stock" means stock having voting power for the election of directors, or trustees, as the case may be, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

ARTICLE II

Eligibility and Participation

Officers and other key employees of the Company or any of its Subsidiaries, as selected by the Committee, shall be eligible to receive grants of ISO's, NSO's and SAR's under the Plan. Committee members shall not be eligible to receive grants of options or SAR's under the Plan while serving as Committee members.

ARTICLE III

Benefits

3.1. Shares Covered by the Plan. The stock to be subject to options and related SAR’s under the Plan shall be shares of authorized common stock of the Company and may be unissued shares or reacquired shares (including shares purchased in the open market), or a combination of the two, as the Committee may from time to time determine. Subject to the provisions of Section 4.2 and the provisions of this Section 3.1, the maximum number of shares to be delivered upon exercise of all options granted under the Plan shall not exceed ninety thousand (90,000) shares. Shares covered by an option that remain unpurchased upon the expiration or termination of the option may be made subject to further options.

3.2. Grant of Options. The Committee shall be responsible for granting all options and related SAR’s under the Plan. The Committee shall also determine, in its sole discretion, with respect to each optionee, the following: (i) whether the options granted shall be ISO’s or NSO’s, or a combination of the two; (ii) whether any SAR’s shall be granted in connection with such options; and (iii) whether any key employee shall be given discretion to determine whether any options granted to him shall be ISO’s or NSO’s or a combination of the two.

3.3. Option Price.

(a) ISO Option Price. The option price per share of stock under each ISO shall be not less than one hundred percent (100%) of the Fair Market Value of the share on the date on which the option is granted; provided, however, as to officers and key employees who, at the time an ISO is granted, own, within the meaning of Code Section 424(d), more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Subsidiary (referred to as "10% Shareholder-Employees") and the purchase price per share of stock under each ISO shall be not less than one hundred ten percent (110%) of the Fair Market Value of the stock on the date on which the option is granted.

(b) NSO Option Price. The option price per share of stock under each NSO shall be determined by the Committee in its discretion; provided, however, the option price per share shall not be less than one hundred percent (100%) of the Fair Market Value of the share on the date on which the option is granted.

3.4. Option Period. No option period with respect to an ISO or related SAR shall exceed ten (10) years from the Effective Date and no option period with respect to an NSO or related SAR shall exceed twenty (20) years. Provided, however, the option period with respect to ISO’s granted to 10% Shareholder-Employees shall not exceed five (5) years.

3.5. Special Calendar Year Limitation on Shares Subject to ISO’s. The aggregate Fair Market Value (determined at the time of the grant of the ISO’s) of the stock with respect to which ISO’s are exercisable for the first time by an eligible key employee during any calendar year (under all plans providing for the grant of incentive stock options of the Company or any of its Subsidiaries) shall not exceed One Hundred Thousand Dollars ($100,000.00).

3.6. Sequence of Exercising Stock Options. Any option granted to an employee pursuant to the Plan shall be exercisable even if there are outstanding previously granted but unexercised options with respect to such key employee.

3.7. Vesting of Options. All options and SAR’s granted under the Plan shall vest, and thereby become exercisable at such time or times as shall be determined by the Committee in its sole discretion. The stock option agreement between the Company and the optionee shall include the schedule under which the options and SAR’s shall vest.

3.8. Vesting on Change in Control of the Company, Death, Retirement or Disability of Optionee. Notwithstanding the provisions of Section 3.7, in the event of a Change in Control of the Company or upon the death, Permanent and Total Disability or Retirement of the optionee, any options and SAR's granted under this Plan may be exercised in full. Such ability of an optionee to exercise an option or related SAR shall be without regard to any restrictions on the vesting of the options and SAR's contained in the option agreement between the Company and the optionee.

3.9. Early Termination of Option.

(a) Termination of Optionee's Employment Prior to Retirement. All rights to exercise an option and related SAR shall terminate thirty (30) days after the effective date of the optionee's termination of employment with the Company and its Subsidiaries, but not later than the date the option and related SAR expire unless such termination is For Cause or is on account of the Permanent and Total Disability, death or Retirement of the optionee. The transfer of employment of the optionee from the Company to a Subsidiary, or vice versa, or from one Subsidiary to another, shall not be deemed a termination of employment. The Committee shall have the authority to determine in each case whether a leave of absence on military or government service or orther leave of absence shall be deemed a termination of employment for purposes of this subsection (a).

(b) For Cause Termination of Optionee's Employment. If an optionee's employment with the Company and its Subsidiaries is terminated For Cause, no previously unexercised option or SAR granted hereunder may be exercised. Rather, all unexercised options and SAR's shall terminate effective on the date the optionee receives notice of his termination For Cause.

(c) Termination of Optionee's Employment Due to Permanent and Total Disability or Death. If an optionee's employment terminates due to Permanent and Total Disability or death, his option and any related SAR shall terminate one (1) year after termination of his employment due to his Permanent and Total Disability or death (but not later than the date the option and any related SAR expire pursuant to their terms). During such period, subject to the limitations of this Plan and the option agreement between the Company and the optionee, the optionee, his guardian, attorney-in-fact, personal representative or administrator, as the case may be, may exercise the option or related SAR in full.

(d) Termination of Optionee's Employment Due to Retirement. If an optionee's employment terminates due to Retirement, his options and any related SAR shall terminate five (5) years after termination of his employment due to Retirement (but not later than the date on which the option and any related SAR expire pursuant to their respective terms). Provided, however, if the optionee dies after his Retirement but before he exercises his option or related SAR, his option and related SAR shall terminate one (1) year after the optionee's date of death (but not later than the date on which the option and any related SAR expire pursuant to their respective terms). During such period, subject to the limitations of this Plan and the option agreement between the optionee and the Company, the optionee, his guardian, attorney-in-fact, or personal representative, as the case may be, may exercise the option or related SAR in full.

3.10. Payment for Stock. Full payment for shares purchased hereunder shall be made at the time the option is exercised. Payment may be made by delivering to the Company (a) cash; (b) at the discretion of the Committee, whole shares of common stock of the Company ("Delivered Stock") which (i) has been owned by the optionee for more than six (6) months and has been paid for, within the meaning of SEC Rule 144 under the Exchange Act (and, if such stock was purchased from the Company by use of a promissory note, such note has been fully paid with respect to such stock), or (ii) was obtained by the optionee in the public market or otherwise than through the exercise of an option under this Plan or under any other stock option plan involving Company stock; (c) at the discretion of the Committee, a combination of cash and Delivered Stock; or (d) provided that a public market for the Company's common stock exists, (i) through a "same day sale" commitment from the optionee and a broker-dealer that is a member of the National Association of Securities Dealers ("NASD Dealer") whereby the optionee irrevocably elects to exercise the option and to sell a portion of the common stock so purchased in order to pay the option price, and whereby the NASD Dealer irrevocably commits upon receipt of such stock to forward the option price directly to the Company; or (ii) through a "margin" commitment from the optionee and an NASD Dealer whereby the optionee irrevocably elects to exercise the option and to pledge the stock so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the option price and whereby the NASD Dealer irrevocably commits upon receipt of such stock to forward the option price directly to the Company. Delivered Stock shall be valued by the Committee at its Fair Market Value determined as of the date of the exercise of the option. No shares shall be issued until full payment for them has been made, and an optionee shall have none of the rights of a shareholder with respect to any shares until they are issued to him. Upon payment of the full purchase price, and any required withholding taxes, the Company shall issue a certificate or certificates to the optionee evidencing ownership of the shares purchased pursuant to the exercise of the option which contain(s) such terms, conditions and provisions as may be required and as are consistent with the terms, conditions and provisions of the Plan and the stock option agreement between the Company and the optionee.

3.11. Income and Employment Tax Withholding.

(a) Payment by Optionee. The optionee shall be solely responsible for paying to the Company all required federal, state, city and local taxes applicable to his (i) exercise of an NSO or SAR under the Plan and (ii) disposition of shares acquired pursuant to the exercise of an ISO in a disqualifying disposition of the shares under Code Section 422(a)(1).

(b) NSO and SAR Withholding With Company Stock. Notwithstanding the provisions of subsection (a), with respect to stock to be issued pursuant to the exercise of an NSO or cash or stock to be paid pursuant to the exercise of a SAR, the Committee, in its discretion and subject to such rules as it may adopt, may permit the optionee to satisfy, in whole or in part, any withholding tax obligation which may arise in connection with the exercise of the NSO or SAR by having the Company retain shares of stock which would otherwise be issued in connection with the exercise of the NSO or SAR or accept delivery from the optionee of shares of Company stock which have a Fair Market Value, determined as of the date of the delivery of such shares, equal to the amount of the withholding tax to be satisfied by that retention or delivery.

(c) ISO Disqualifying Disposition; Withholding With Company Stock. Notwithstanding the provisions of subsection (a), with respect to shares of stock to be issued pursuant to the exercise of any ISO, the Committee, in its discretion and subject to such rules as it may adopt, may permit the optionee to satisfy, in whole or in part, any withholding tax obligation which may arise in connection with the disqualifying disposition of the shares under Code Section 422(a)(1) by having the Company accept delivery from the optionee of shares of stock having a Fair Market Value, determined as of the date of the delivery of such shares, equal to the amount of the withholding tax to be satisfied by that delivery.

3.12. Notice of Disqualifying Disposition. Any ISO granted hereunder shall require the optionee to notify the Committee in writing of any disposition of any stock issued pursuant to the exercise of the ISO under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions), within ten (10) days of such disposition.

3.13. **Stock Appreciation Rights**.

(a) SAR's may be granted by the Committee, in its discretion, in conjunction with all or part of any option granted under the Plan, at the time of the grant of such option. All of the terms of the Plan respecting options shall also apply to SAR's subject to the further special rules of this Section 3.13 and such other terms and conditions not inconsistent therewith as the Committee shall determine. Accordingly, each SAR by its terms shall (i) expire when the underlying option expires; (ii) become transferable only when the underlying option is transferable and under the same terms and conditions; and (iii) become exercisable only when and to the extent that the underlying option is eligible to be exercised. Moreover, a SAR by its terms shall further provide that the "economic value" thereof (as defined in subsection (c) below) may not exceed one hundred percent (100%) of the difference between the exercise price of the number of shares covered by the underlying option and the Fair Market Value of such shares determined at the time when the SAR is exercised and the SAR may only be exercised when such Fair Market Value exceeds such exercise price.

(b) SAR's may be exercised by an optionee by surrendering the underlying option or applicable portion thereof. As provided in subsection (a) above, a SAR shall be exercisable at such time or times and only to the extent that the underlying option is exercisable; further, with respect to employees who are officers or directors of the Company, SAR's may be exercised, and elections to receive cash in settlement thereof may be made, only during such periods of time as may be allowed under Rule 16b-3 of the Exchange Act. Underlying options shall no longer be exercisable to the extent they are surrendered upon exercise of related SAR's.

(c) Upon the exercise of a SAR and the surrender of the underlying option, the optionee shall become entitled to receive the economic value of such SAR, in cash, in shares of Company stock or any combination thereof. Such economic value shall be equal to the excess of the Fair Market Value (determined on the date of exercise of such SAR) of one (1) share of stock over the option price per share specified in the underlying option, multiplied by the number of shares with respect to which SAR's shall have been exercised. The Committee shall have the sole discretion either to determine the form in which such payment of economic value is to be made or to consent to or disapprove of the election of the optionee to receive cash in full or partial payment of such value.

(d) Upon the exercise of a SAR, the underlying option or part thereof to which such SAR is related shall be deemed to have been exercised for purposes of the limitation on the number of shares of stock specified in Section 3.1.

ARTICLE IV

Plan Administration and Interpretation

4.1. Amendment and Termination. The Board of Directors or the Committee may, at any time, without the approval of the stockholders of the Company (except as otherwise required by applicable law, rule or regulations, or listing requirements of any National Securities Exchange on which are listed any of the Company's equity securities, including without limitation any shareholder approval requirement of Rule 16b-3 or any successor safe harbor rule promulgated under the Exchange Act), alter, amend, modify, suspend or discontinue the Plan, but may not, without the consent of the holder of an option, or an option and a SAR, make any alteration which would adversely affect an option or SAR previously granted under the Plan or, without the approval of the stockholders of the Company, make any alteration which would: (a) increase the aggregate number of shares subject to options under the Plan, except as provided in Section 4.2; (b) decrease the minimum option price, except as provided in Section 4.2; (c) permit any Committee member to become eligible to receive grants of options or SAR's under the Plan; (d) withdraw administration of the Plan from the Committee or the Board of Directors; (e) extend the term of the Plan or the maximum period during which any option may be exercised; (f) change the manner of determining the option price; or (g) change the class of individuals eligible for options under the Plan.

4.2. Changes in Stock.

(a) Substitution of Stock and Assumption of Plan. In the event of any change in the common stock of the Company through stock dividends, split-ups, recapitalizations, reclassifications, conversions, or otherwise, or in the event that the number of shares of common stock outstanding (which for these purposes shall be the number of shares actually outstanding plus the number of shares available for issuance pursuant to options granted under the Plan or any other employee stock option plan, as now in effect or hereafter adopted or amended, of the Company) shall increase as a result of the issuance of additional shares by the Company, or in the event that other stock shall be converted into or substituted for the present common stock of the Company as the result of any merger, consolidation, reorganization or similar transaction which results in a Change in Control of the Company, then the Committee may, and in the case of an increase in the number of shares outstanding, shall, make appropriate adjustment or substitution in the aggregate number, price, and kind of shares available under the Plan and in the number, price and kind of shares covered under any options granted or to be granted under the Plan. The Committee's determination in this respect shall be final and conclusive. Provided, however, that the Company shall not, and shall not permit its Subsidiaries to, recommend, facilitate, agree or consent to a transaction or series of transactions which would result in a Change of Control of the Company unless and until the person or persons or the entity or entities acquiring or succeeding to the assets or capital stock of the Company or any of its Subsidiaries as a result of such transaction or transactions agrees to be bound by the terms of the Plan so far as it pertains to options theretofore granted but unexercised and agrees to assume and perform the obligations of the Company hereunder. Notwithstanding the foregoing provisions of this subsection (a), no adjustment shall be made which would operate to reduce the option price of any ISO below the Fair Market Value of the stock (determined on the date the option was granted) which is subject to an ISO.

(b) Conversion of Stock. In the event of a Change in Control of the Company pursuant to which another person or entity acquires control of the Company (such other person or entity being the "Successor"), the kind of shares of common stock which shall be subject to the Plan and to each outstanding option and each SAR related thereto, if any, shall, automatically by virtue of such Change in Control of the Company, be converted into and replaced by shares of common stock, or such other class of securities having rights and preferences no less favorable than common stock of the Successor, and the number of shares subject to the option and the SAR related thereto, if any, and the purchase price per share upon exercise of the option and the SAR related thereto, if any, shall be correspondingly adjusted, so that, by virtue of such Change in Control of the Company, each optionee shall have the right (i) to purchase (A) that number of shares of common stock of the Successor which have a Fair Market Value equal, as of the date of such Change in Control of the Company, to the Fair Market Value, as of the date of such Change in Control of the Company, of the shares of common stock of the Company theretofore subject to his option, (B) for a purchase price per share which, when multiplied by the number of shares of common stock of the Successor subject to the option, shall equal the aggregate exercise price at which the optionee could have acquired all of the shares of common stock of the Company previously granted to the optionee; and (ii) to exercise that number of SAR's which have an economic value, as defined in Section 3.13(c) equal, as of the date of Change in Control of the Company, to the economic value, as defined in Section 3.3(c), as of such date of Change in Control of the Company, of the SAR's theretofore granted to the optionee.

4.3. Information to be Furnished by Optionees. Optionees, or any other persons entitled to benefits under this Plan, must furnish to the Committee such documents, evidence, data or other information as the Committee considers necessary or desirable for the purpose of administering the Plan. The benefits under the Plan for each optionee, and each other person who is entitled to benefits hereunder, are to be provided on the condition that he furnish full, true and complete data, evidence or other information, and that he will promptly sign any document reasonably related to the administration of the Plan requested by the Committee.

4.4. Employment Rights. Neither the Plan nor any stock option agreement executed under the Plan shall constitute a contract of employment and participation in the Plan will not give an optionee the right to be rehired or retained in the employ of the Company, nor will participation in the Plan give any optionee any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan.

4.5. Evidence. Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person relying thereon considers pertinent and reliable, and signed, made or presented by the proper party or parties.

4.6. Gender and Number. Where the context admits, words in the masculine gender shall include the feminine gender, the plural shall include the singular and the singular shall include the plural.

4.7. Action by Company. Any action required of or permitted by the Company under the Plan shall be by resolution of the Board of Directors or by a person or persons authorized by resolution of the Board of Directors.

4.8. Controlling Laws. Except to the extent superseded by laws of the United States, the laws of Indiana shall be controlling in all matters relating to the Plan.

4.9. Mistake of Fact. Any mistake of fact or misstatement of fact shall be corrected when it becomes known and proper adjustment made by reason thereof.

4.10. Severability. In the event any provisions of the Plan shall be held to be illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and endorsed as if such illegal or invalid provisions had never been contained in the Plan.

4.11. Effect of Headings. The descriptive headings of the sections of this Plan are inserted for convenience of reference and identification only and do not constitute a part of this Plan for purposes of interpretation.

4.12. Nontransferability. No option or SAR granted under the Plan shall be transferable, except by the optionee's will or the laws of descent and distribution. During the optionee's lifetime, his option and any related SAR shall be exercisable (to the extent exercisable) only by him. The option (and any related SAR) and any rights and privileges pertaining thereto shall not be transferred, assigned, pledged or hypothecated by him in any way, whether by operation of law or otherwise and shall not be subject to execution, attachment or similar process.

4.13. Liability. No member of the Board of Directors or the Committee or any officer or employee of the Company or its Subsidiaries shall be personally liable for any action, omission or determination made in good faith in connection with the Plan. Each optionee, in the stock option agreement between him and the Company, shall agree to release and hold harmless the Company, the Board of Directors, the Committee and all officers and employees of the Company and its Subsidiaries from and against any tax liability, including without limitation interest and penalties, incurred by the optionee in connection with his participation in the Plan.

4.14. Investment Representations. Unless the shares subject to an option are registered under the Securities Act of 1933, each optionee, in the stock option agreement between the Company and the optionee, shall agree for himself and his legal representatives that any and all shares of common stock purchased upon the exercise of the option shall be acquired for investment and not with a view to, or for sale in connection with, any distribution of those shares. Any share issued pursuant to an exercise of an option subject to this investment representation shall bear a legend evidencing this restriction.

4.15. Use of Proceeds. The proceeds received by the Company from the sale of stock pursuant to the Plan will be used for general corporate purposes.

HORIZON BANCORP

By: ______________________________
Larry E. Reed, Chairman

ATTEST: [SEAL]

By: ______________________________
Thomas P. McCormick, Secretary

TB:smk:dmm:SS-89759-1

Section 4: EX-10.3 (EX-10.3)

EXHIBIT 10.3

AMENDMENT NO. 1 TO HORIZON BANCORP STOCK OPTION AND STOCK APPRECIATION RIGHTS AGREEMENT

This Amendment No. 1 is made and executed this 22nd day of August 2002, by and between Horizon Bancorp, an Indiana corporation (the "Company") and , an officer or employee of the Company or one of its subsidiaries (the "Optionee");

WHEREAS, the Company adopted the 1997 Key Employees' Stock Option and Stock Appreciation Rights Plan of Horizon Bancorp (the "Plan");

WHEREAS, the Optionee has received the following grants of stock options and associated stock appreciation rights ("SARs") under the Plan and has entered into a Stock Option and Stock Appreciation Rights Agreement for each grant ("Agreement");

Date	Number of Shares	Option Price

WHEREAS, the Company has issued a stock split of three for one of its shares of common stock on November 16, 2001, resulting in the following current outstanding stock options and associated SARs;

Date	Number of Shares	Option Price

WHEREAS, the Company and Optionee have agreed to a limitation on the economic value of the vested and exercisable SAR's granted under each of the Agreements referred to above and to eliminate the SAR's which are not vested or exercisable under the Agreements;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the Company and the Optionee agree as follows:

1. Limitation on Economic Value of Vested Stock Appreciation Rights. For purposes of the Agreements referred to above, the economic value to be paid by the Company of the SAR's (as referred to in Section 9 of each Agreement) which are vested and exercisable by the Optionee on the date of this Amendment may not exceed the following:

Date of Agreement	Limitation
	$22.00 Per share

The Optionee understands that under the Plan exercise of the SARs shall extinguish all rights under the associated stock options, regardless of the limitation on payment of the economic value of the SARs.

2. Elimination of Unvested SAR's. To the extent that SAR's have not vested and are not exercisable under the Agreements on the date of this Amendment, the Optionee shall only be allowed to exercise the stock options associated with such shares of stock and shall not be permitted to exercise the SAR's when they become vested.

3. No Other Changes. In all other respects the Agreements shall continue on an unchanged basis.

IN WITNESS WHEREOF, the Company, by its duly authorized officer, and the Optionee have caused this Amendment No. 1 to be executed on the date and year first written above.

HORIZON BANCORP

By: ______________________________
Craig M. Dwight, President & CEO

____
Optionee

HORIZON BANCORP

Individuals Electing to Cap Their Stock Appreciation Rights

NAME	SAR's Capped
Craig M. Dwight	46,260
Lawrence J. Mazur	15,420
Thomas H. Edwards	11,820
David G. Rose	10,800
Joseph H. Mellen	5,100
Rachel Saxon	3,600
James Neff	3,600
Mary I. Schultz	3,060
Ken Krapf	3,000
Carla Kanney	1,800
James H. Foglesong	1,800
Patrick Collins	1,200
Kathie A. DeRuiter	1,200
Steven Kring	1,200
JoAnn Krickhahn	1,200
Donna Scott	1,200
Daniel Buresh	600

Section 5: EX-21 (EX-21)

EXHIBIT 21 — SUBSIDIARIES OF REGISTRANT

Subsidiary	Jurisdiction of Incorporation	Name Under Which Business is Done
Horizon Bank, National Association	United States	Horizon Bank
Horizon Trust & Investment Management, National Association (a subsidiary of Horizon Bank)	United States	Horizon Trust and Investment Management
Horizon Insurance Services, Inc. (a subsidiary of Horizon Bank)	Indiana	Horizon Insurance Services
Horizon Investments, Inc. (a subsidiary of Horizon Bank)	Nevada	Horizon Investments, Inc.
Horizon Bancorp Capital Trust II	Delaware	
Alliance Financial Statutory Trust I	Delaware	
Horizon Bancorp Capital Trust III	Delaware	
Horizon Grantor Trust (a subsidiary of Horizon Bank)	Delaware	

Section 6: EX-23 (EX-23)

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements of Horizon Bancorp on Form S-3 (File No. 333-86214) and Forms S-8 (File Nos. 333-98609 and 333-112970) of our report, dated March 10, 2008, on the consolidated financial statements of Horizon Bancorp as of December 31, 2007 and 2006, and for each of the three years in the period ended December 31, 2007, which report is included in the annual report on Form 10-K of Horizon Bancorp for the year ended December 31, 2007.

BKD LLP

Indianapolis, Indiana
March 12, 2008

201 N. Illinois Street, Suit 700 P.O. Box 44998 Indianapolis, IN 46244-0998 317 383-400 Fax. 317 383-4200

Beyond Your Numbers

bkd.com

Section 7: EX-31.1 (EX-31.1)

EXHIBIT 31.1
CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Craig M. Dwight, certify that:

1. I have reviewed this Annual Report on Form 10-K of Horizon Bancorp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

HORIZON BANCORP

March 11, 2008

By: /s/ Craig M. Dwight
Craig M. Dwight
President and Chief Executive Officer

Section 8: EX-31.2 (EX-31.2)

EXHIBIT 31.2

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, James H. Foglesong, certify that:

1. I have reviewed this Annual Report on Form 10-K of Horizon Bancorp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

HORIZON BANCORP

March 11, 2008

By: /s/ James H. Foglesong
James H. Foglesong
Chief Financial Officer

Section 9: EX-32.1 (EX-32.1)

EXHIBIT 32.1

HORIZON BANCORP

Certification of Periodic Financial Report
Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Horizon Bancorp (the "Company") certifies that the Annual Report on Form 10-K of the Company for the year ended December 31, 2007 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in that Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 11, 2008

/s/ Craig M. Dwight
Craig M. Dwight
Chief Executive Officer

Section 10: EX-32.2 (EX-32.2)

EXHIBIT 32.2

HORIZON BANCORP

Certification of Periodic Financial Report
Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Horizon Bancorp (the "Company") certifies that the Annual Report on Form 10-K of the Company for the year ended December 31, 2007 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in that Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 11, 2008

/s/ James H. Foglesong
James H. Foglesong
Chief Financial Officer