FOURTH QUARTER 2016 INVESTOR PRESENTATION

Symbol: SRCE

www.1stsource.com

DISCLOSURES

Forward-Looking Statements

Except for historical information, the matters discussed may include "forward-looking statements." Those statements are subject to material risks and uncertainties. 1st Source cautions readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. The audience is advised that various important factors could cause 1st Source's actual results or circumstances for future periods to differ materially from those anticipated or projected in such forward-looking statements. Please refer to our press releases, Form 10-Qs, and 10-Ks concerning factors that could cause actual results to differ materially from any forward-looking statements of which we undertake no obligation to publicly update or revise.

Non-GAAP Financial Measures

The accounting and reporting policies of 1st Source conform to generally accepted accounting principles ("GAAP") in the United States and prevailing practices in the banking industry. However, certain non-GAAP performance measures are used by management to evaluate and measure the Company's performance. Although these non-GAAP financial measures are frequently used by investors to evaluate a financial institution, they have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analyses of results as reported under GAAP. These include taxable-equivalent net interest income (including its individual components), net interest margin (including its individual components), the efficiency ratio, tangible common equity-to-tangible assets ratio and tangible book value per common share. Management believes that these measures provide users of the Company's financial information a more meaningful view of the performance of the interest-earning assets and interest-bearing liabilities and of the Company's operating efficiency. Other financial holding companies may define or calculate these measures differently. See the slides titled "Reconciliation of Non-GAAP Financial Measures" for a reconciliation of certain non-GAAP financial measures used by the Company with their most closely related GAAP measures.

CORPORATE OVERVIEW

$5.5 billion Community Bank with International Reach headquartered in South Bend, Indiana

Community Banking:

- Locations throughout Northern Indiana and Southwestern Michigan
- Personal and business banking, payment services, lending, mortgage, and leasing
- Investment management, wealth advisory and estate planning, and retirement planning services
- Business and consumer insurance sales

Specialty Finance:

- National and international footprint
- Construction machinery
- Corporate and personal aircraft
- Auto rental and leasing, shuttle buses, motor coaches, funeral cars, and step vans
- Truck rental and leasing

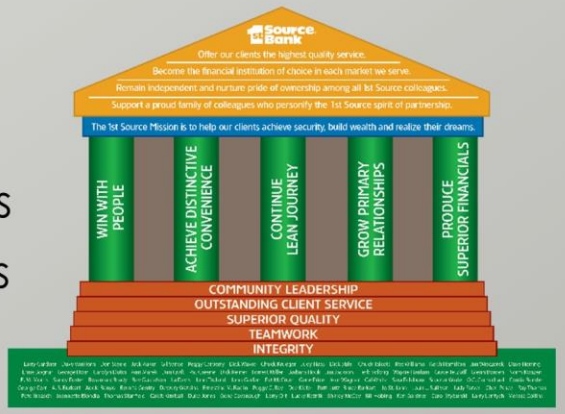
MISSION AND VISION

Mission

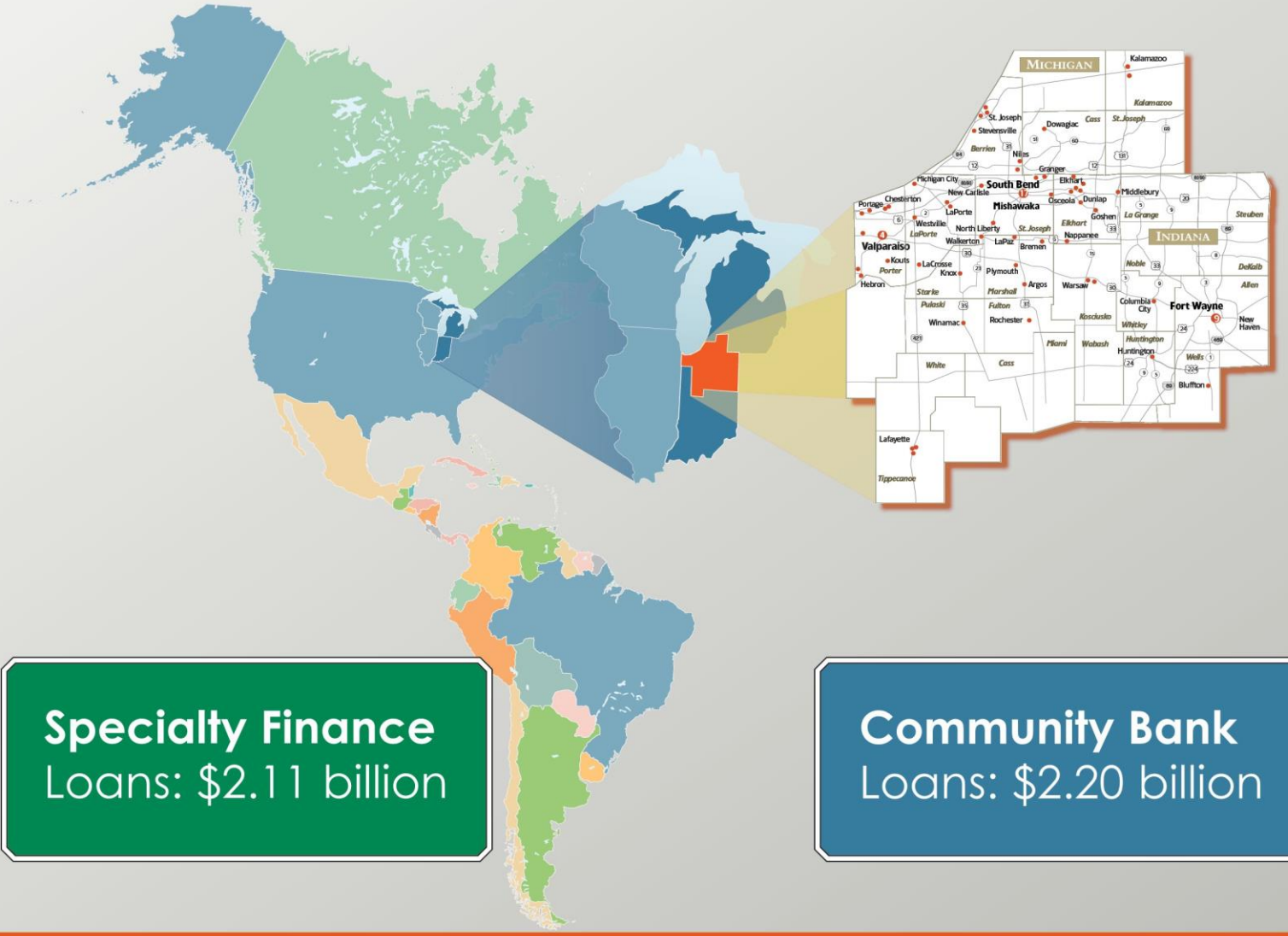
To help our clients achieve security, build wealth and realize their dreams by offering straight talk, sound advice and keeping their best interests in mind for the long-term.

Vision

- Offer our clients the highest-quality service
- Support a proud family of colleagues who personify the 1st Source spirit of partnership
- Be the financial institution of choice in each market we serve
- Remain independent and nurture pride of ownership among all 1st Source colleagues
- Achieve long-term, superior financial results



MARKET AREA



Specialty Finance
Loans: $2.11 billion

Community Bank
Loans: $2.20 billion

BUSINESS MIX (LOANS AND LEASES)







Personal Community Banking	30%	51%
Business Community Banking	70%	
Specialty Finance	49%	

COMMUNITY BANKING

- **81** Banking Centers
- **103** Twenty-four hour ATMs
- **10** 1st Source Insurance offices
- **8** Trust & Wealth Advisory locations with approximately $4.2 billion of assets under management



In person



Online



Over the phone



Mobile

COMMUNITY BANKING MARKET AREA



Higher Education



Steel Production



Regional Medical Hub



Medical Devices



Agriculture



Distribution Hub



Recreational Vehicle Manufacturing

17 – County Market

Market Households	797,863
Client Households	102,353
Penetration	12.8%
Businesses (approx)	74,600
Business Clients	14,963
Penetration	20.1%

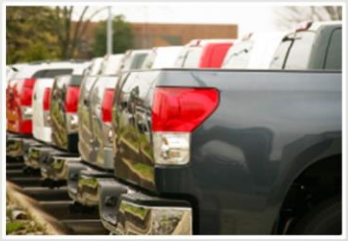
As of December 31, 2016

SPECIALTY FINANCE GROUP SERVICES



Aircraft Division— $802MM

Aircraft division provides financing primarily for new and used general aviation aircraft (including helicopters) for private and corporate users, some for aircraft distributors and dealers, air charter operators, air cargo carriers, and other aircraft operators. See Appendix for NAICS industry detail.



Auto and Light Truck Division — $412MM

Auto/light truck division provides financing for automobile rental and leasing companies, light truck rental and leasing companies, and special purpose vehicle users: shuttle buses, motor coaches, funeral cars and step vans.



Construction Equipment Division— $496MM

Construction equipment division provides financing for infrastructure projects (i.e., asphalt and concrete plants, bulldozers, excavators, cranes, and loaders, etc.)



Medium and Heavy Duty Truck Division — $295MM

The medium and heavy duty truck division finances highway tractors and trailers and delivery trucks for the commercial trucking industry and trash and recycling equipment for municipalities and private businesses as well as equipment for landfills.

EXPERIENCED AND PROVEN TEAM

Executive Team

- 5 executives with an average 35 years each of banking experience and 25 years with 1st Source

Business Banking Officers

- 37 business banking officers with an average 20 years each of lending experience and 11 years with 1st Source

Specialty Finance Group Officers

- 26 specialty finance officers with an average 28 years each of lending experience and 12 years with 1st Source

PERFORMANCE – CLIENT

- #1 deposit share in our 15 contiguous county market
- #1 SBA Lender in our Indiana footprint
- #2 SBA Lender in State of Indiana

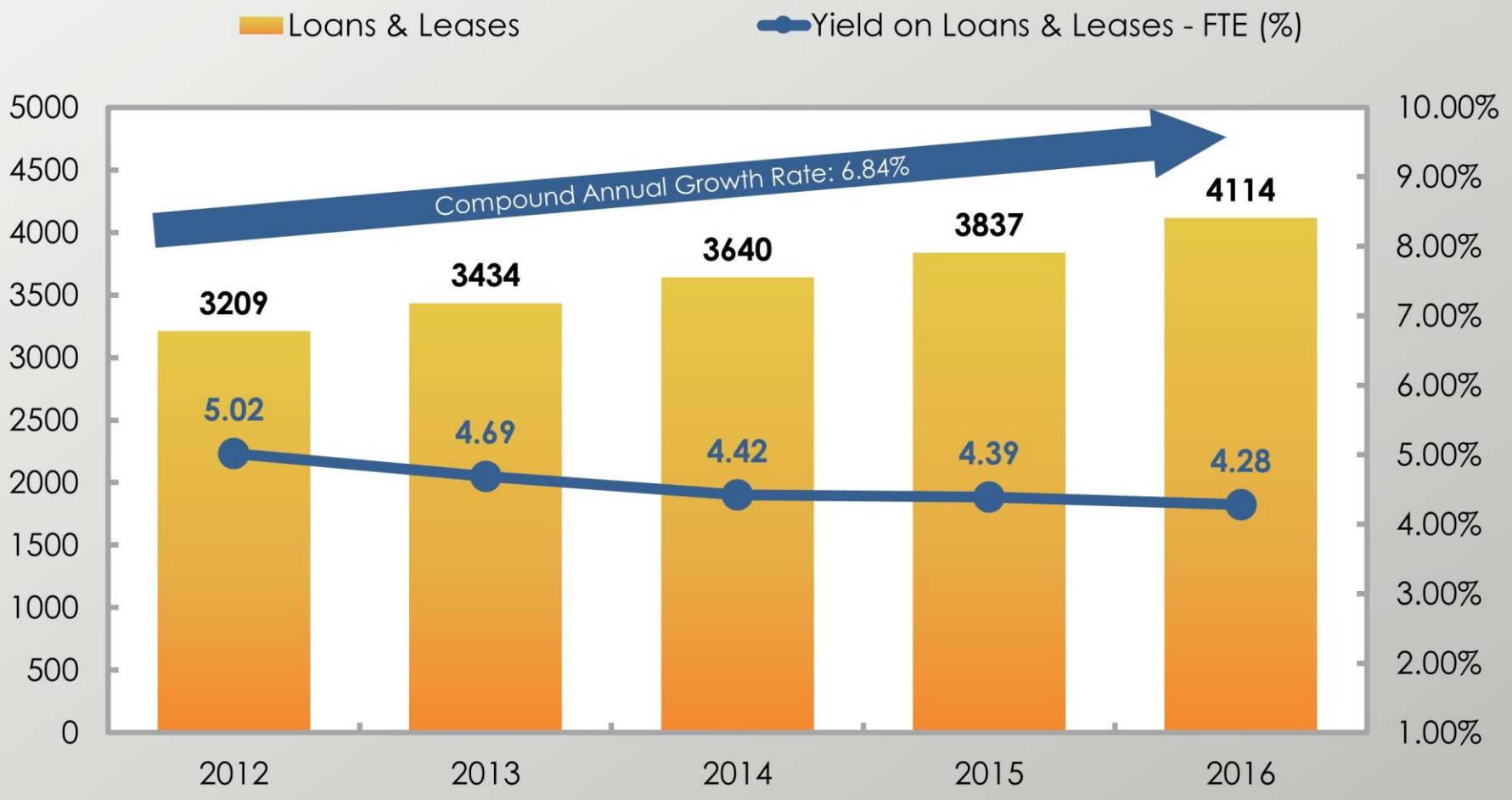


- Best Branch Service in the Midwest – MSR Group, 2015 & 2016
- Indiana SBA Community Lender Award – 2013 - 2016
- Michiana's Best Bank for Business – Northwest Indiana Business Quarterly
- Michiana's Best Company to Work For – Northwest Indiana Business Quarterly
- Michiana's Best Bank for Customer Service – Northwest Indiana Business Quarterly
- One of the Highest Customer Advocacy Scores among banks in Midwest – MSR Group, 2015 & 2016
- 2016 Business of the Year (Revenue More than $5 Million) – Greater Fort Wayne Business Weekly

FINANCIAL REVIEW

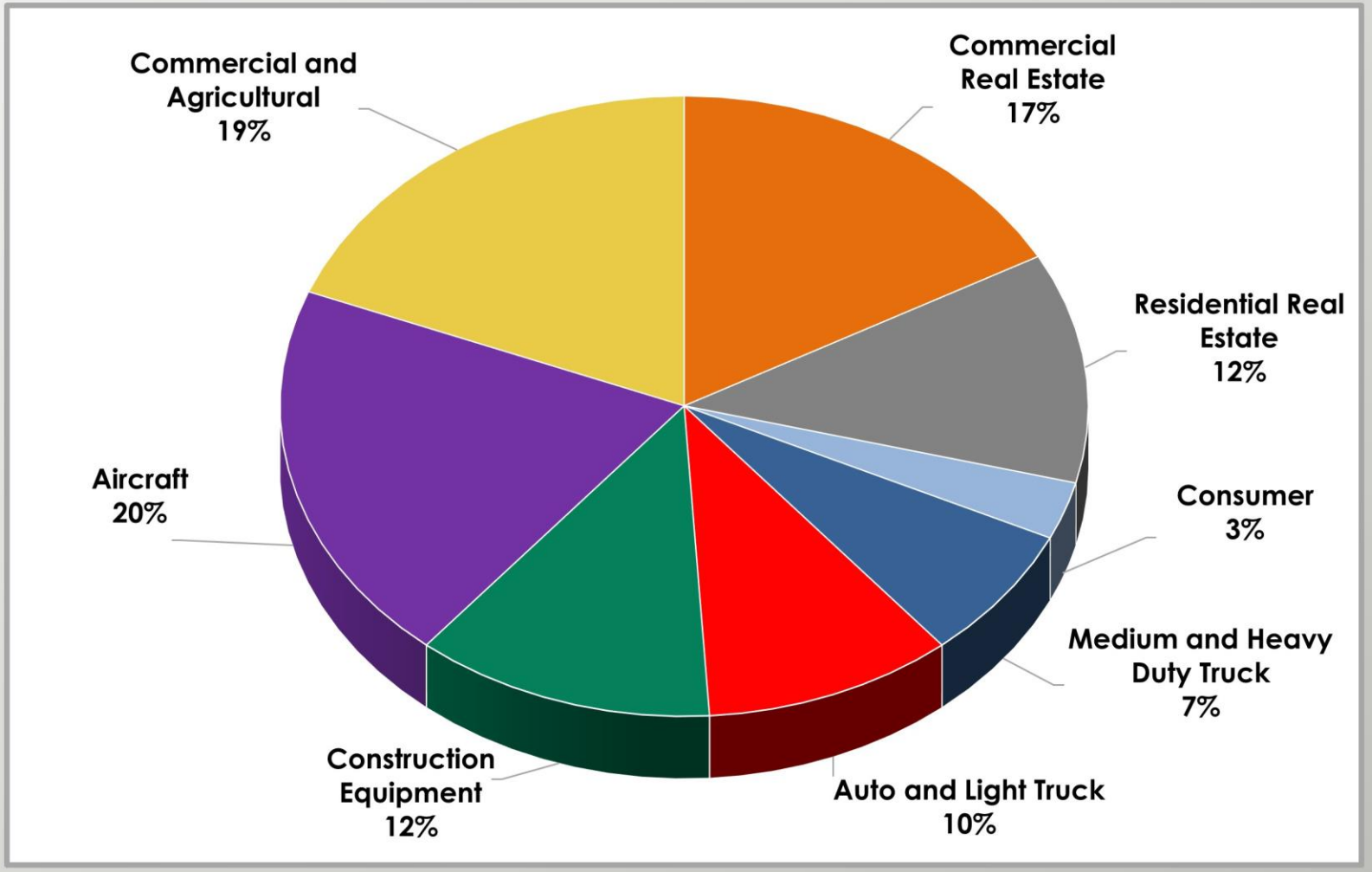
GROWING LOAN PORTFOLIO

Total Average Loans & Leases ($MM)



DIVERSIFIED LOAN PORTFOLIO

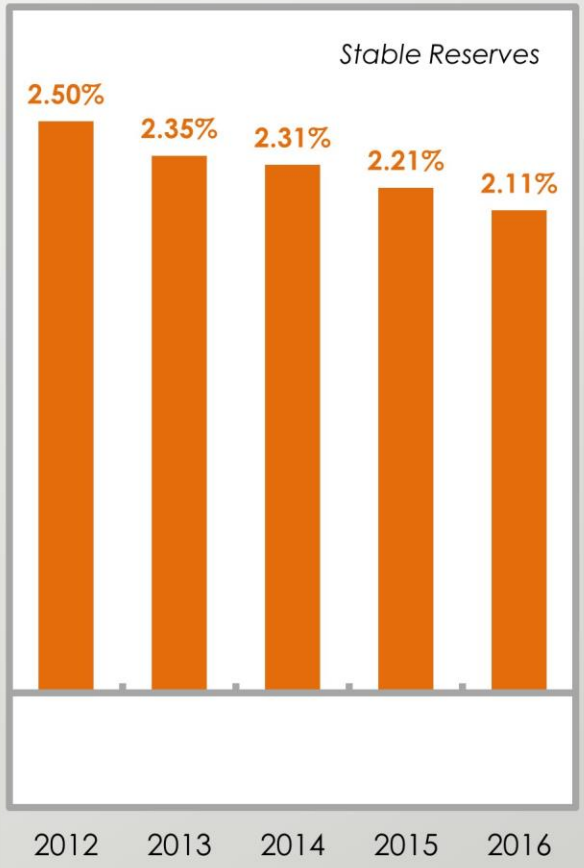
Average Loans by Type



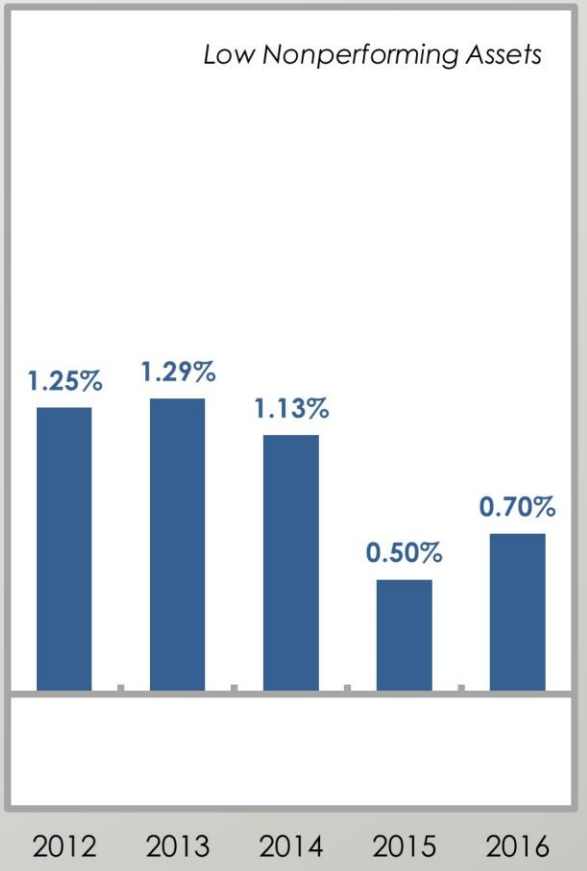
STRONG CREDIT QUALITY

% of Net Loans and Leases

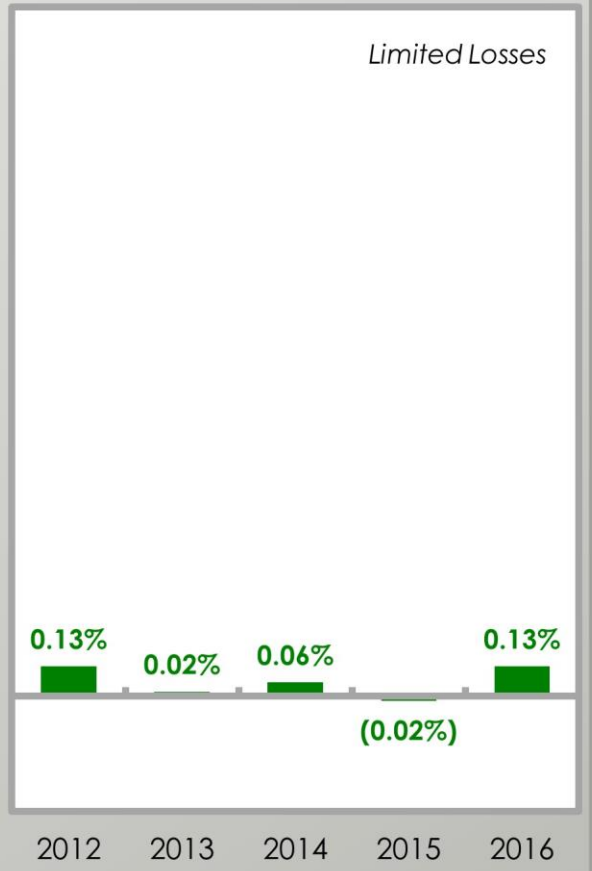
Loan & Lease Loss Reserve



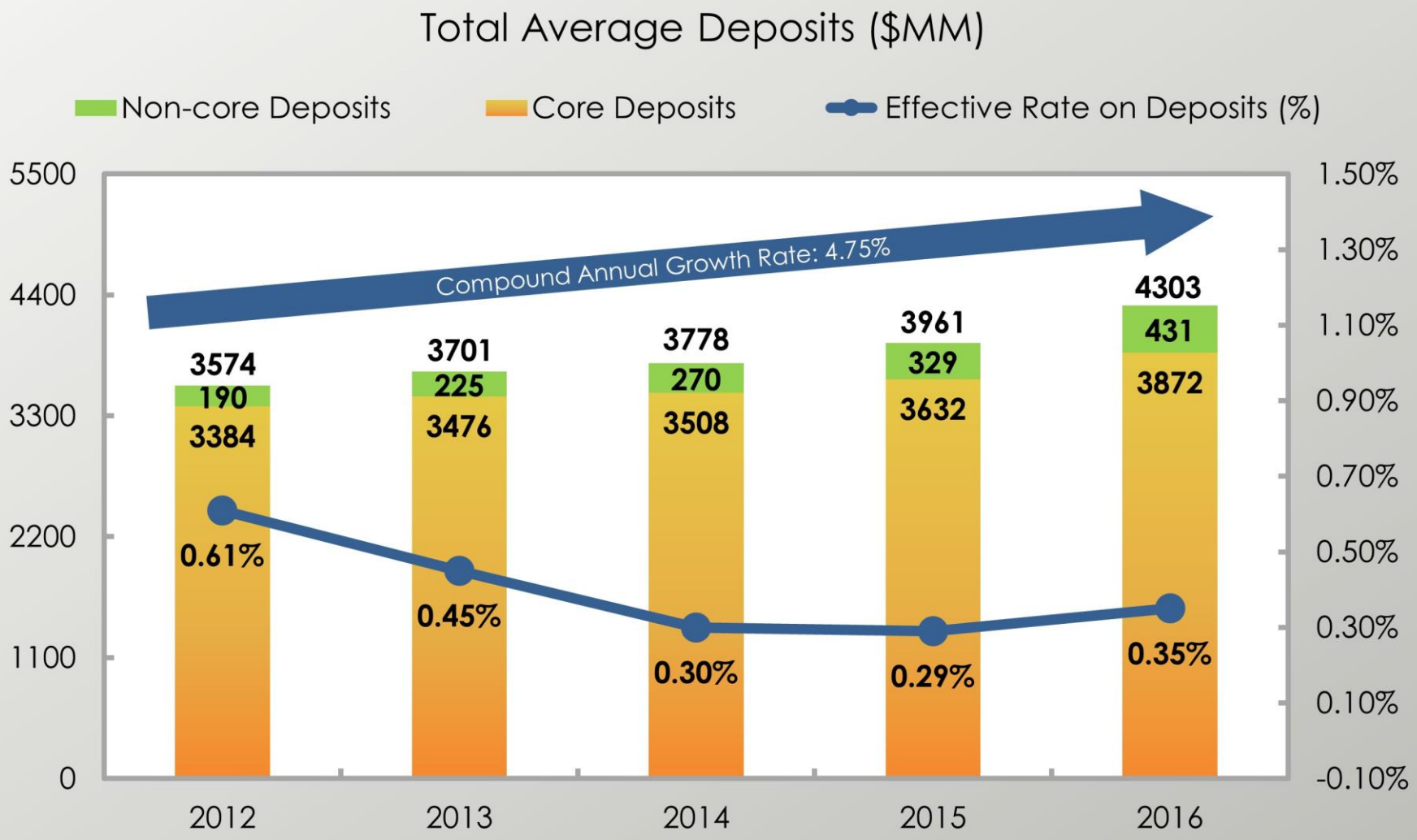
Nonperforming Assets



Net Charge-Offs / (Recoveries)



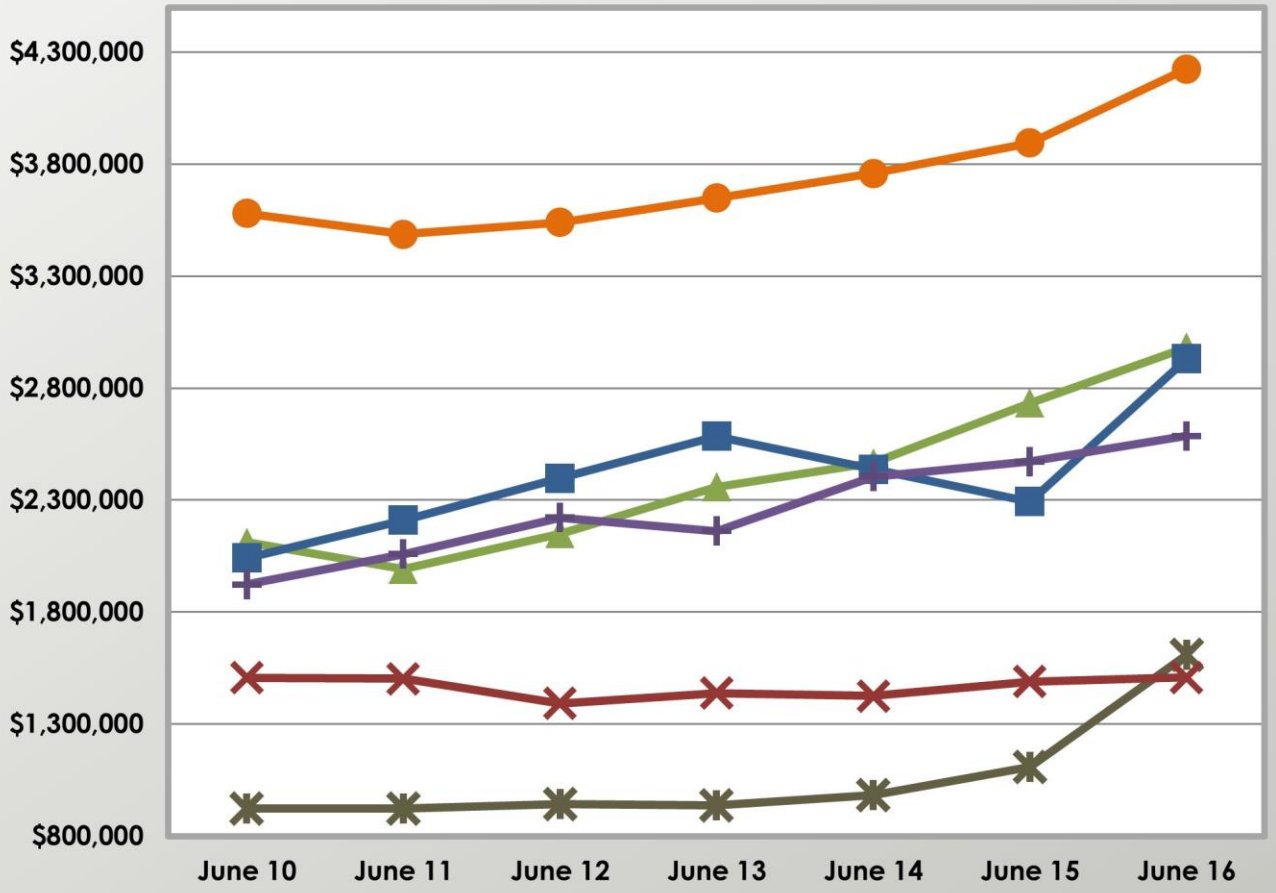
GROWING CORE DEPOSIT FRANCHISE



* Non-core deposits include CDs over $250,000 and brokered CDs.

DEPOSIT MARKET SHARE – 15 COUNTY CONTIGUOUS MARKET*

Leading Market Share in Community Banking Markets ($000)

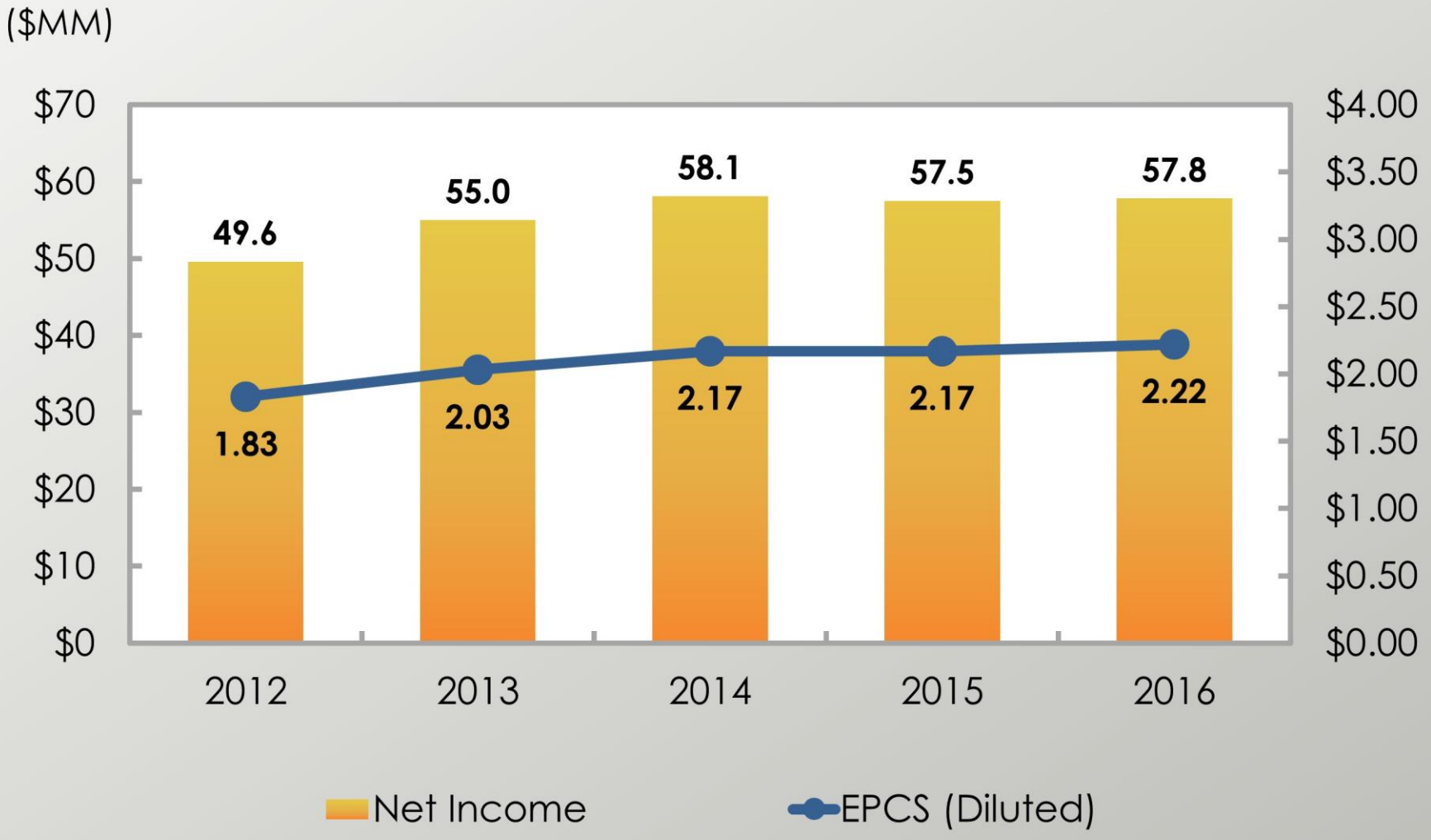


	2016
1st Source	13.37%
Chase	9.44%
Wells Fargo	9.27%
Lake City Bank	8.19%
Horizon Bank	5.09%
Fifth Third	4.77%

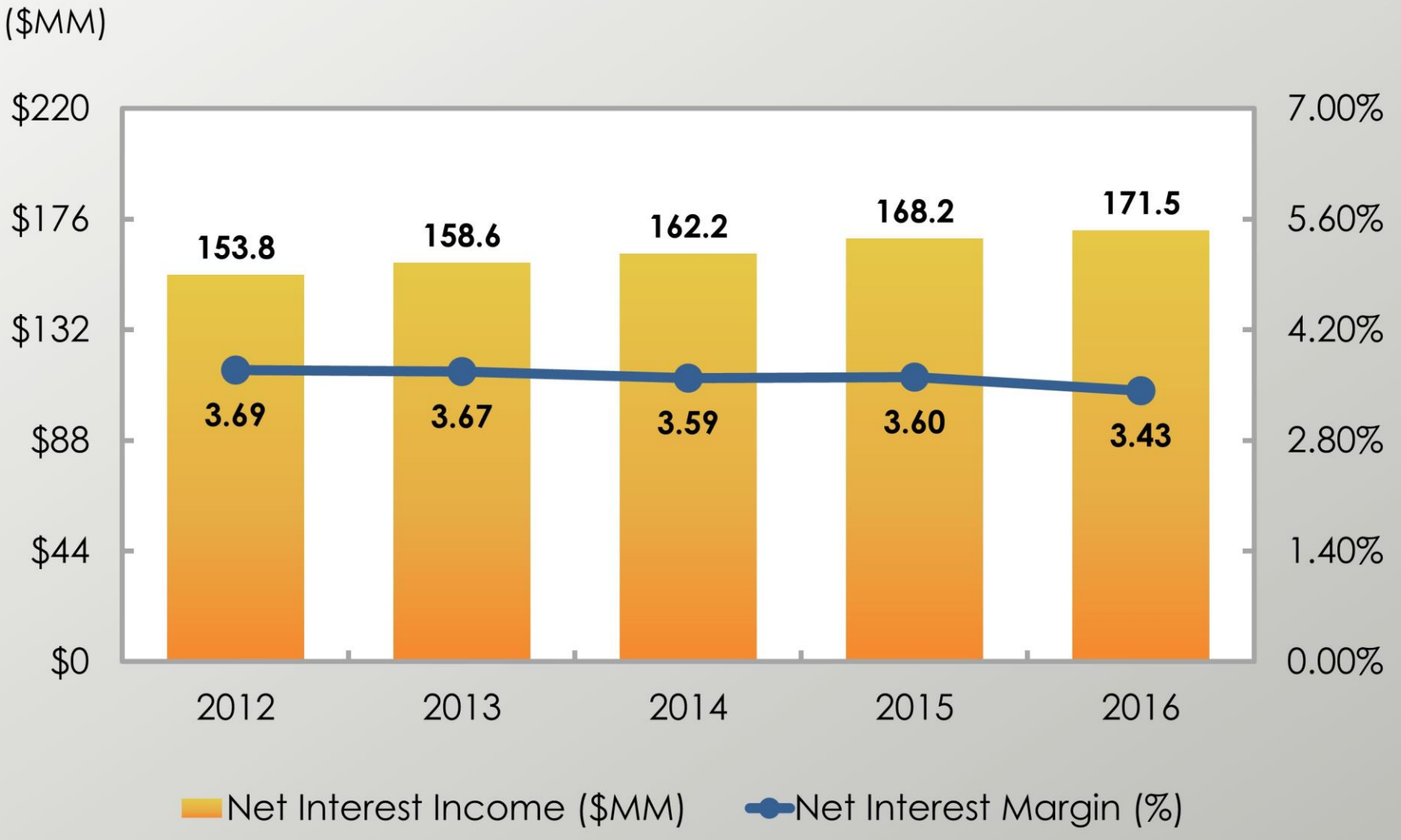
Data as of June 2016 – FDIC (via SNL Financial)

*Includes Allen, Elkhart, Fulton, Huntington, Kosciusko, LaPorte, Marshall, Porter, Pulaski, St. Joseph, Starke, Wells, and Whitley counties in the State of Indiana, and Berrien and Cass counties in the State of Michigan.

NET INCOME & EARNINGS PER SHARE



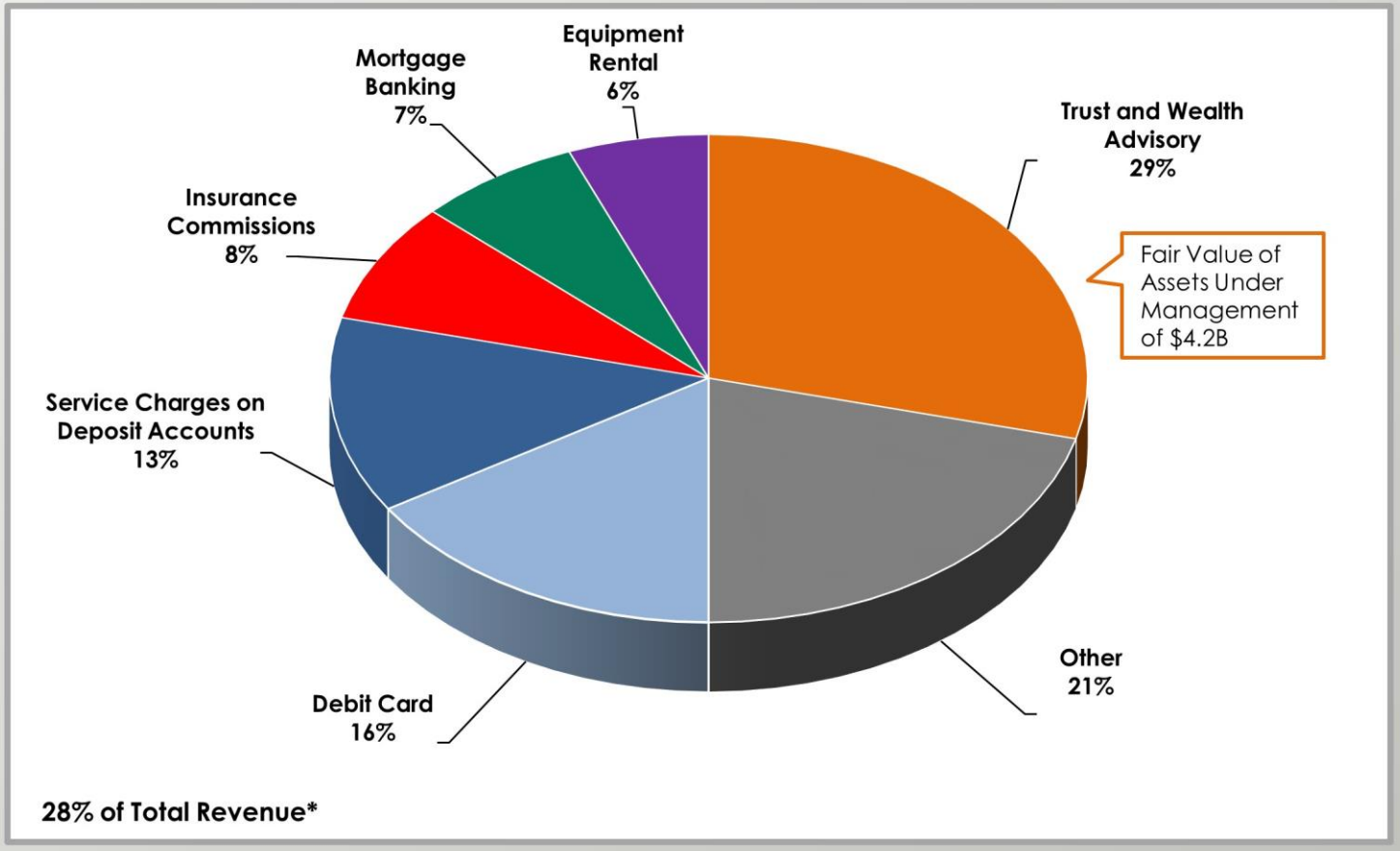
NET INTEREST MARGIN (FTE)



DIVERSE SOURCES OF NONINTEREST INCOME

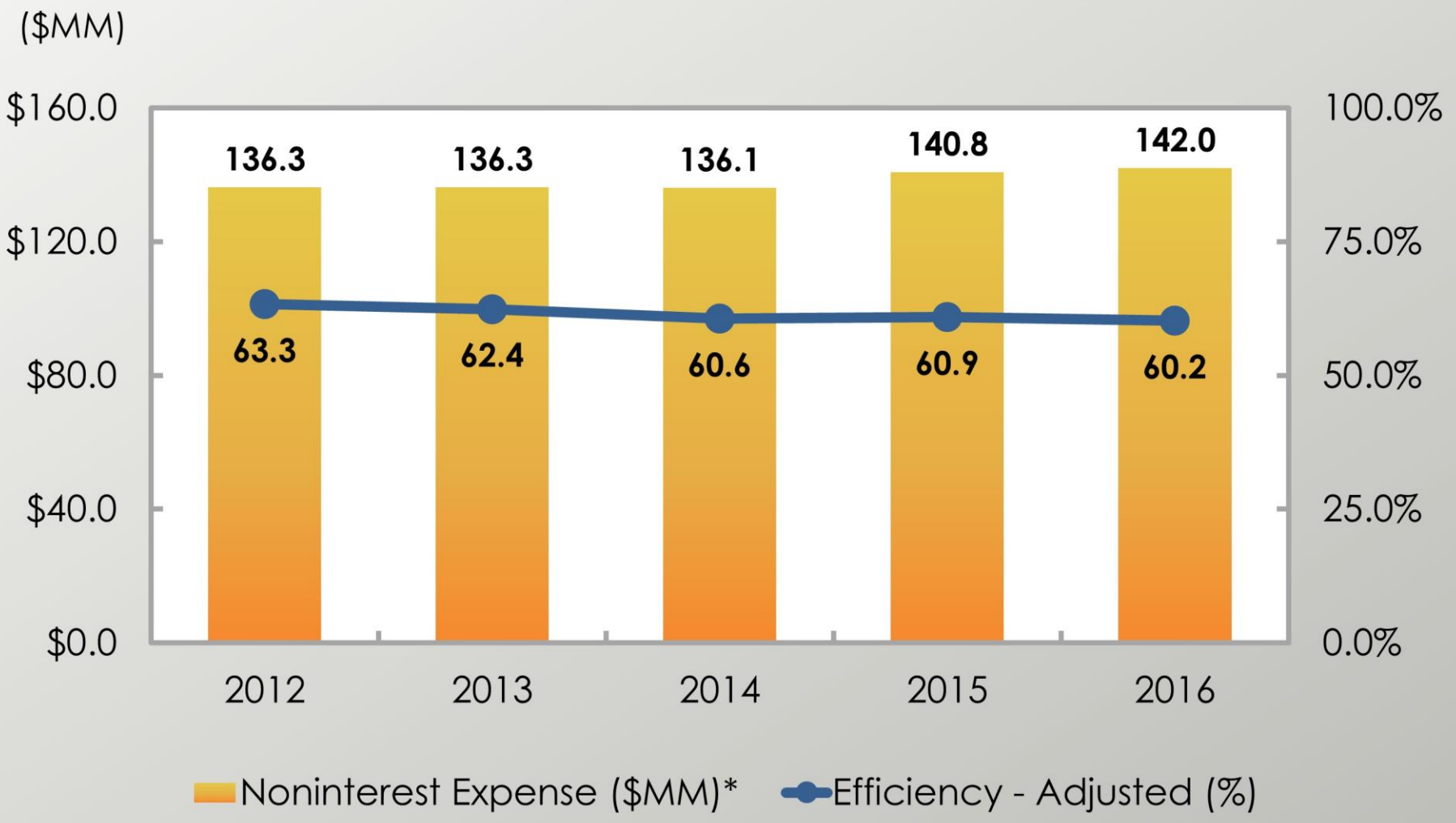
Noninterest Income Composition

YTD = $67.3MM*



* Note: Equipment rental income is shown net of leased equipment depreciation.

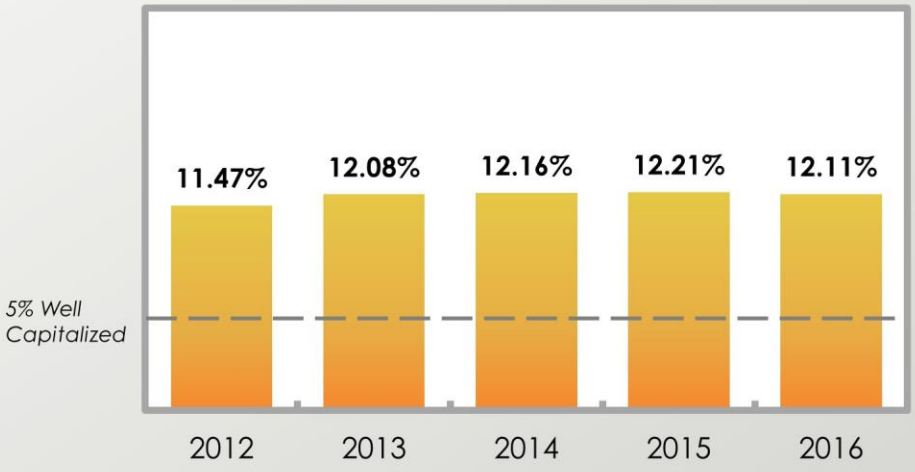
OPERATING EXPENSES



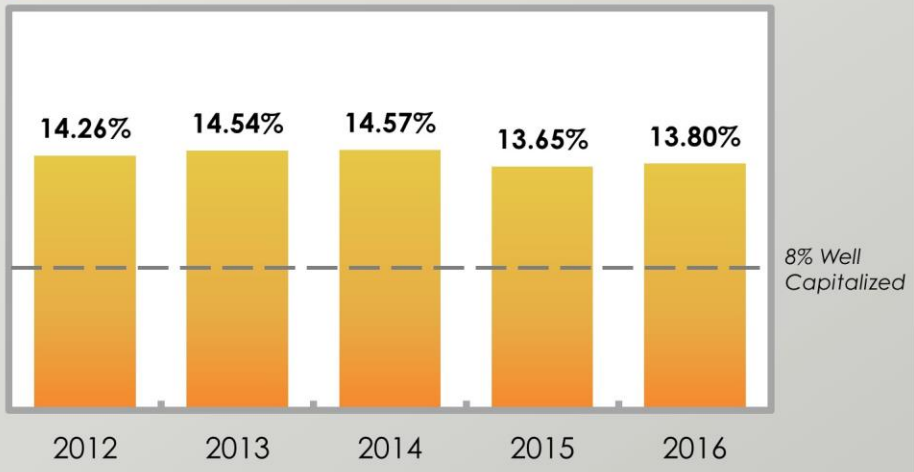
* Note: Noninterest expense is shown net of leased equipment depreciation.

STRONG CAPITAL POSITION

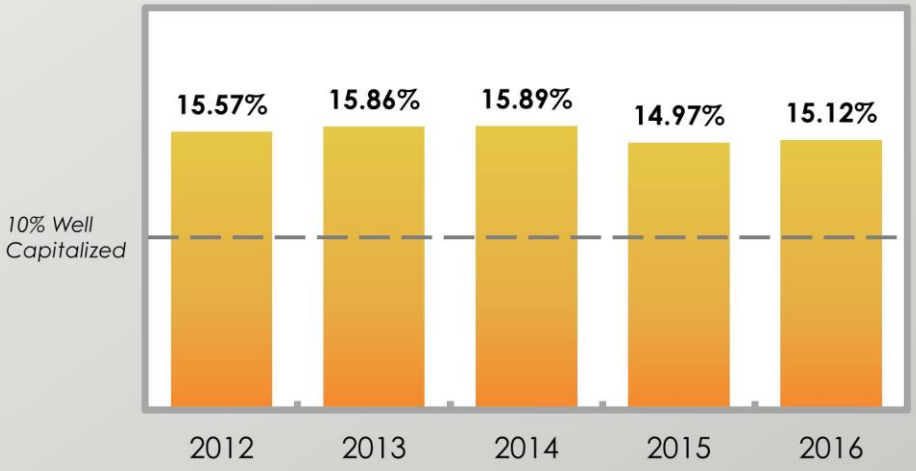
Tier 1 Leverage Ratio



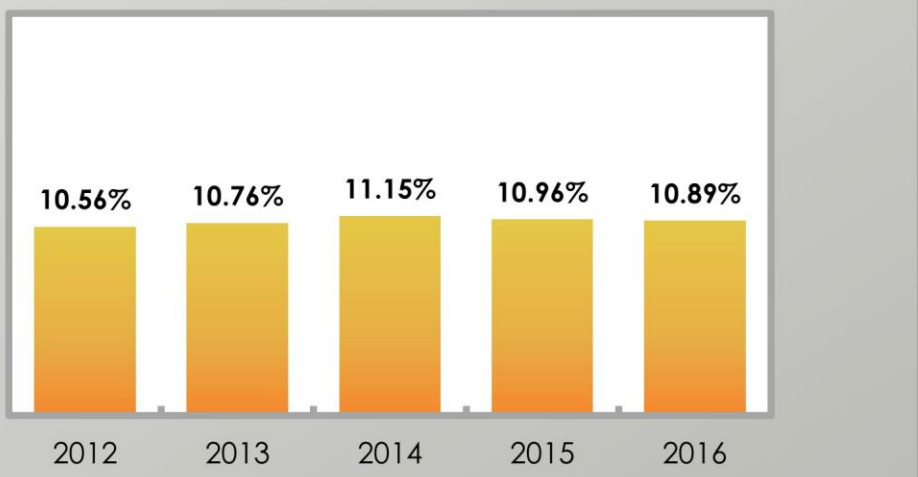
Tier 1 Risk Based Ratio



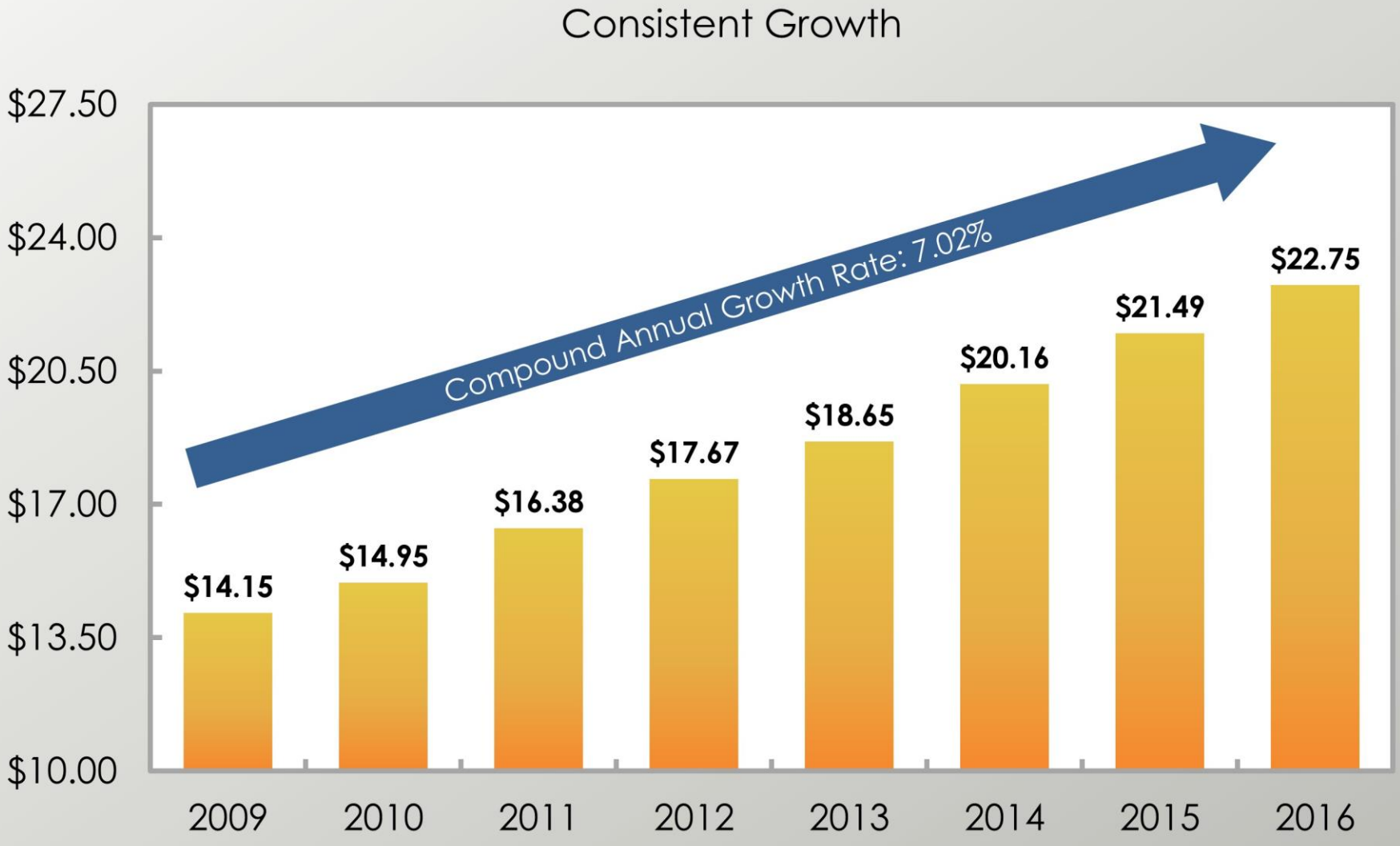
Total Risk Based Capital Ratio



Tangible Common Equity / Tangible Assets

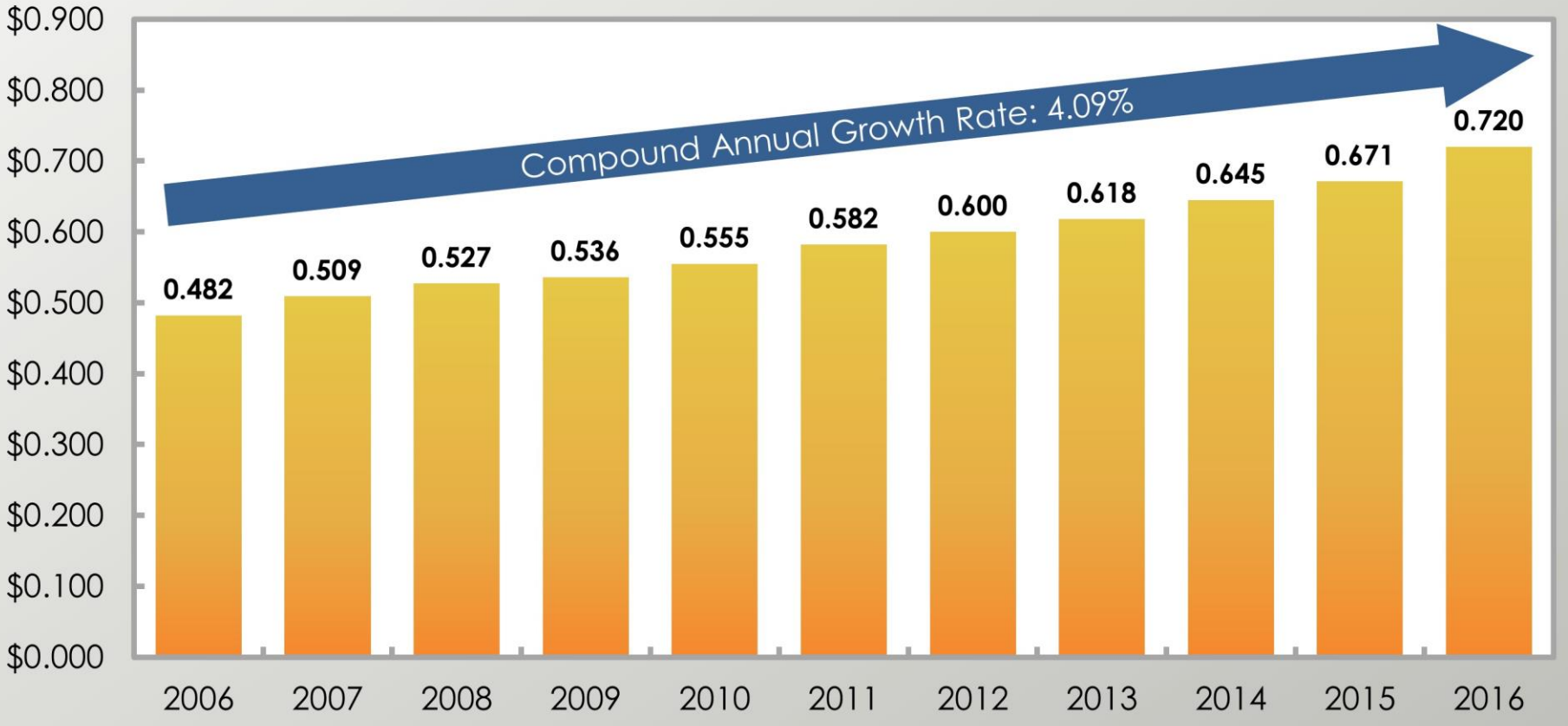


TANGIBLE BOOK VALUE PER COMMON SHARE

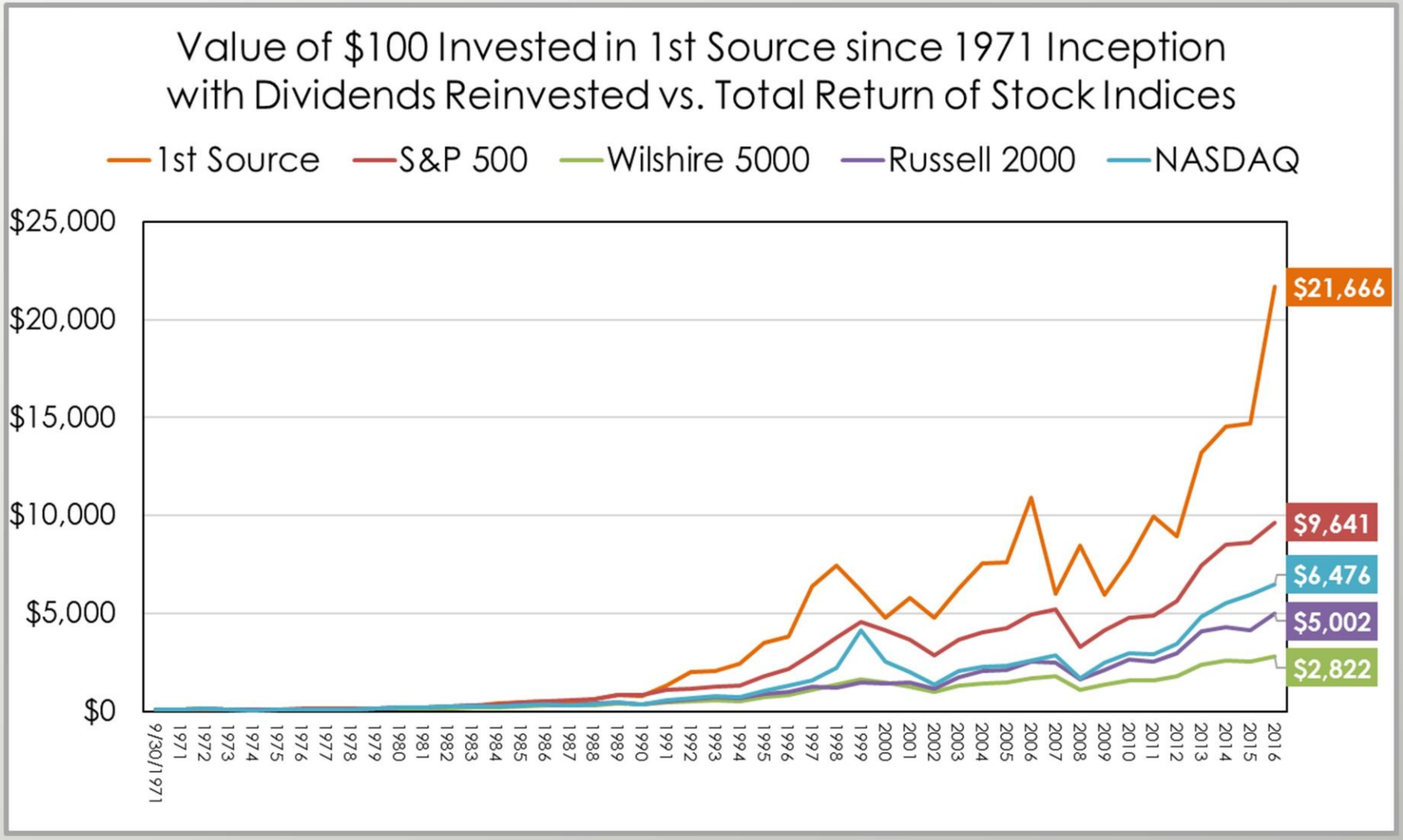


COMMON DIVIDENDS PER SHARE

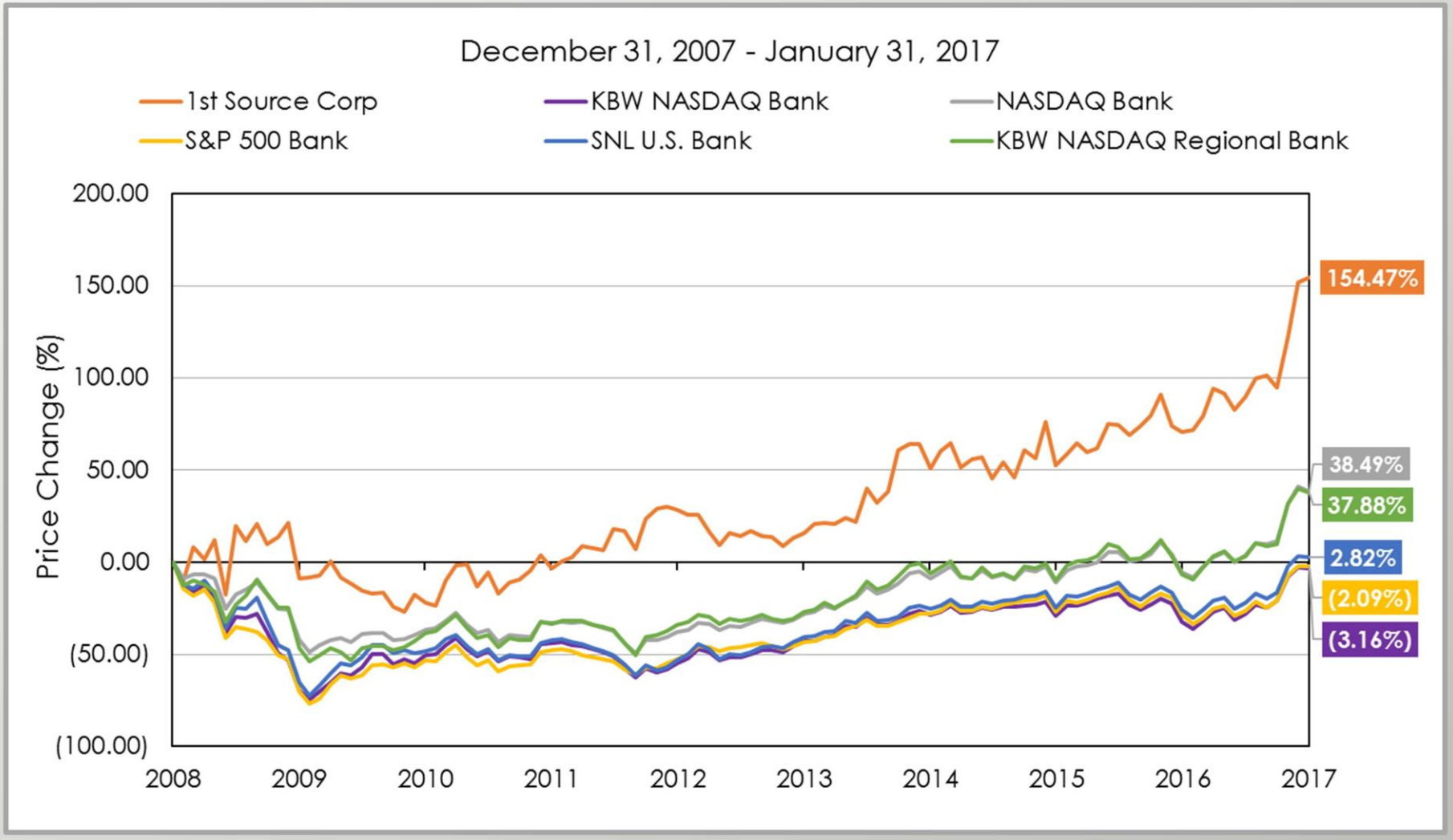
29 YEARS OF CONSECUTIVE DIVIDEND GROWTH



DELIVERING RETURNS TO SHAREHOLDERS



DELIVERING RETURNS TO SHAREHOLDERS



PERFORMANCE – FINANCIAL

- #10 of 102 banks between $5 billion and $50 billion in assets – Bank Performance Scorecard by Bank Director Magazine
- Top 15th Percentile of Community Banks – Seifried & Brew
- 5 Star "Superior" Rating – Bauer Financial
- 29 years of consecutive dividend growth



INVESTMENT CONSIDERATIONS

- Consistent and superior financial performance with a focus on long-term earnings per share and tangible book value growth
- Experienced and proven team with significant investment in bank
- Diversification of product mix and geography with asset generation capability
- Leading market share in community banking markets
- Stable credit quality, strongly reserved
- Strong capital position and 29 consecutive years of dividend growth

CONTACT INFORMATION

Christopher J. Murphy III
Chairman of the Board and CEO
(574) 235-2711
murphy-c@1stsource.com

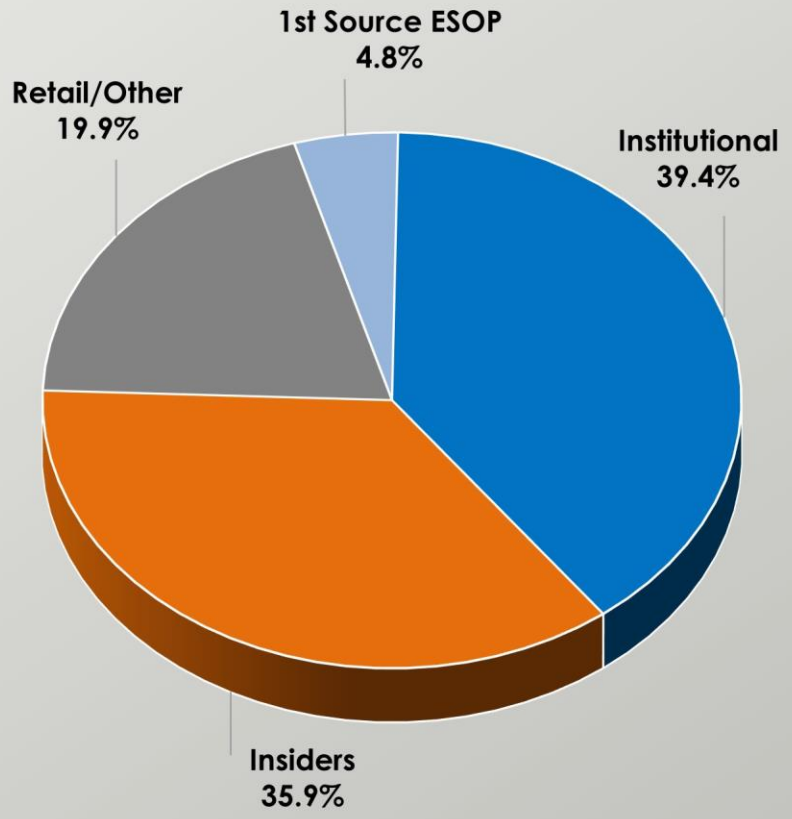
Andrea G. Short
CFO and Treasurer
(574) 235-2348
shorta@1stsource.com

APPENDIX

Ownership Summary

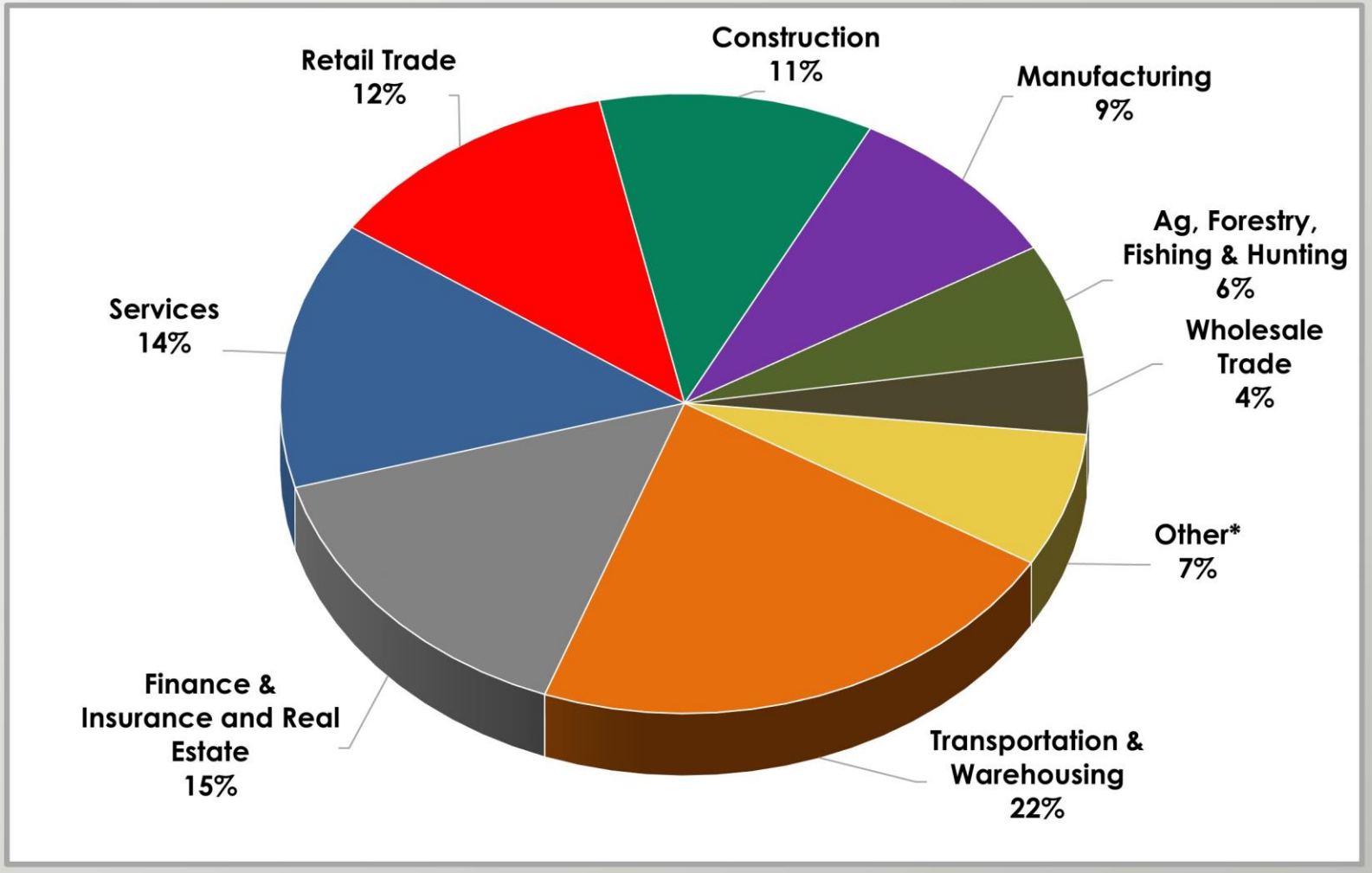
Shareholder Type	Shares	% of Total
Institutional	10,183,804	39.4%
Insiders	9,277,454	35.9%
Retail/Other	5,162,090	19.9%
1st Source ESOP	1,252,417	4.8%
Total Shares Outstanding(1)	**25,875,765**	**100.0%**

Rank	Institution (Top 10 Institutions)	Shares	% of Total
1	Dimensional Fund Advisors LP	2,235,939	8.6%
2	BlackRock Inc.	944,359	3.6%
3	Vanguard Group Inc.	688,637	2.7%
4	Manulife Asset Mgmt. (US) LLP	587,943	2.3%
5	AllianceBernstein LP	545,043	2.1%
6	Wellington Mgmt. Group LLP	281,417	1.1%
7	State Street Global Advisors, Inc.	276,346	1.1%
8	JP Morgan Asset Mgmt.	252,678	1.0%
9	Northern Trust Global Investments	234,501	0.9%
10	Boston Trust & Investment Mgmt. Co.	229,573	0.9%
	Top 10 Institutions(2)	**6,276,436**	**24.3%**
	Other	3,907,368	15.1%
	Total Institutional Ownership(2)	**10,183,804**	**39.4%**



(1) As of December 31, 2016
(2) As of September 30, 2016 or most recently reported data
Source: SNL Financial and Company filings

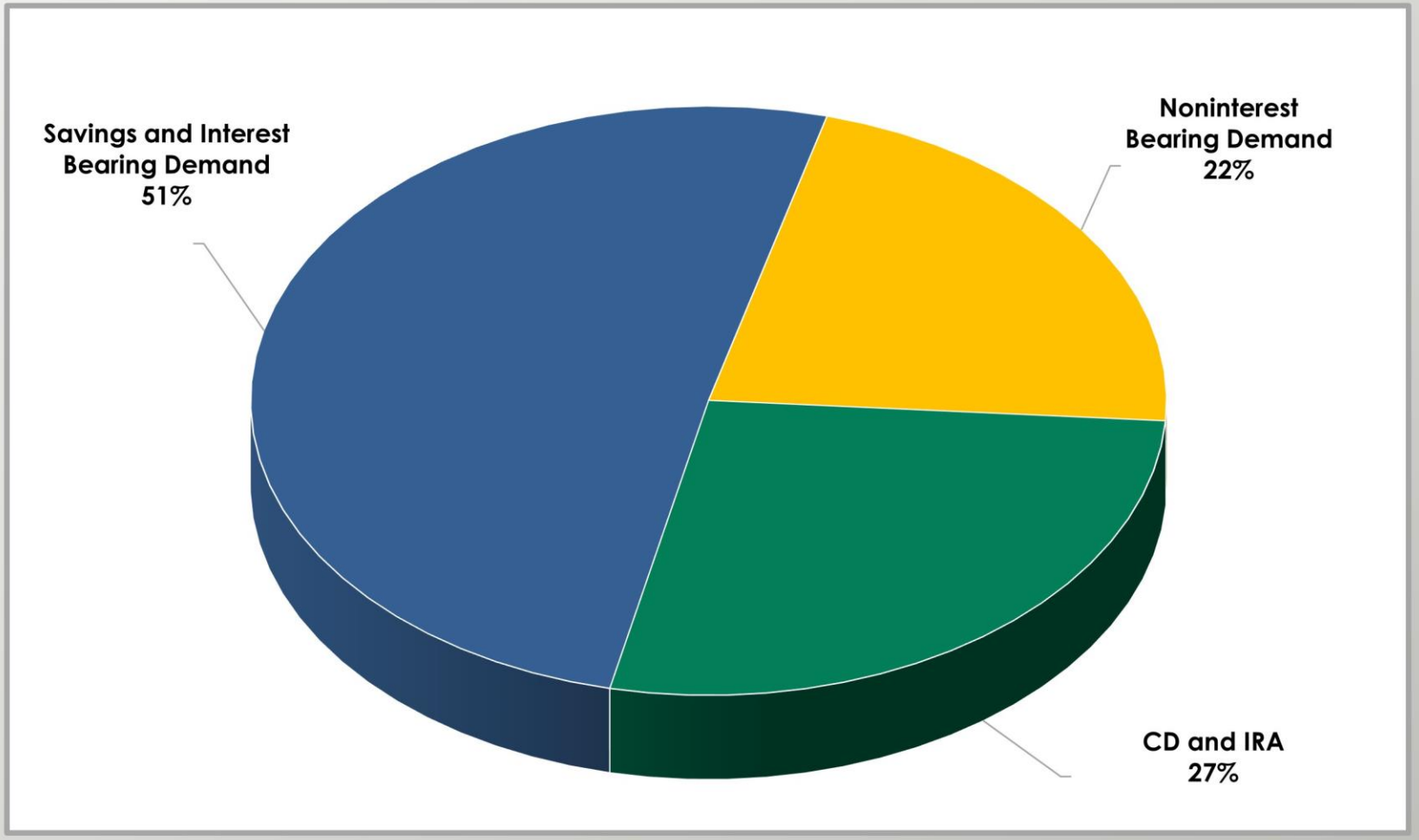
Aircraft Portfolio – Industries by NAICS



*Other includes: Mining & Utilities, Information, & Public Administration

ATTRACTIVE CORE DEPOSIT FRANCHISE

Average Deposits By Type



Reconciliation of Non-GAAP Financial Measures

Calculation of Yield on Loans and Leases

(Dollars in thousands)	2012	2013	2014	2015	2016
(A) Loans and leases interest income (GAAP)	$ 160,784	$ 160,837	$ 160,753	$ 168,327	$ 175,532
(B) Plus: loans and leases fully tax-equivalent adjustments	469	355	274	284	584
(C) Loans and leases interest income - FTE (A+B)	161,253	161,192	161,027	168,611	176,116
(D) Average loans and leases	$ 3,209,490	$ 3,433,938	$ 3,639,985	$ 3,837,149	$ 4,113,508
Yield on loans and leases (GAAP) (A/D)	5.01%	4.68%	4.42%	4.39%	4.27%
Yield on loans and leases - FTE (C/D)	5.02%	4.69%	4.42%	4.39%	4.28%

Calculation of Net Interest Margin

(Dollars in thousands)	2012	2013	2014	2015	2016
(A) Interest income (GAAP)	$ 182,085	$ 179,585	$ 178,554	$ 184,684	$ 191,760
(B) Plus: fully tax-equivalent adjustments	2,068	1,826	1,839	1,698	1,825
(C) Interest income - FTE (A+B)	184,153	181,411	180,393	186,382	193,585
(D) Interest expense (GAAP)	30,309	22,768	18,225	18,163	22,101
(E) Net interest income (GAAP) (A-D)	151,776	156,817	160,329	166,521	169,659
(F) Net interest income - FTE (C-D)	153,844	158,643	162,168	168,219	171,484
(G) Average earning assets	$ 4,174,443	$ 4,325,907	$ 4,513,631	$ 4,668,811	$ 5,003,922
Net interest margin (GAAP) (E/G)	3.64%	3.63%	3.55%	3.57%	3.39%
Net interest margin - FTE (F/G)	3.69%	3.67%	3.59%	3.60%	3.43%

Noninterest Income

(Dollars in thousands)	2016
(A) Noninterest income (GAAP)	$ 88,945
(B) Less: depreciation - leased equipment	(21,678)
Noninterest income - adjusted (A-B)	$ 67,267

Reconciliation of Non-GAAP Financial Measures

Noninterest Expense

(Dollars in thousands)	2012	2013	2014	2015	2016
(A) Noninterest expense (GAAP)	$ 151,536	$ 149,314	$ 150,040	$ 159,114	$ 163,645
(B) Less: depreciation - leased equipment	(15,202)	(13,055)	(13,893)	(18,280)	(21,678)
Noninterest expense - adjusted (A-B)	$ 136,334	$ 136,259	$ 136,147	$ 140,834	$ 141,967

Calculation of Efficiency Ratio

(Dollars in thousands)	2012	2013	2014	2015	2016
(A) Net interest income (GAAP)	$ 151,776	$ 156,817	$ 160,329	$ 166,521	$ 169,659
(B) Net interest income - FTE	153,844	158,643	162,168	168,219	171,484
(C) Plus: noninterest income (GAAP)	81,192	77,212	77,887	83,316	88,945
(D) Less: gains/losses on investment securities and partnership investments	(4,567)	(4,571)	(3,151)	(2,130)	(3,873)
(E) Less: depreciation - leased equipment	(15,202)	(13,055)	(13,893)	(18,280)	(21,678)
(F) Total net revenue (GAAP) (A+C)	232,968	234,029	238,216	249,837	258,604
(G) Total net revenue - adjusted (B+C-D-E)	215,267	218,229	223,011	231,125	234,878
(H) Noninterest expense (GAAP)	151,536	149,314	150,040	159,114	163,645
(E) Less: depreciation - leased equipment	(15,202)	(13,055)	(13,893)	(18,280)	(21,678)
(I) Less: contribution expense limited to gains on investment securities in (D)	-	-	(963)	-	(484)
(J) Noninterest expense - adjusted (H-E-I)	$ 136,334	$ 136,259	$ 135,184	$ 140,834	$ 141,483
Efficiency ratio (GAAP-derived) (H/F)	65.0%	63.8%	63.0%	63.7%	63.3%
Efficiency ratio - adjusted (J/G)	63.3%	62.4%	60.6%	60.9%	60.2%

Reconciliation of Non-GAAP Financial Measures

Calculation of Tangible Common Equity-to-Tangible Assets Ratio

(Dollars in thousands)	2012	2013	2014	2015	2016
(A) Total common shareholders' equity (GAAP)	$ 558,655	$ 585,378	$ 614,473	$ 644,053	$ 672,650
(B) Less: goodwill and intangible assets	(87,502)	(86,343)	(85,371)	(84,676)	(84,102)
(C) Total tangible common shareholders' equity (A-B)	471,153	499,035	529,102	559,377	588,548
(D) Total assets (GAAP)	4,550,693	4,722,826	4,829,958	5,187,916	5,486,268
(B) Less: goodwill and intangible assets	(87,502)	(86,343)	(85,371)	(84,676)	(84,102)
(E) Total tangible assets (D-B)	$ 4,463,191	$ 4,636,483	$ 4,744,587	$ 5,103,240	$ 5,402,166
Common equity-to-assets ratio (GAAP-derived) (A/D)	12.28%	12.39%	12.72%	12.41%	12.26%
Tangible common equity-to-tangible assets ratio (C/E)	10.56%	10.76%	11.15%	10.96%	10.89%

Calculation of Tangible Book Value per Common Share

(Dollars in thousands, except for per share data)	2009	2010	2011	2012	2013	2014	2015	2016
(A) Total common shareholders' equity (GAAP)	$ 465,390	$ 486,383	$ 523,918	$ 558,655	$ 585,378	$ 614,473	$ 644,053	$ 672,650
(B) Less: goodwill and intangible assets	(90,222)	(88,955)	(87,675)	(87,502)	(86,343)	(85,371)	(84,676)	(84,102)
(C) Total tangible common shareholders' equity (A-B)	$ 375,168	$ 397,428	$ 436,243	$ 471,153	$ 499,035	$ 529,102	$ 559,377	$ 588,548
(D) Actual common shares outstanding	26,522,125	26,590,091	26,635,424	26,666,889	26,754,761	26,248,690	26,027,584	25,875,765
Book value per common share (GAAP-derived) (A/D)*1000	$ 17.55	$ 18.29	$ 19.67	$ 20.95	$ 21.88	$ 23.41	$ 24.75	$ 26.00
Tangible common book value per share (C/D)*1000	$ 14.15	$ 14.95	$ 16.38	$ 17.67	$ 18.65	$ 20.16	$ 21.49	$ 22.75