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Annual Report 2006

HORIZON
BANCORP

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Message to the Shareholders

Dear Shareholders:

The year ending December 31, 2006, was another year of record financial performance, our seventh consecutively. Net income for the year was \$7.484 million or \$2.33 per fully diluted share, compared to net income in 2005 of \$7.091 million, or \$2.24 fully diluted share. This is a year-over-year increase of 5.54%. Given the difficult interest rate markets and the competition we face in each of our markets, we are encouraged by these results.

Our success in 2006 can be attributed to several factors, including the high credit quality of our loan portfolio, new business and higher fees in our trust company subsidiary, the successful integration of Alliance Bank and our on-going efforts regarding expense control. Net loan charge-offs for the year of .07% of average loans outstanding is below the rate experienced by banking companies of similar size.

Total assets were \$1.222 billion compared to \$1.128 billion in 2005, which is an increase of 8.3%. Horizon's asset growth is predominantly the result of increased mortgage and consumer loan activity. The commercial loan portfolio remained flat during the year as a result of approximately \$30 million in unanticipated loan payoffs.

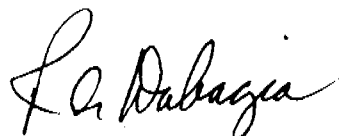
Asset growth was funded primarily through an increase in public NOW accounts, certificates of deposits and a decline in investment securities. Other deposit accounts experienced a slight roll-off due to competitive pressure. Horizon's balance sheet is liability sensitive, which causes our cost of funds to increase faster than earning assets in a rising interest rate environment. During 2006, Horizon up-graded its asset liability model and hired a consulting firm in an effort to move towards a more neutral balance sheet position.

We continue our de novo branch expansion with the opening of a new full service banking office in Elkhart, Indiana in June 2006. Additional full service offices in Benton Harbor, Michigan and Valparaiso, Indiana are under construction and should open in the first half of 2007.


At year-end, George Averitt officially retired from our Company. George has been a member of the Horizon Bancorp family since 1973, having served as a board member of the Bank and of the Holding Company. We are grateful to George for his dedication, loyalty and many years of service.

On behalf of the entire Horizon Bancorp family, thank you for your continued support, confidence and investment in our Company.

Best regards,



Robert C. Dabagia
Chairman



Craig M. Dwight
President & Chief Executive Officer

Summary of Selected Financial Data

(Dollar Amounts In Thousands Except Per Share Data and Ratios) (All share and per share amounts have been adjusted for the 3-for-2 stock split declared on October 21, 2003.)

	2006	2005	2004	2003	2002
Earnings					
Net interest income	\$ 31,545	\$ 30,873	\$ 25,422	\$ 24,151	\$ 23,153
Provision for loan losses	905	1,521	990	1,350	1,625
Total noninterest income	10,137	9,813	10,669	11,140	10,249
Total noninterest expense	30,455	29,129	25,672	24,771	23,403
Provision for income taxes	2,838	2,945	2,494	2,636	2,778
Net income from continuing operations	7,484	7,091	6,935	6,534	5,596
Cumulative effective of change in accounting for goodwill, net of tax	—	—	—	—	(97)
Net income	<u>\$ 7,484</u>	<u>\$ 7,091</u>	<u>\$ 6,935</u>	<u>\$ 6,534</u>	<u>\$ 5,499</u>
Cash dividend declared	<u>\$ 1,811</u>	<u>\$ 1,660</u>	<u>\$ 1,481</u>	<u>\$ 1,311</u>	<u>\$ 1,211</u>
Per Share Data					
Net income basic	\$ 2.36	\$ 2.31	\$ 2.32	\$ 2.19	\$ 1.85
Net income diluted	2.33	2.24	2.22	2.10	1.83
Cash dividends declared	.56	.53	.49	.44	.41
Book value at period end	19.11	17.01	16.56	15.48	13.93
Weighted average shares outstanding:					
Basic	3,177,272	3,067,632	2,993,696	2,978,161	2,975,394
Diluted	3,217,050	3,162,950	3,123,325	3,108,178	3,003,381
Period End Totals					
Loans, net of deferred loan fees and unearned income	\$843,834	\$732,734	\$564,042	\$447,718	\$535,793
Allowance for loan losses	8,738	8,368	7,193	6,909	6,255
Total assets	1,222,430	1,127,875	913,831	757,443	720,502
Total deposits	913,973	855,566	612,217	546,168	489,259
Total borrowings	240,002	211,470	244,668	158,585	183,893
Ratios					
Loan to deposit	93.76%	85.64%	92.76%	81.97%	109.51%
Loan to total funding	76.73	68.67	65.67	63.53	79.59
Return on average assets	.67	.71	.85	.88	.86
Average stockholders' equity to average total assets	5.14	5.19	5.90	6.01	6.06
Return on average stockholders' equity	13.03	13.67	14.38	14.65	14.21
Dividend payout ratio (dividends divided by net income)	24.20	21.21	21.36	20.06	22.02
Price to book value ratio	143.53	166.42	162.74	184.40	126.85
Price to earnings ratio	11.77	12.24	12.14	13.12	9.64

Horizon Bancorp
Form 10-k

Shareholder Relations

Shareholder Relations

For additional copies of this report, current stock quotes, a list of market makers, and other investor inquiries, call (219) 874-9272 or visit our web site at www.accesshorizon.com.

Form 10-k

Copies of the Horizon Bancorp Annual Report to the Securities and Exchange commission Form 10-K can be found by visiting the investor relations section of our website at www.accesshorizon.com. Copies can be requested by mail upon written request to Mary McColl, Shareholder Relations, Horizon Bancorp, 515 Franklin Square, Michigan City, IN 46360.

Common Stock & 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 2006 and 2005.

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 number of record holders of outstanding common stock as of December 31, 2006, is 572.

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	2006		DIVIDENDS DECLARED PER SHARE
	COMMON STOCK PRICES		
	HIGH	LOW	
1st Qtr	\$ 32.23	\$ 26.30	\$.14
2nd Qtr	31.00	25.16	.14
3rd Qtr	26.93	25.50	.14
4th Qtr	27.89	25.92	.14

	2005		DIVIDENDS DECLARED PER SHARE
	COMMON STOCK PRICES		
	HIGH	LOW	
1st Qtr	\$ 31.51	\$ 27.00	\$.13
2nd Qtr	30.00	24.20	.13
3rd Qtr	28.26	26.55	.13
4th Qtr	27.93	24.95	.14

Employee Owners

As of December 31, 2006 — Employees who own shares of Horizon Bancorp through its employee stock ownership program.

Michelle R. Acton	Patricia R. Damico	Tamilyn C. Hayden
Lynn M. Ardner	Christina H. Daulton	Joseph S. Henrich
Teresa R. Baker	Diane L. Dawson-Klinder	Lisa K. Henrich
Kimberly Banas	Megan C. Dean	Robert E. Holmes
Barbara J. Banke	Kathie A. Deruiter	Connie L. Houx
Hilary J. Banks	Kasandra J. Dillon	Laura L. Huber
Jennifer Barker	Rebecca L. Doperalski	Teresa M. Hubertz
Leslie A. Barnes	Shirley A. Dowdell	Susan E. Hunt
Jane I. Barth	Louis G. Dubach	Christopher P. Huston
Karen M. Bartos Poff	Craig M. Dwight	James J. Jaksa
Debra A. Batton	Denae M. Earnst	Brigitte Jakubowski
Julie M. Beck	Tamara A. East	Karen N. Jarrell
Carrie L. Belt	Robert Michael Edwards	Sueelyn Jones
Kathryn L. Benkie	Thomas H. Edwards	Michael T. Jonik
Katherine J. Bentley	Stammy A. Ellinger	John P. Kalil
Kevin N. Beres	Theresa C. Fields	Carla J. Kanney
David E. Bly Jr	James R. Fisher	Pamela F. Karner
Cindy K. Bolding	Sonja L. Fleming	Catherine A. Kasarda
Pamela K. Bricher	James H. Foglesong	Sandra L. Kazmucha
Michael C. Brown	Jill S. Fortini	Jessica A. Kelley
Christine L. Brule	Beverly A. Foster	Jill F. Klingbeil
Daniel R. Buresh	Karen S. Frechling	Carol A. Kolodziejski
Kristin L. Campbell	Jacquelyn C. Frymier	Mary E. Kominiarek
Penny S. Candek	John A. Garrettson	Reta Marlene Kramer
Patricia L. Cantu	Diane L. Garwood	Kenneth J. Krapf
Daniel P. Carroll	Barbara S. Gawronski	Wanda S. Krauklis
Jennifer A. Castaneda	Constance J. German	Joann Krickhahn
Karen P. Casto	William J. Gertner	Steven C. Kring
Amanda B. Childs	Brian S. Gill	Dawn M. Krueger-Beal
Dawn M. Cleek	Ryan W. Glassman	Auna M. Kuehnle
Sylvia D. Cole	Mark Randall Goodin	Gloria J. Lachman
Patrick W. Collins	Delores M. Gorski	Donald F. Lamken
Pamela J. Cook	Barry F. Griffin	Kimberly A. Lanier
Lauren B. Covert	Dorcas E. Hammond	Angela J. Lawhorn
Daryl L. Crockett	Deborah L. Hannon	Kathleen S. Lawrence
Carol E. Cummings	Patricia A. Harris	Christine A. Liskovec
Cathy F. Daley	Kari A. Hay	Kelly A. Lowery

Employee Owners

As of December 31, 2006 — Employees who own shares of Horizon Bancorp through its employee stock ownership program.

Dona L. Lucker	Chandra N. Ostrander	Steven J. Skalka
Angela K. Mack	Andrea S. Ottersen	Patricia M. Small
Vickie L. Magnuson	Judy L. Parks	Shelley Jo Smith
Anthony J. Mandarino	Cynthia L. Pavy	Edward R. Sopko
Patrick A. Mangold	William G. Payton	Linda G. Stack
Allen R. Marquardt	Debra K. Pedzinski	Lee F. Stanwich
Scarlett C. Mason	Heather D. Penziol	David K. Stephenson
Lora L. Mastile	Vanessa K. Peters	Deborah A. Stranad
Lawrence J. Mazur	Linda M. Phillips	Lois A. Swanson
Mary McColl	Erica L. Pierce	James C. Taschler
Catherine A. McGowan	Lisa A. Poston	Laura A. Tavitas
Jennifer L. McGrew	Patricia Quinn	Keene Taylor
Gina L. M. McKinnon	Donald E. Radde	Catherine A. Tempel
Justina Mejean	Kimberly A. Ramsay	Daniel R. Thomas
Joseph H. Mellen	Linda B. Ramsey	Yolanda M. Thomas-Davis
Deborah A. Merrill	Judie A. Rankin	Lisa J. Tomlinson
Duane G. Mertl	Robert A. Reaves	Ellen J. Torres
Judith K. Michael	Janet M. Rehkop	Jeffry J. Trad
David R. Miller	Yun-Ying L. Rempala	Sherry D. Trucks
Lucinda L. Miller	William B. Retseck	Cindy A. Tuholski
Sandra K. Miller	Carol C. Reynolds	Melanie A. Turner
Kent J. Mishler	Donna S. Riccio	Gail Ulrich
Theresa A. Moran	Kori L. Riggs	Angela R. Van Gieson
Sara Morrow	Mark A. Ritzi	Sara E. Vanwagoner
Lawrence P. Morrow	Patsy E. Rodrick	Christopher R. E. Vesper
Rita M. Mrozinski	Gilbert J. Romero	Mary Vrska
Brett A. Mueller	David G. Rose	Barbara J. Weiss
Melissa M. Mukavetz	Kellie V. Rusboldt	Julianne K. Whiteman
Kathleen P. Murphy	Michael E. Sarver	Toni I. Whitfield
James D. Neff	Rachel L. Saxon	Kathleen A. Wolford
Dana D. Nichols	Holly M. Schoof	Tracy E. Woolsey
Christina Niloff	Jennifer M. Seefeldt	Jill M. Wooton
Eugene R. Novello	Eyvette L. Sellers	Mary D. Wright
Steven R. Ochoa	Melinda M. Shorter	Robert G. Wright
Yvonne L. Olson	Susan M. Sims	Sharon L. Wright
Danielle O'Neal	Barbara R. Simuel	Amanda K. Yeakey
Melissa A. Oselka	Gina M. Siwietz	

Board of Directors & Executive Officers

Board of Directors

Susan D. Aaron

*President &
Chief Executive Officer*
Vision Financial Services

George R. Averitt*

Adjunct Faculty
Purdue University North Central
Former publisher of the
Michigan City News Dispatch

Robert C. Dabagia

Chairman
Horizon Bancorp

Craig M. Dwight

*President &
Chief Executive Officer*
Horizon Bancorp

James B. Dworkin

Chancellor
Purdue University North Central

Thomas H. Edwards*

Executive Vice President
Horizon Bancorp

Daniel F. Hopp

*Senior Vice President,
Corporate Affairs &
General Counsel*
Whirlpool Corporation

Charley E. Gillispie

Vice President
Administration & Finance
Valparaiso University

Robert E. McBride, M.D.

Pathologist
Pathology Consultants, Inc.

Larry N. Middleton

President
Century 21 Middleton
Company, Inc.

Peter L. Pairitz

Business Developer

Bruce E. Rampage

Retired President
St. Anthony Memorial Health
Centers

Gene L. Rice*

Retired Farmer

Robert E. Swinehart

*Retired President &
Chief Operating Officer*
Emerson Power Transmission
Corp.

Spero W. Valavanis

President
Design Organization, Inc.

**Director of Horizon Bank only*

Director Emeritus

John A. Garrettson

Retired
Past Chairman of Horizon
Bancorp

Larry E. Reed

Retired
Past Chairman of Horizon
Bancorp

Burton B. Ruby

Chairman of Jaymar Ruby, Inc.

Horizon Bancorp

Robert C. Dabagia

Chairman

Craig M. Dwight

*President &
Chief Executive Officer*

Thomas H. Edwards

Executive Vice President

James H. Foglesong

Chief Financial Officer

Lawrence J. Mazur

Secretary

Horizon Bank, N.A.

Craig M. Dwight

*Chairman &
Chief Executive Officer*

Thomas H. Edwards

*President &
Chief Operating Officer*

James H. Foglesong

Chief Financial Officer

Lawrence J. Mazur

Secretary

James D. Neff

Executive Vice President

Horizon Insurance Services, Inc.

Thomas H. Edwards

President

Horizon Trust & Investment Management, N.A.

Rachel L. Saxon

Chief Trust Officer

Lawrence J. Mazur

*Chief Estate &
Financial Planning Officer*

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