SECOND QUARTER 2019 INVESTOR PRESENTATION

NASDAQ: 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

$6.7 billion Community Bank with International Reach headquartered in South Bend, Indiana

Community Banking:

- Locations throughout Northern Indiana and Southwestern Michigan
- Business and personal 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

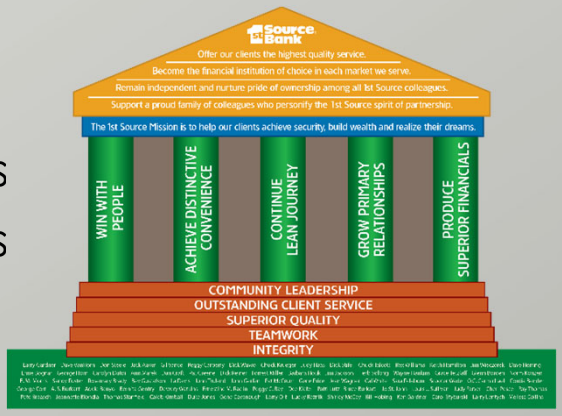
MISSION AND VISION

Mission

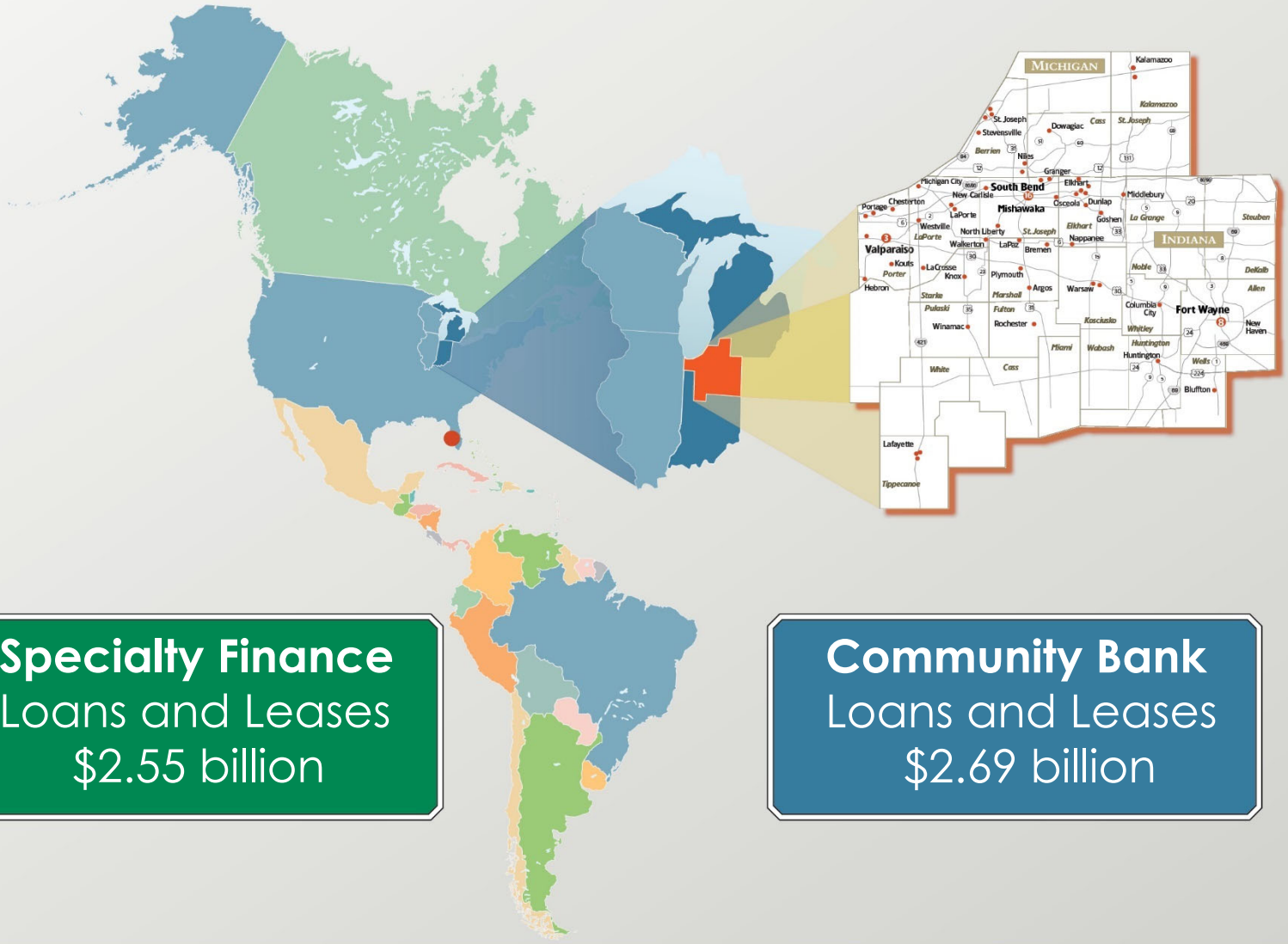
To help our clients achieve security, build wealth and realize their dreams by offering straight talk, sound advice and keeping their best interests in mind for the long-term.

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

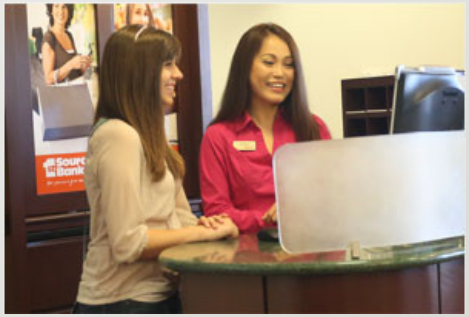


Specialty Finance
Loans and Leases
$2.55 billion

Community Bank
Loans and Leases
$2.69 billion

BUSINESS MIX (LOANS AND LEASES)







Business Community Banking	75%	51%
Personal Community Banking	25%	
Specialty Finance	49%	

COMMUNITY BANKING

- **80** Banking Centers
- **101** Twenty-four hour ATMs
- **10** 1st Source Insurance offices
- **8** Trust & Wealth Advisory locations with approximately $4.3 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	804,633
Client Households	104,958
Penetration	13.0%
Businesses (approx)	69,400
Business Clients	19,538
Penetration	28.2%

As of December 31, 2018

SPECIALTY FINANCE GROUP SERVICES



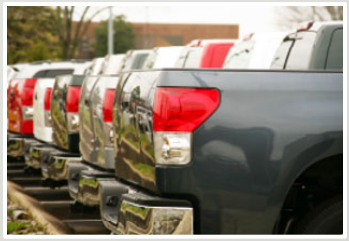
Aircraft Division — $811MM

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.



Construction Equipment Division — $687MM

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



Auto and Light Truck Division — $635MM

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.



Medium and Heavy Duty Truck Division — $300MM

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 37 years each of banking experience and 28 years with 1st Source

Business Banking Officers

- 41 business banking officers with an average 19 years each of lending experience and with 1st Source from 1 to 36 years

Specialty Finance Group Officers

- 27 specialty finance officers with an average 25 years each of lending experience and with 1st Source from 1 to 31 years

PERFORMANCE – CLIENT

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

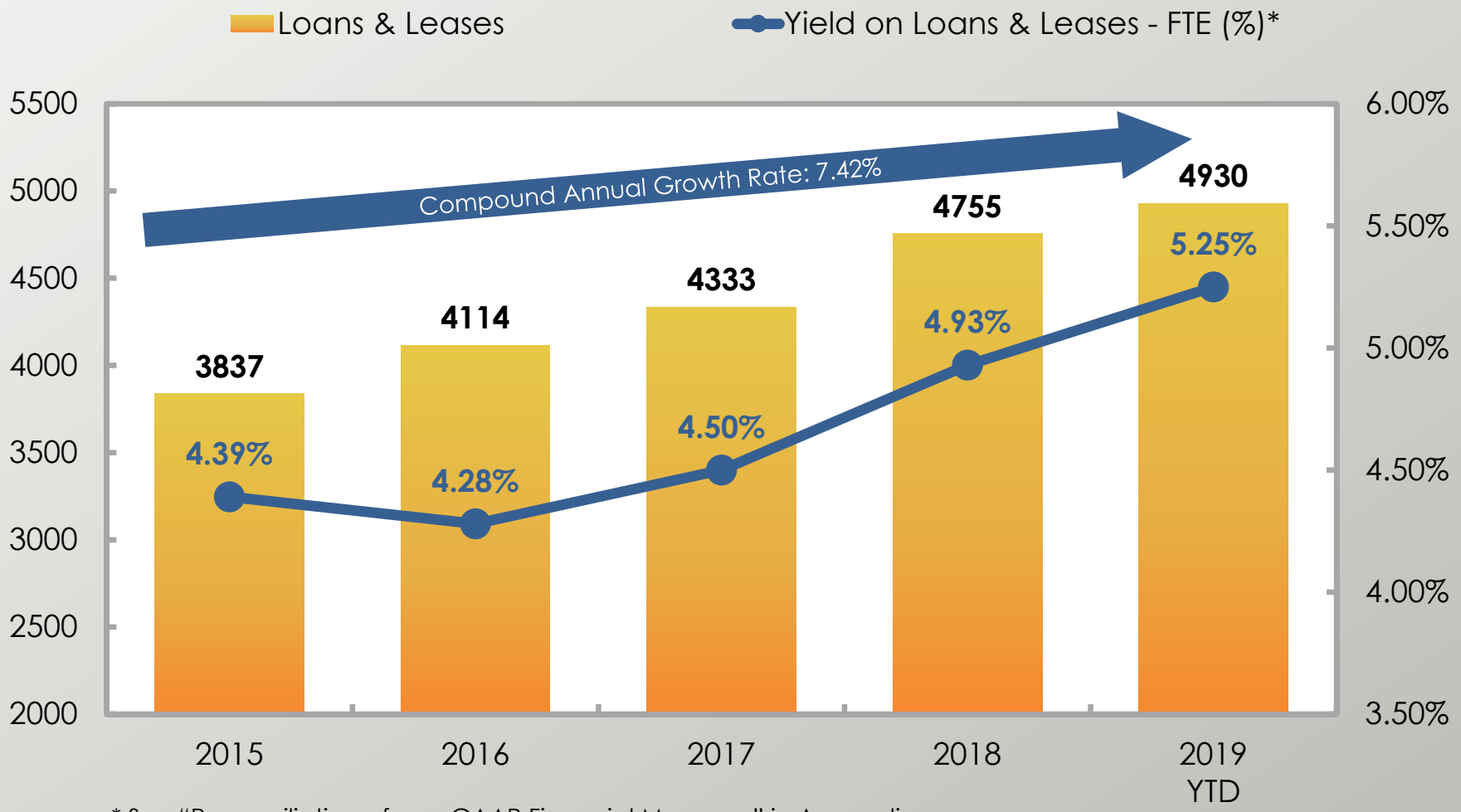


- Forbes "Top-Rated Bank Headquartered in Indiana" based on 2018 "Best-In-State-Banks" Survey
- #37 on Monitor Magazine's 2019 Top 100 Largest Equipment Finance/Leasing Companies in the U.S.
- Best Places to Work: Professional Development – South Bend Tribune, 2018
- Indiana SBA Community Lender Award – 2013 - 2018
- Honored for highest total dollars and number of SBA 504 Loans – Business Development Corporation, 2018

FINANCIAL REVIEW

GROWING LOAN PORTFOLIO

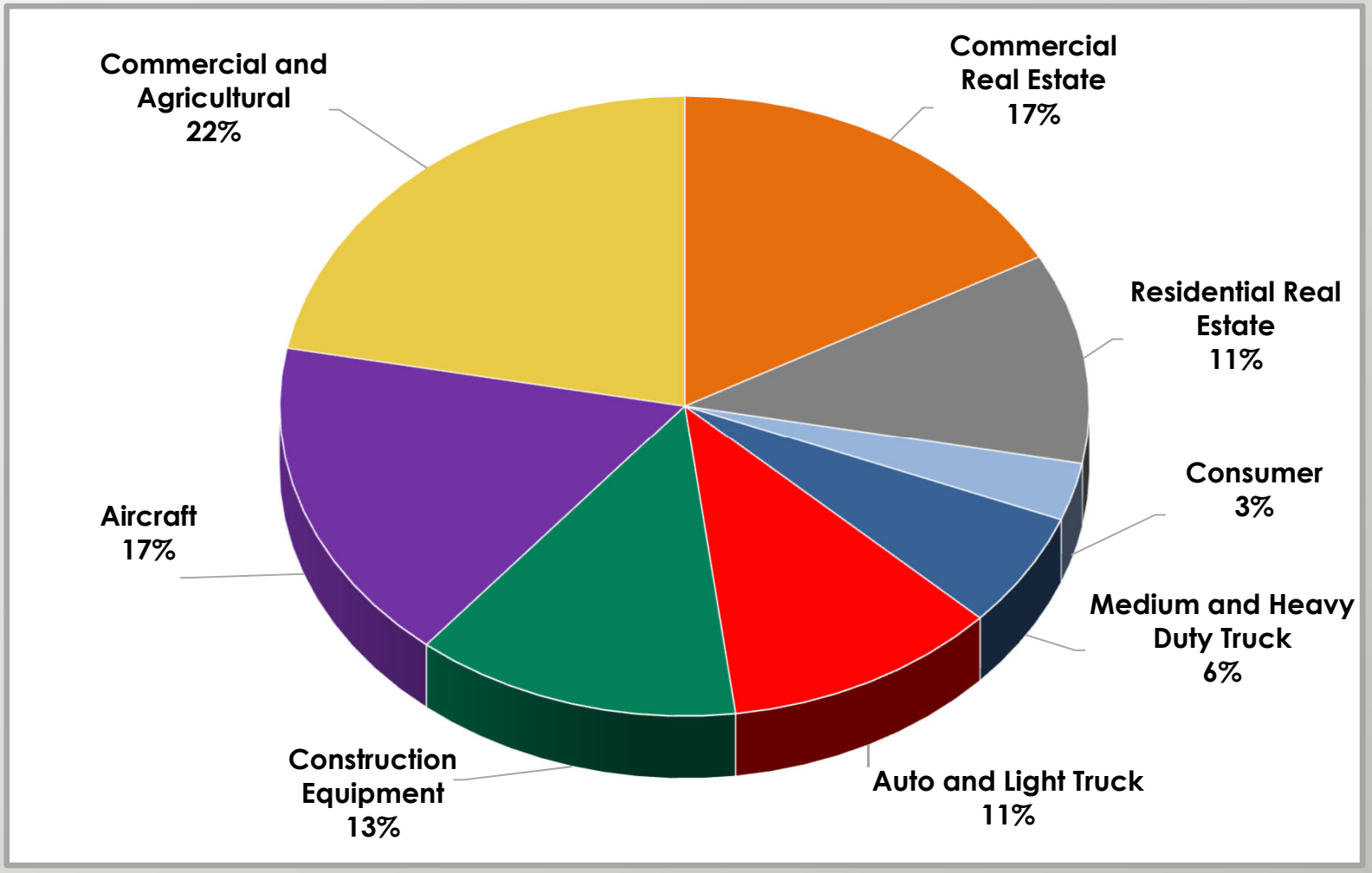
Total Average Loans & Leases ($MM)



* See "Reconciliation of non-GAAP Financial Measures" in Appendix.

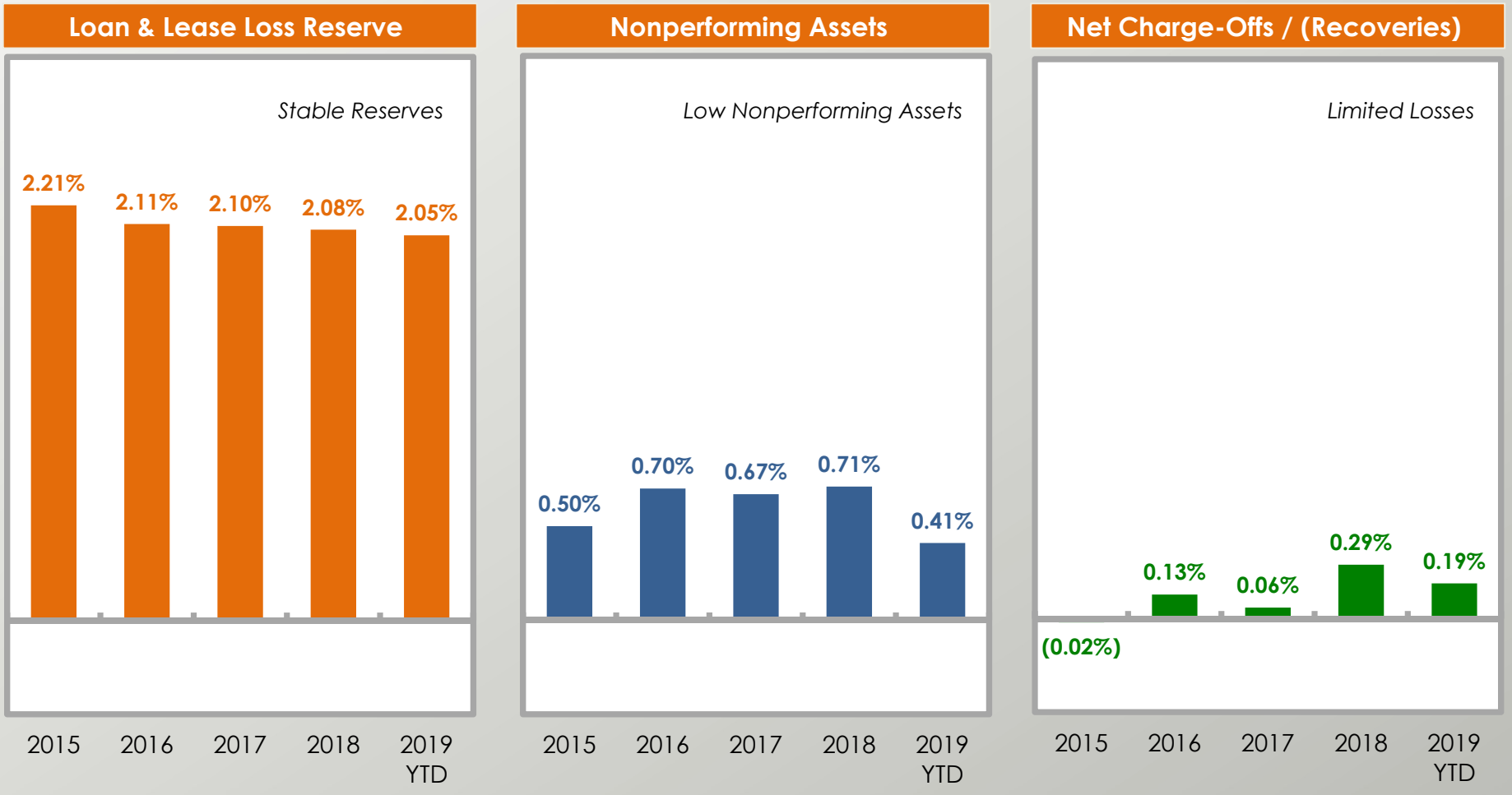
DIVERSIFIED LOAN PORTFOLIO

2019 Average Loans by Type

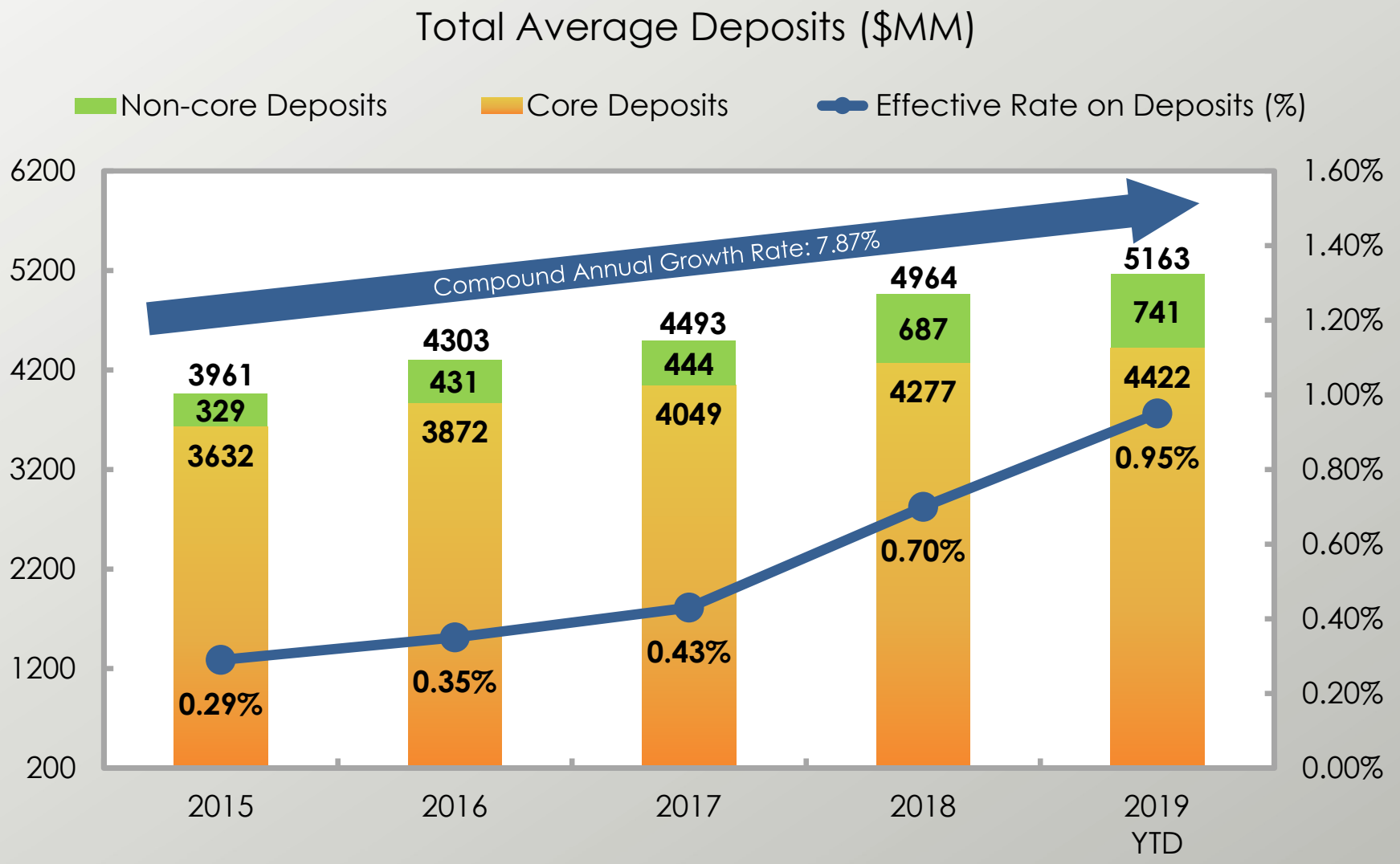


STRONG CREDIT QUALITY

% of Net Loans and Leases



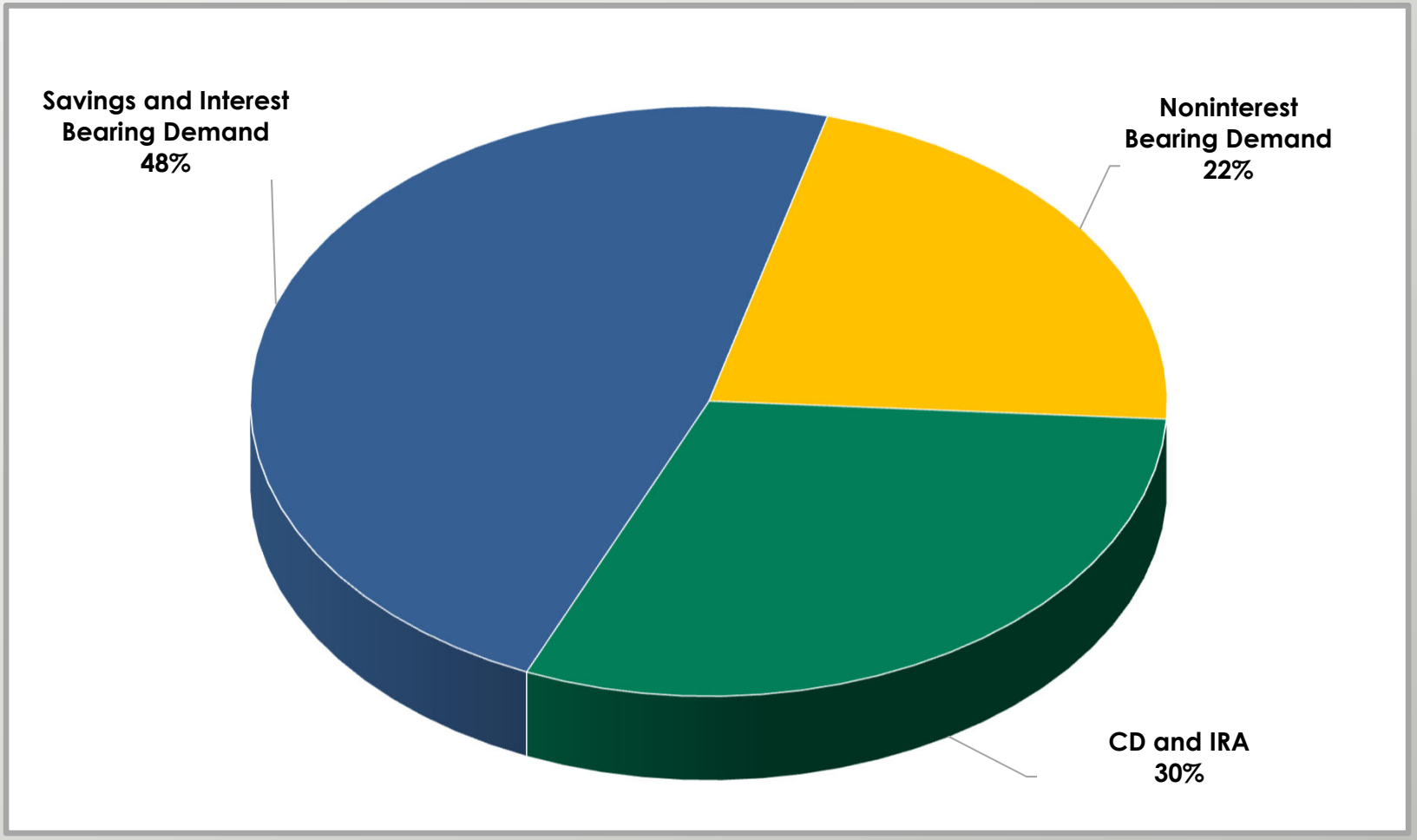
CORE DEPOSIT FRANCHISE



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

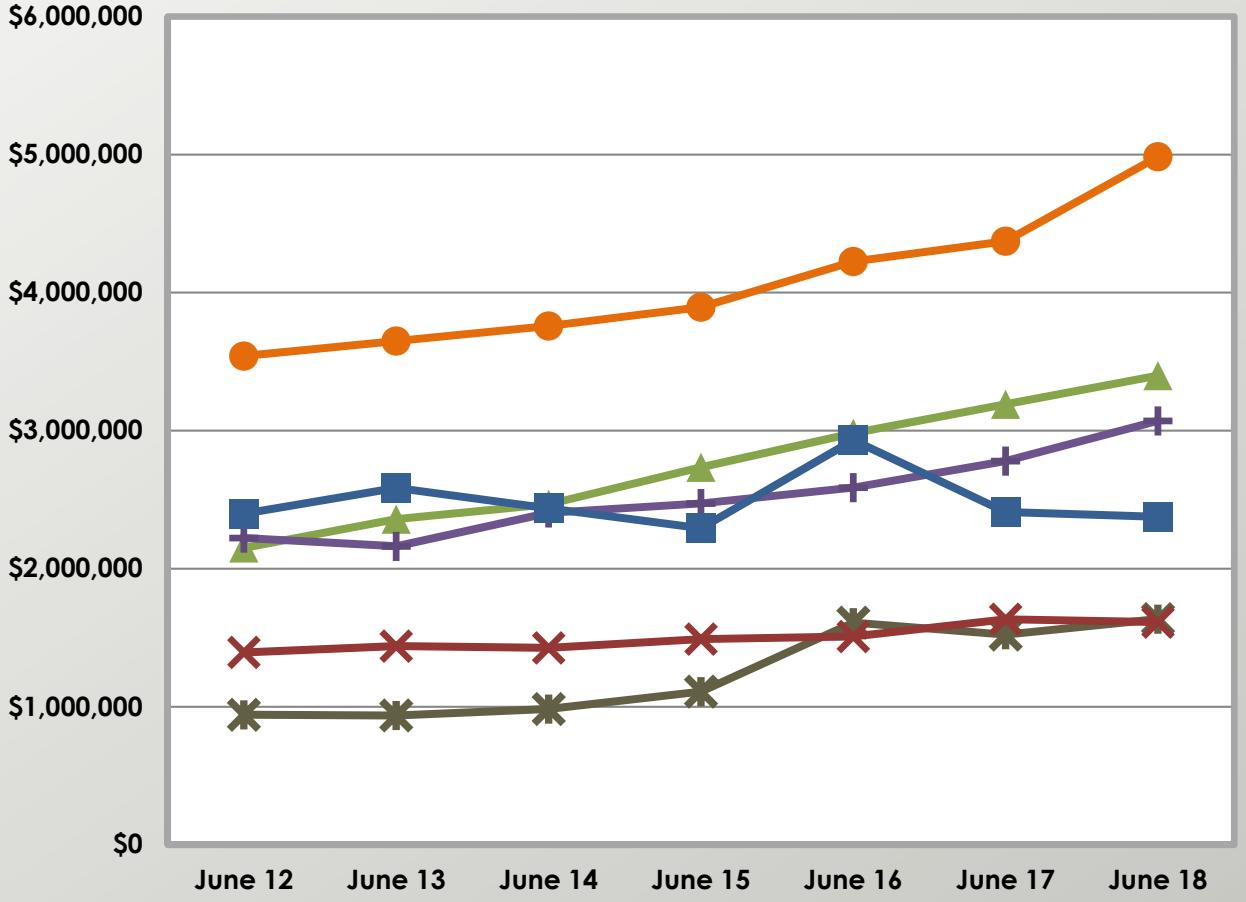
ATTRACTIVE CORE DEPOSIT FRANCHISE

2019 Average Deposits By Type



DEPOSIT MARKET SHARE – 15 COUNTY CONTIGUOUS MARKET*

Leading Market Share in Community Banking Markets ($000)



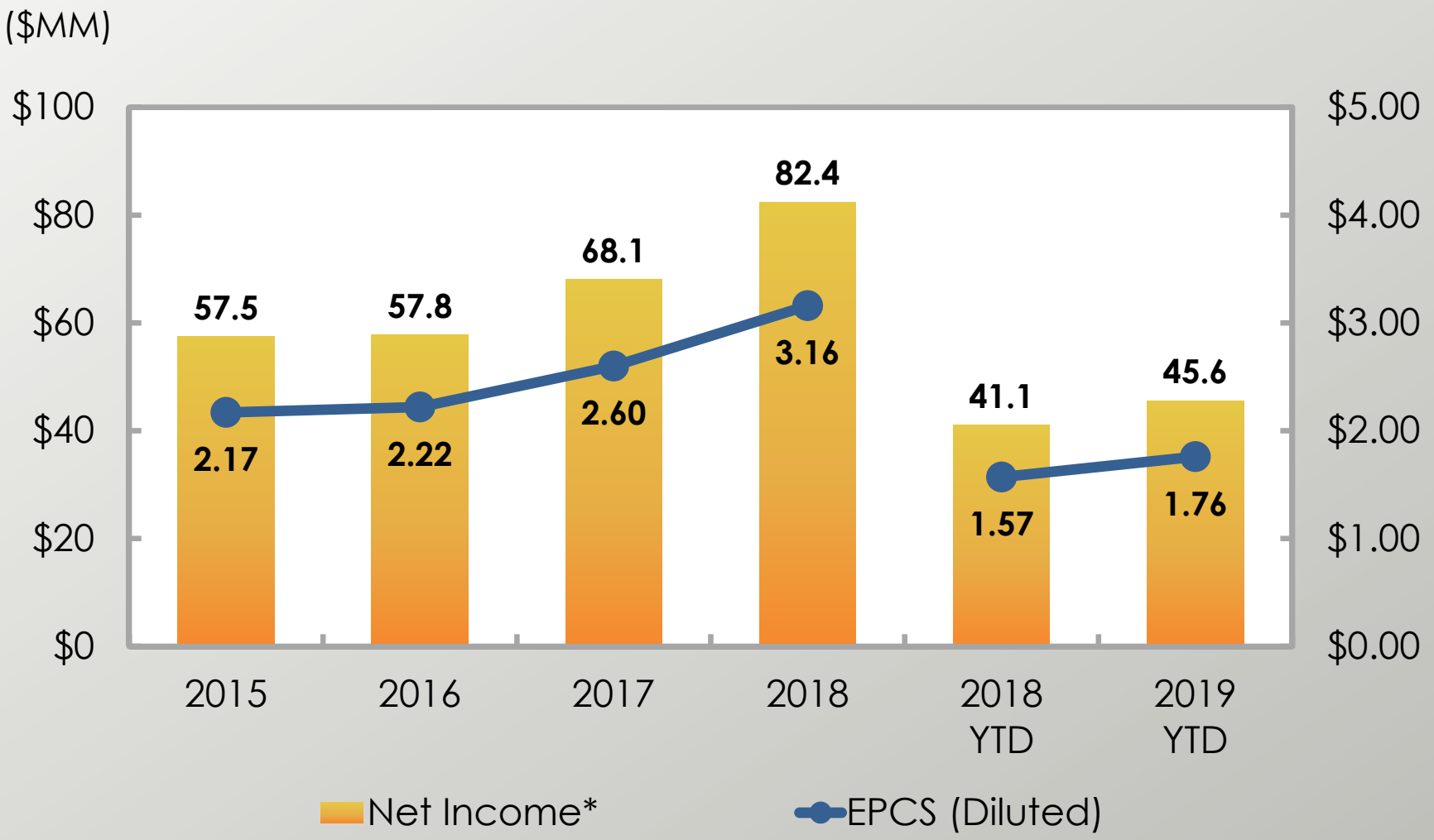
	2018
1st Source	13.97%
Chase	9.52%
Lake City Bank	8.61%
Flagstar Bank**	6.66%
Horizon Bank	4.58%
Fifth Third	4.52%

Data as of June 2018 – FDIC (via S&P Global Market Intelligence)

**Wells Fargo deposits at June 30, 2018

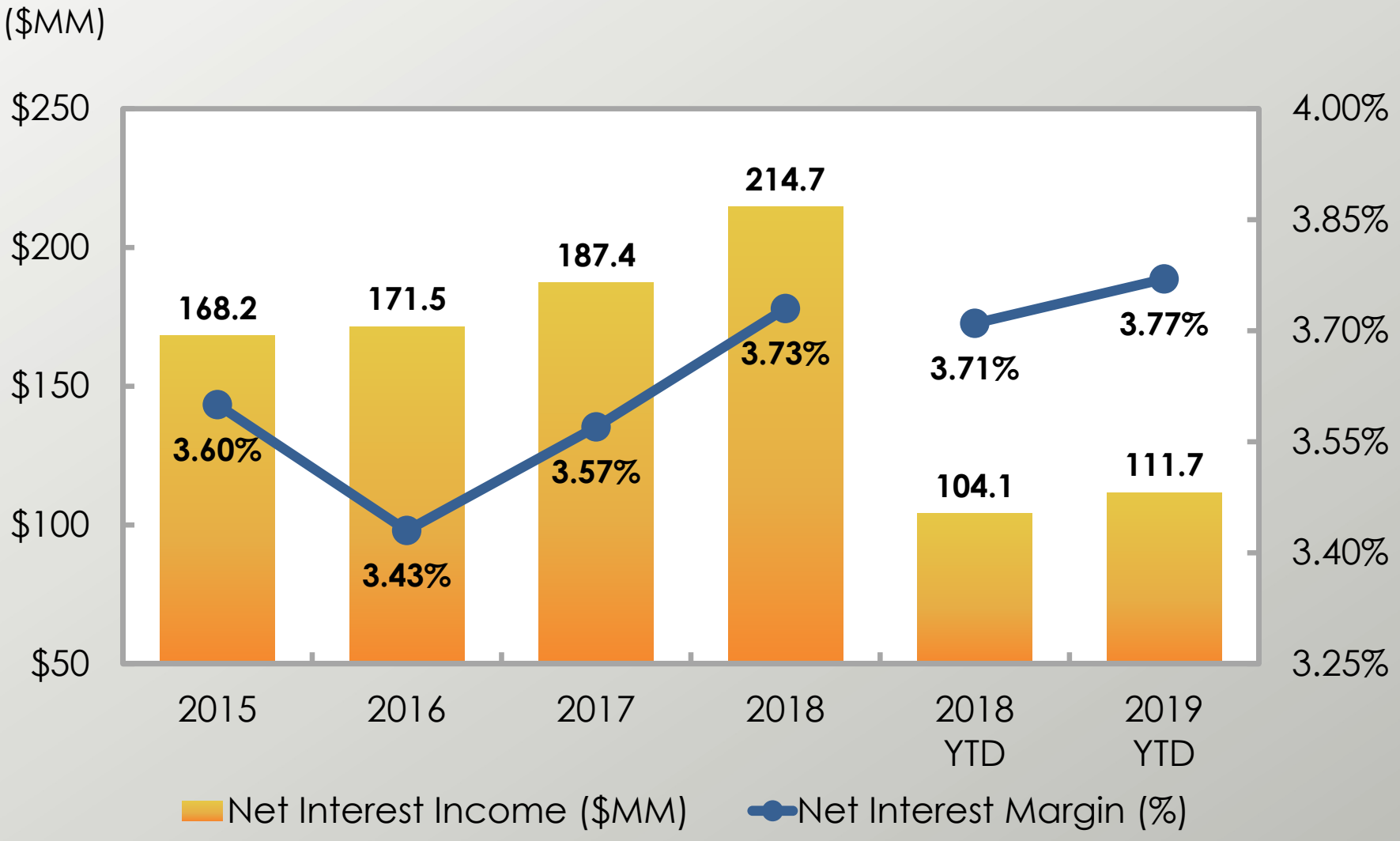
*Includes Allen, Elkhart, Fulton, Huntington, Kosciusko, LaPorte, Marshall, Porter, Pulaski, St. Joseph, Starke, Wells, and Whitley counties in the State of Indiana, and Berrien and Cass counties in the State of Michigan.

NET INCOME & EARNINGS PER SHARE



* Available to Common Shareholders

NET INTEREST MARGIN (FTE)*

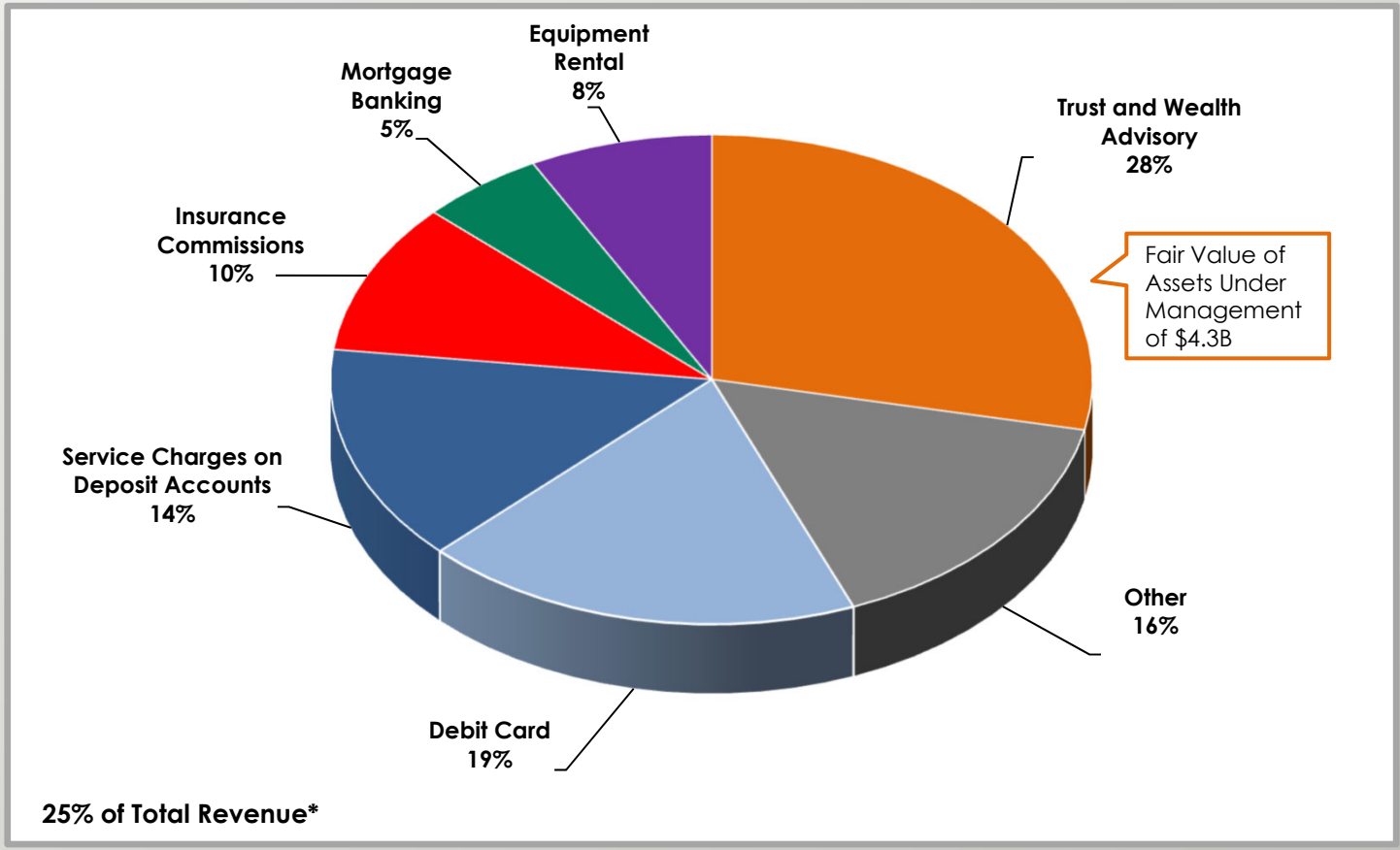


* See "Reconciliation of non-GAAP Financial Measures" in Appendix.

DIVERSE SOURCES OF NONINTEREST INCOME

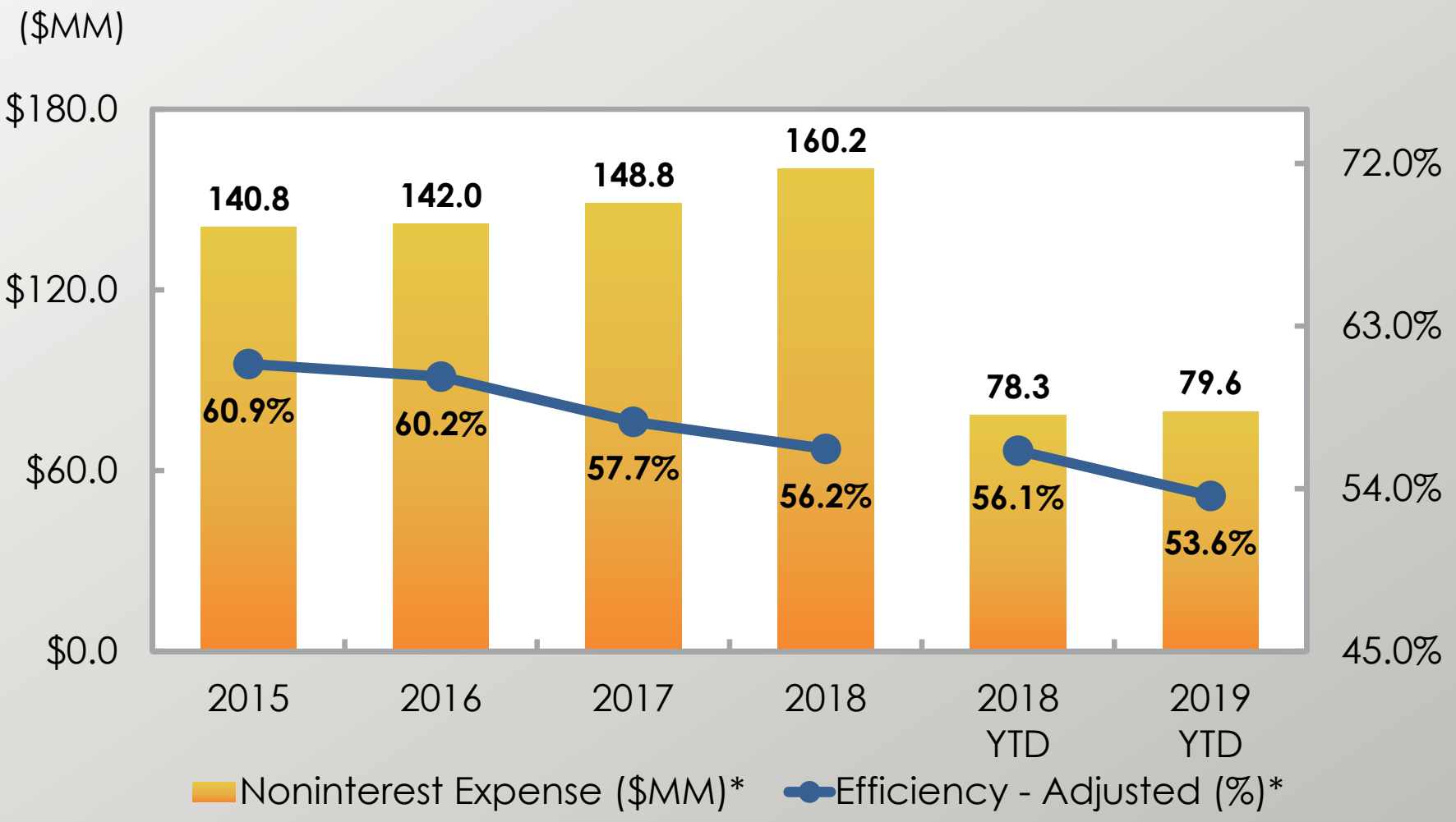
Noninterest Income Composition

2019 YTD = $36.9MM*



* Note: Equipment rental income is shown net of leased equipment depreciation. See "Reconciliation of non-GAAP Financial Measures" in Appendix .

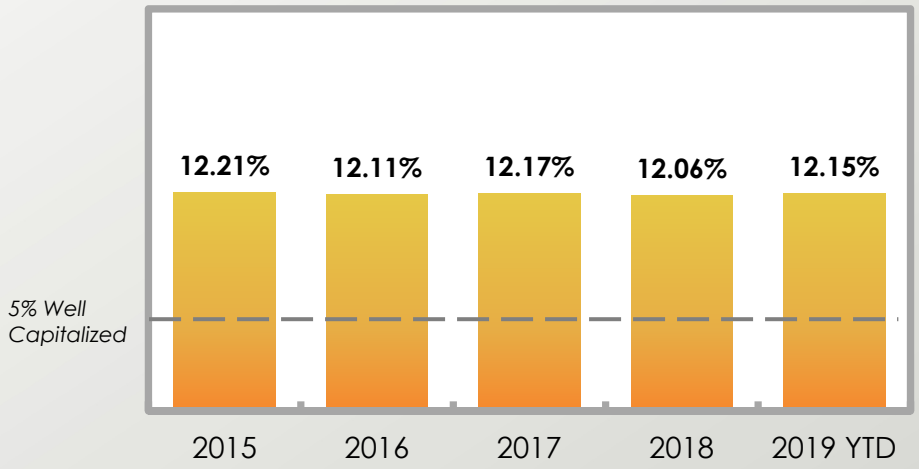
OPERATING EXPENSES



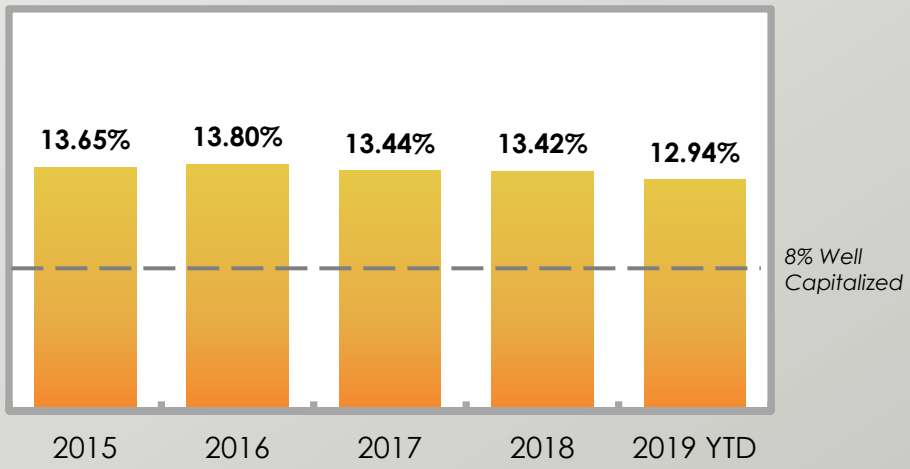
* Note: Noninterest expense is shown net of leased equipment depreciation. See "Reconciliation of non-GAAP Financial Measures" in Appendix.

STRONG CAPITAL POSITION

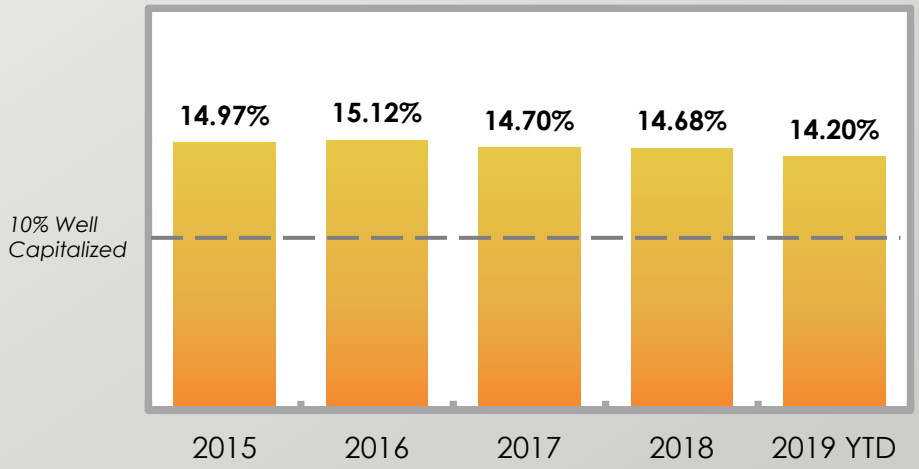
Tier 1 Leverage Ratio



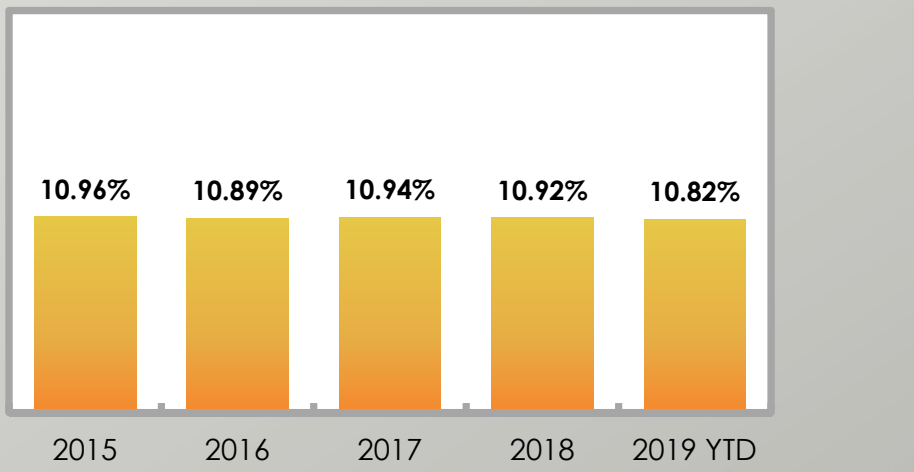
Tier 1 Risk Based Ratio



Total Risk Based Capital Ratio

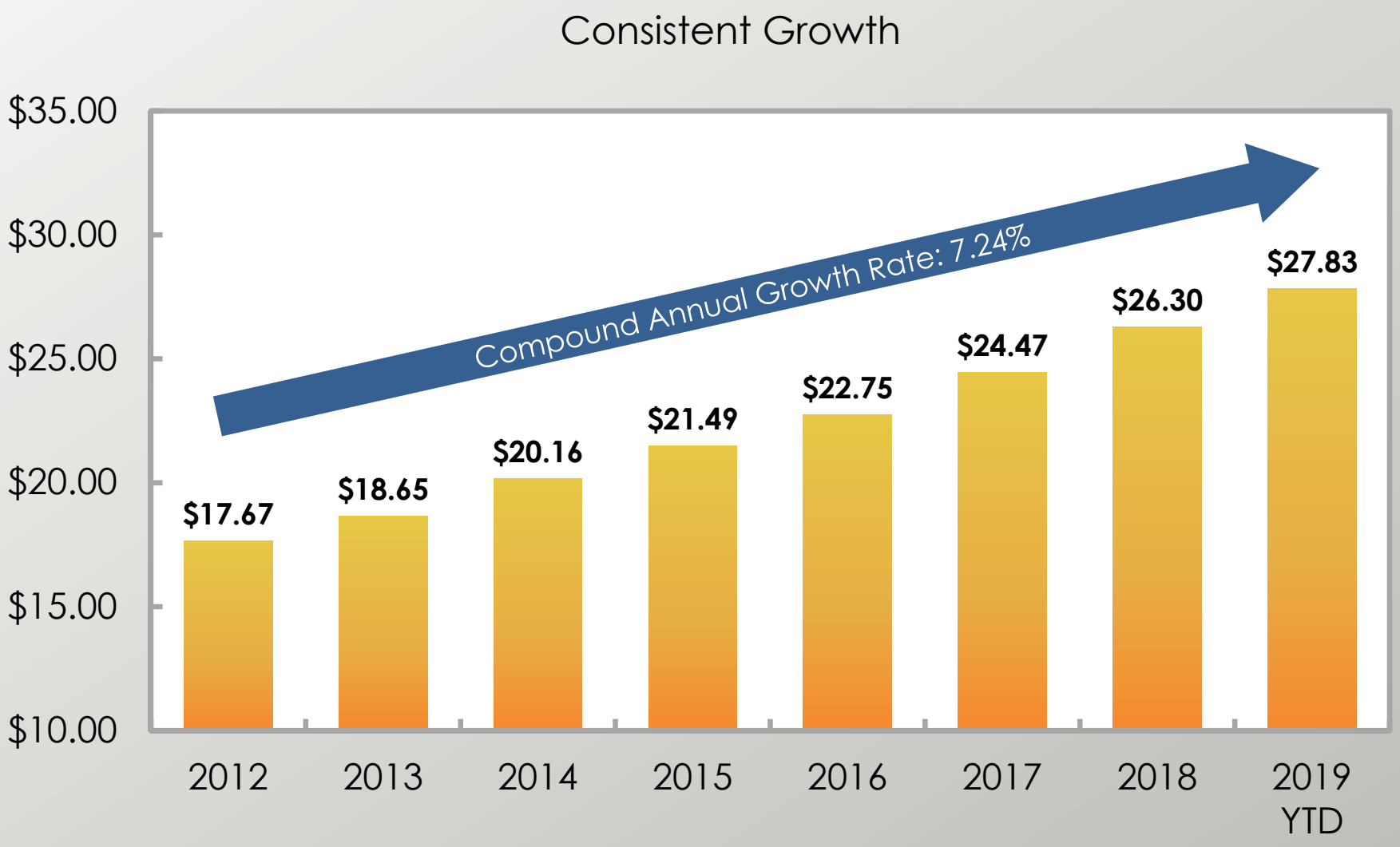


Tangible Common Equity / Tangible Assets*



* See "Reconciliation of non-GAAP Financial Measures" in Appendix.

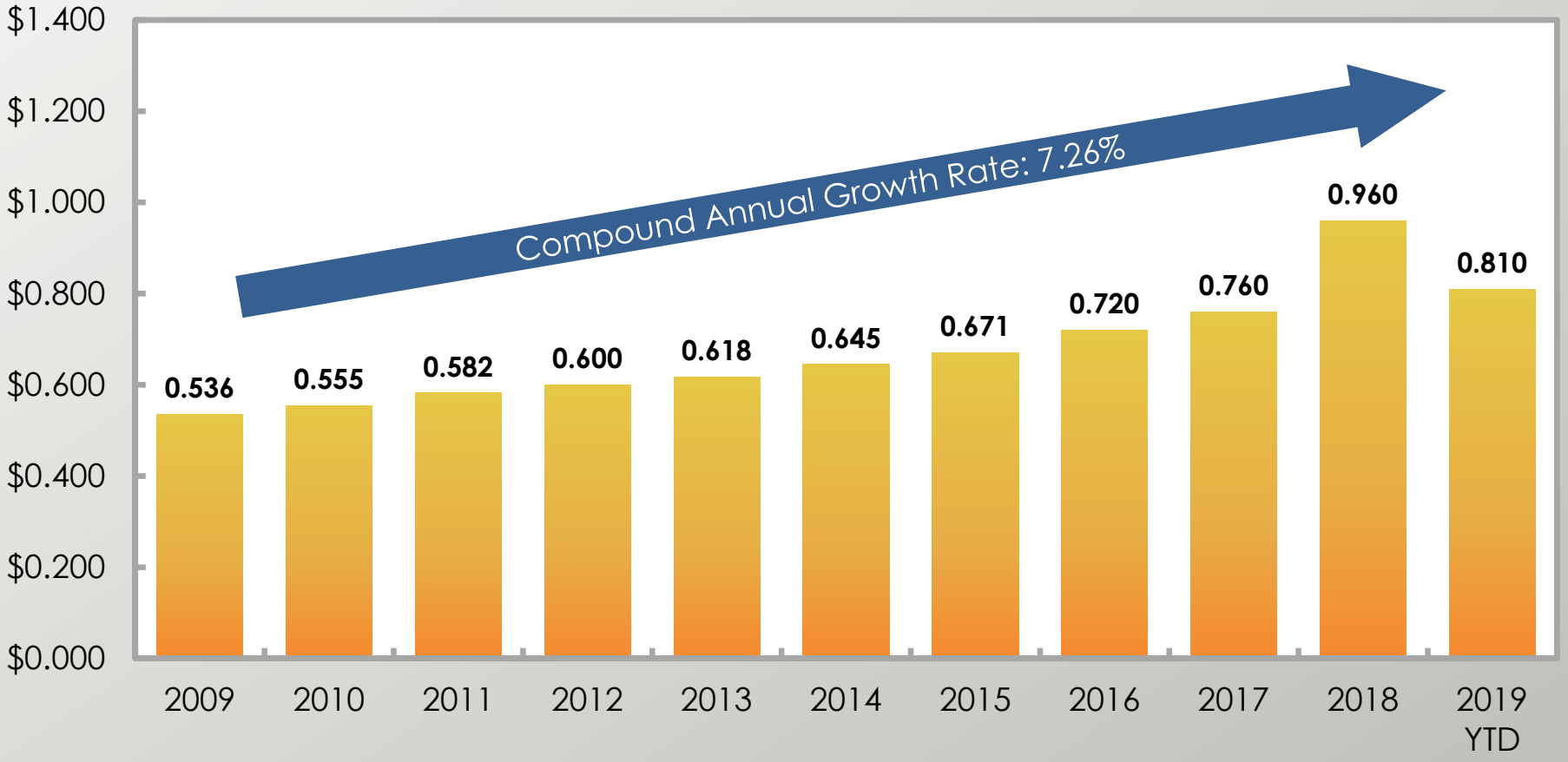
TANGIBLE BOOK VALUE PER COMMON SHARE*



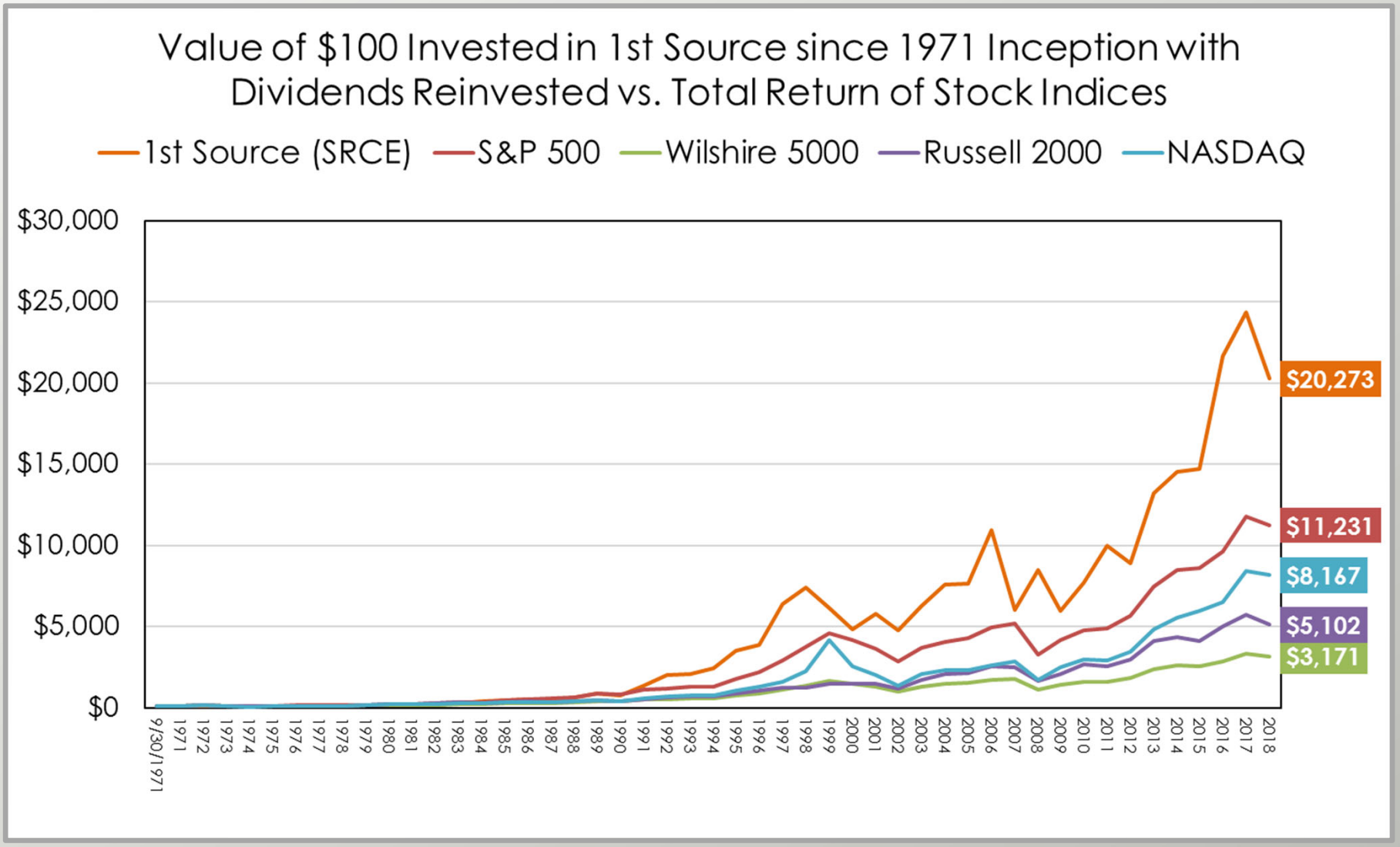
* See "Reconciliation of non-GAAP Financial Measures" in Appendix.

COMMON DIVIDENDS PER SHARE

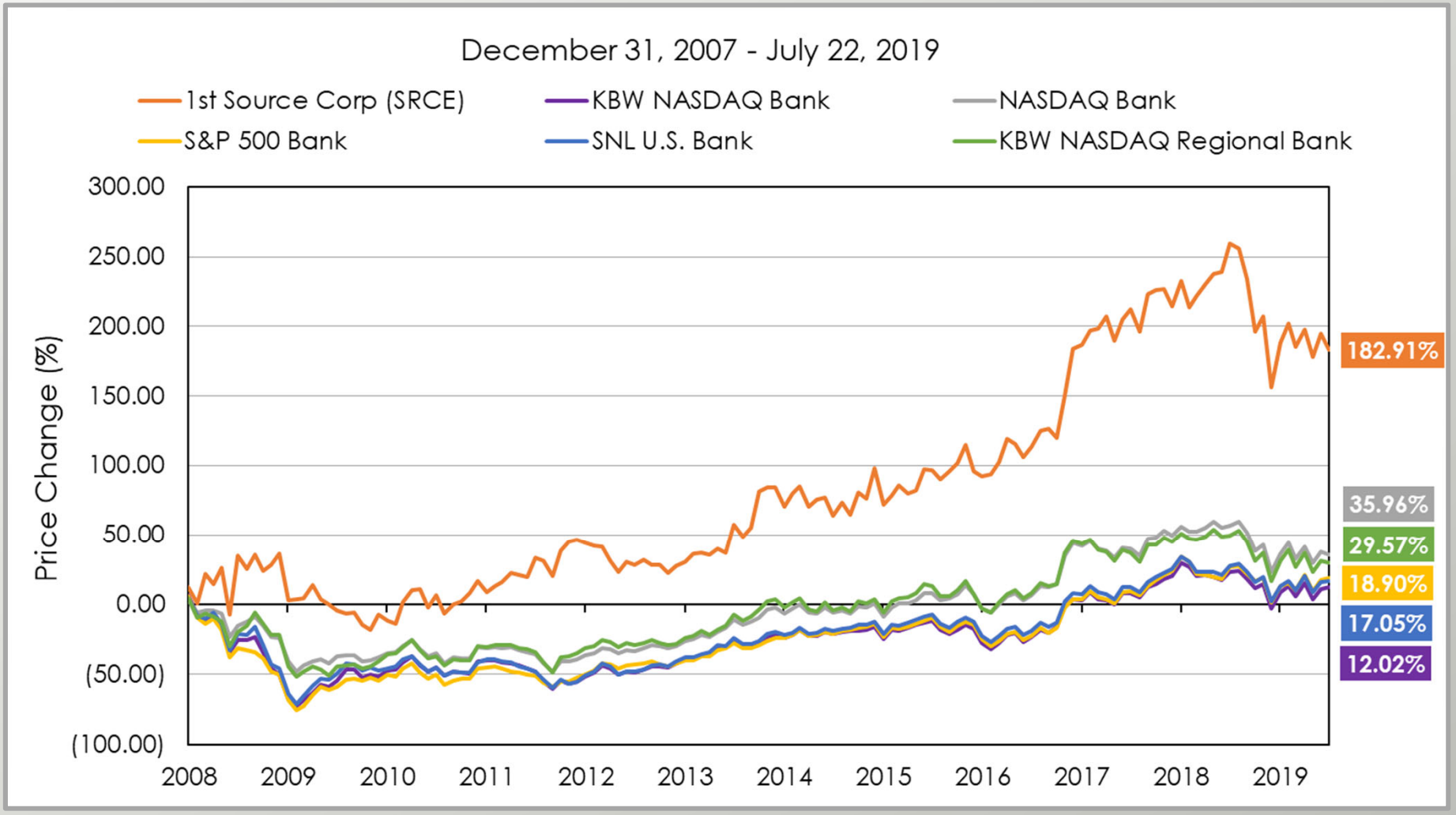
31 YEARS OF CONSECUTIVE DIVIDEND GROWTH



DELIVERING RETURNS TO SHAREHOLDERS



DELIVERING RETURNS TO SHAREHOLDERS



PERFORMANCE – FINANCIAL

- 2019 KBW Bank Honor Roll – eighteen banking institutions with more than $500 million in total assets selected
- #26 of 123 banks between $5 billion and $50 billion in assets – Bank Performance Scorecard by Bank Director Magazine
- 5 Star "Superior" Rating – Bauer Financial
- 31 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 31 consecutive years of dividend growth

CONTACT INFORMATION

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Andrea G. Short
CFO and Treasurer
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shorta@1stsource.com

APPENDIX

Consolidated Balance Sheet

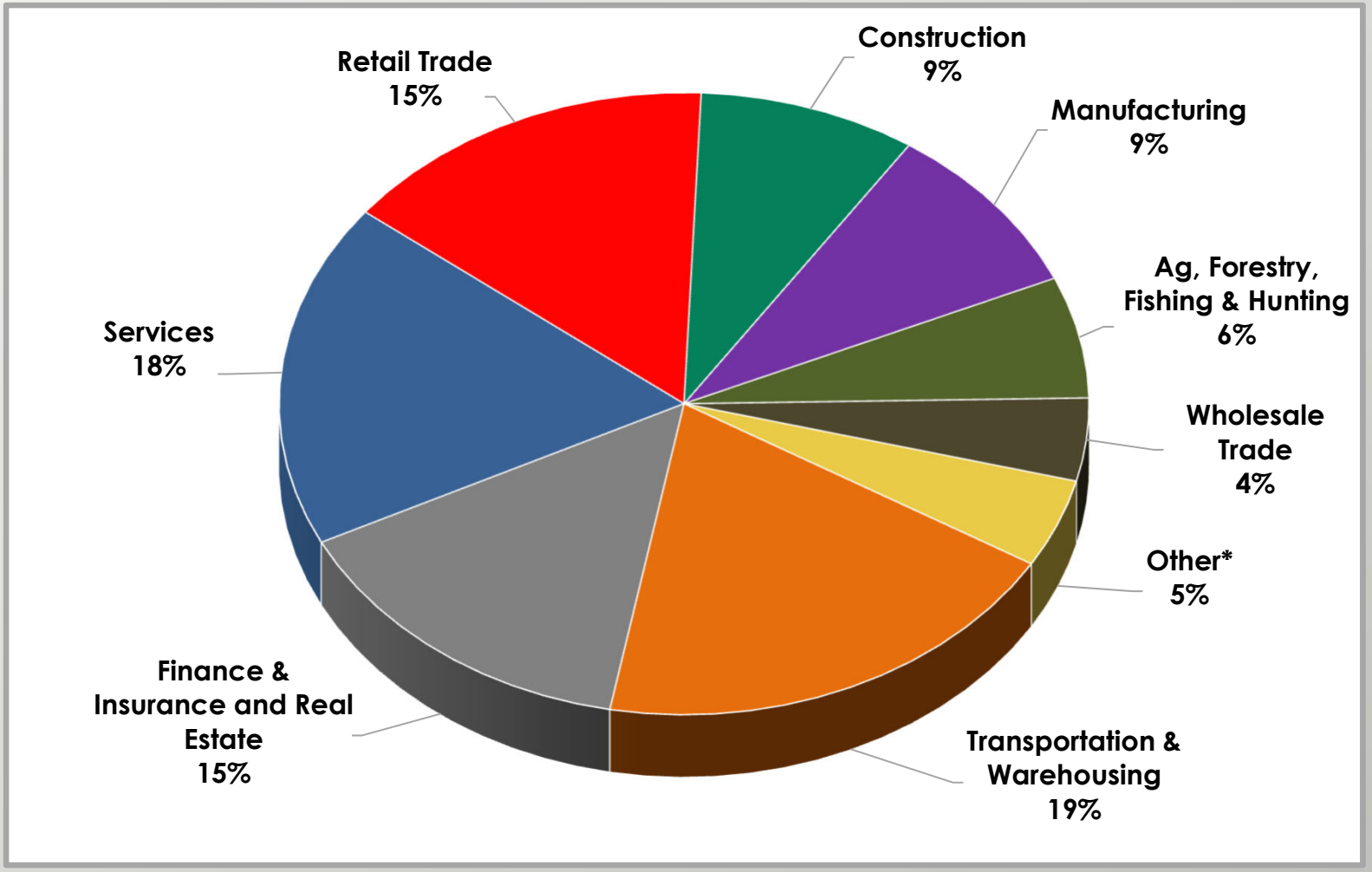
(Dollars in millions)	2015	2016	2017	2018	2019 YTD
Cash and cash equivalents	$ 80	$ 108	$ 78	$ 99	$ 96
Investment securities and other investments	814	873	930	1,019	1,050
Loans and leases, net of unearned discount	4,005	4,204	4,541	4,847	5,128
Reserve for loan and lease losses	(88)	(89)	(95)	(100)	(105)
Equipment owned under operating leases, net	110	119	140	134	127
Other assets	267	271	293	295	354
Total assets	$ 5,188	$ 5,486	$ 5,887	$ 6,294	$ 6,650
Noninterest-bearing deposits	$ 902	$ 991	$ 1,064	$ 1,217	$ 1,239
Interest-bearing deposits	3,237	3,343	3,689	3,905	4,165
Total deposits	4,139	4,334	4,753	5,122	5,404
Total borrowings	350	424	342	329	316
Other liabilities	55	55	73	79	125
Total shareholders' equity	644	673	719	762	795
Noncontrolling interests	-	-	-	2	10
Total equity	644	673	719	764	805
Total liabilities and equity	$ 5,188	$ 5,486	$ 5,887	$ 6,294	$ 6,650

Consolidated Income Statement

(Dollars in millions)	2015	2016	2017	2018	2018 YTD	2019 YTD
Net interest income	$ 167	$ 170	$ 186	$ 214	$ 104	$ 111
Provision for loan and leases losses	2	6	9	19	9	9
Noninterest income*	65	67	73	70	35	37
Noninterest expense*	141	142	149	160	78	80
Income before income taxes	89	89	101	105	52	59
Income tax expense	32	31	33	23	11	13
Net income	57	58	68	82	41	46
Net income attributable to noncontrolling interests	-	-	-	-	-	-
Net income available to common shareholders	$ 57	$ 58	$ 68	$ 82	$ 41	$ 46
Diluted net income per common share	$ 2.17	$ 2.22	$ 2.60	$ 3.16	$ 1.57	$ 1.76

* Note: Noninterest income and Noninterest expense are shown net of leased equipment depreciation. See "Reconciliation of non-GAAP Financial Measures" in Appendix.

Aircraft Portfolio – Industries by NAICS

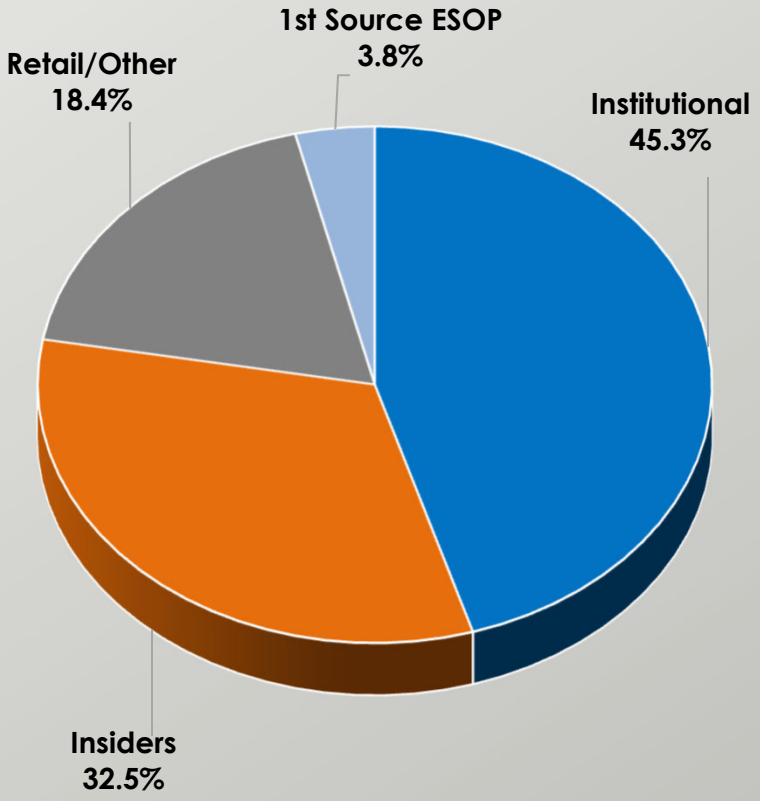


*Other includes: Mining & Utilities and Information

Ownership Summary

Shareholder Type	Shares	% of Total
Institutional	11,563,138	45.3%
Insiders	8,305,851	32.5%
Retail/Other	4,701,295	18.4%
1st Source ESOP	964,928	3.8%
Total Shares Outstanding(1)	**25,535,212**	**100.0%**

Rank	Institution (Top 10 Institutions)	Shares	% of Total
1	Dimensional Fund Advisors LP	2,091,221	8.2%
2	BlackRock Inc.	1,191,823	4.7%
3	Wellington Management Group LLP	1,021,980	4.0%
4	Vanguard Group Inc.	794,446	3.1%
5	Manulife Asset Management	550,963	2.2%
6	AllianceBernstein LP	473,979	1.9%
7	State Street Global Advisors, Inc.	353,522	1.4%
8	Norges Bank Investment Management	314,073	1.2%
9	Renaissance Technologies LLC	285,714	1.1%
10	Northern Trust Global Investments	261,955	1.0%
	Top 10 Institutions(2)	**7,339,676**	**28.8%**
	Other	4,223,462	16.5%
	Total Institutional Ownership(2)	**11,563,138**	**45.3%**



(1) As of June 30, 2019
(2) As of March 31, 2019 or most recently reported data
Source: S&P Global Market Intelligence and Company filings

Reconciliation of Non-GAAP Financial Measures

Calculation of Yield on Loans and Leases

(Dollars in thousands)	2015	2016	2017	2018	2019 YTD
(A) Loans and leases interest income (GAAP)	$ 168,327	$ 175,532	$ 194,297	$ 234,083	$ 128,054
(B) Plus: loans and leases fully tax-equivalent adjustments	284	584	621	367	188
(C) Loans and leases interest income - FTE (A+B)	168,611	176,116	194,918	234,450	128,242
(D) Average loans and leases	$ 3,837,149	$ 4,113,508	$ 4,333,375	$ 4,755,256	$ 4,930,183
(E) Annualization factor	1.00	1.00	1.00	1.00	2.02
Yield on loans and leases (GAAP) (A*E)/D	4.39%	4.27%	4.48%	4.92%	5.24%
Yield on loans and leases - FTE (C*E)/D	4.39%	4.28%	4.50%	4.93%	5.25%

Calculation of Net Interest Margin

(Dollars in thousands)	2015	2016	2017	2018	2018 YTD	2019 YTD
(A) Interest income (GAAP)	$ 184,684	$ 191,760	$ 212,385	$ 257,316	$ 123,103	$ 140,658
(B) Plus: fully tax-equivalent adjustments	1,698	1,825	1,795	803	415	359
(C) Interest income - FTE (A+B)	186,382	193,585	214,180	258,119	123,518	141,017
(D) Interest expense (GAAP)	18,163	22,101	26,754	43,410	19,402	29,283
(E) Net interest income (GAAP) (A-D)	166,521	169,659	185,631	213,906	103,701	111,375
(F) Net interest income - FTE (C-D)	168,219	171,484	187,426	214,709	104,116	111,734
(G) Average earning assets	$ 4,668,811	$ 5,003,922	$ 5,251,094	$ 5,761,761	$ 5,665,419	$ 5,982,757
(H) Annualization factor	1.00	1.00	1.00	1.00	2.02	2.02
Net interest margin (GAAP) (E*H)/G	3.57%	3.39%	3.54%	3.71%	3.69%	3.75%
Net interest margin - FTE (F*H)/G	3.60%	3.43%	3.57%	3.73%	3.71%	3.77%

Noninterest Income

(Dollars in thousands)	2015	2016	2017	2018	2018 YTD	2019 YTD
(A) Noninterest income (GAAP)	$ 83,316	$ 88,945	$ 98,706	$ 97,050	$ 48,830	$ 49,788
(B) Less: depreciation - leased equipment	(18,280)	(21,678)	(25,215)	(26,248)	(13,112)	(12,924)
Noninterest income - adjusted (A-B)	$ 65,036	$ 67,267	$ 73,491	$ 70,802	$ 35,718	$ 36,864

Reconciliation of Non-GAAP Financial Measures

Noninterest Expense

(Dollars in thousands)	2015	2016	2017	2018	2018 YTD	2019 YTD
(A) Noninterest expense (GAAP)	$ 159,114	$ 163,645	$ 173,997	$ 186,467	$ 91,434	$ 92,557
(B) Less: depreciation - leased equipment	(18,280)	(21,678)	(25,215)	(26,248)	(13,112)	(12,924)
Noninterest expense - adjusted (A-B)	$ 140,834	$ 141,967	$ 148,782	$ 160,219	$ 78,322	$ 79,633

Calculation of Efficiency Ratio

(Dollars in thousands)	2015	2016	2017	2018	2018 YTD	2019 YTD
(A) Net interest income (GAAP)	$ 166,521	$ 169,659	$ 185,631	$ 213,906	$ 103,701	$ 111,375
(B) Net interest income - FTE	168,219	171,484	187,426	214,709	104,116	111,734
(C) Plus: noninterest income (GAAP)	83,316	88,945	98,706	97,050	48,830	49,788
(D) Less: gains/losses on investment securities and partnership investments	(2,130)	(3,873)	(4,569)	(320)	(108)	(148)
(E) Less: depreciation - leased equipment	(18,280)	(21,678)	(25,215)	(26,248)	(13,112)	(12,924)
(F) Total net revenue (GAAP) (A+C)	249,837	258,604	284,337	310,956	152,531	161,163
(G) Total net revenue - adjusted (B+C-D-E)	231,125	234,878	256,348	285,191	139,726	148,450
(H) Noninterest expense (GAAP)	159,114	163,645	173,997	186,467	91,434	92,557
(E) Less: depreciation - leased equipment	(18,280)	(21,678)	(25,215)	(26,248)	(13,112)	(12,924)
(I) Less: contribution expense limited to gains on investment securities in (D)	-	(484)	(959)	-	-	-
(J) Noninterest expense - adjusted (H-E-I)	$ 140,834	$ 141,483	$ 147,823	$ 160,219	$ 78,322	$ 79,633
Efficiency ratio (GAAP-derived) (H/F)	63.7%	63.3%	61.2%	60.0%	59.9%	57.4%
Efficiency ratio - adjusted (J/G)	60.9%	60.2%	57.7%	56.2%	56.1%	53.6%

Reconciliation of Non-GAAP Financial Measures

Calculation of Tangible Common Equity-to-Tangible Assets Ratio

(Dollars in thousands)	2015	2016	2017	2018	2019 YTD
(A) Total common shareholders' equity (GAAP)	$ 644,053	$ 672,650	$ 718,537	$ 762,082	$ 794,662
(B) Less: goodwill and intangible assets	(84,676)	(84,102)	(83,742)	(83,998)	(83,985)
(C) Total tangible common shareholders' equity (A-B)	559,377	588,548	634,795	678,084	710,677
(D) Total assets (GAAP)	5,187,916	5,486,268	5,887,284	6,293,745	6,650,105
(B) Less: goodwill and intangible assets	(84,676)	(84,102)	(83,742)	(83,998)	(83,985)
(E) Total tangible assets (D-B)	$ 5,103,240	$ 5,402,166	$ 5,803,542	$ 6,209,747	$ 6,566,120
Common equity-to-assets ratio (GAAP-derived) (A/D)	12.41%	12.26%	12.20%	12.11%	11.95%
Tangible common equity-to-tangible assets ratio (C/E)	10.96%	10.89%	10.94%	10.92%	10.82%

Calculation of Tangible Book Value per Common Share

(Dollars in thousands, except for per share data)	2012	2013	2014	2015	2016	2017	2018	2019 YTD
(A) Total common shareholders' equity (GAAP)	$ 558,655	$ 585,378	$ 614,473	$ 644,053	$ 672,650	$ 718,537	$ 762,082	$ 794,662
(B) Less: goodwill and intangible assets	(87,502)	(86,343)	(85,371)	(84,676)	(84,102)	(83,742)	(83,998)	(83,985)
(C) Total tangible common shareholders' equity (A-B)	$ 471,153	$ 499,035	$ 529,102	$ 559,377	$ 588,548	$ 634,795	$ 678,084	$ 710,677
(D) Actual common shares outstanding	26,666,889	26,754,761	26,248,690	26,027,584	25,875,765	25,936,764	25,783,728	25,535,212
Book value per common share (GAAP-derived) (A/D)*1000	$ 20.95	$ 21.88	$ 23.41	$ 24.75	$ 26.00	$ 27.70	$ 29.56	$ 31.12
Tangible common book value per share (C/D)*1000	$ 17.67	$ 18.65	$ 20.16	$ 21.49	$ 22.75	$ 24.47	$ 26.30	$ 27.83