

## 2ND QUARTER 2009

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Christopher J. Murphy III  
Chairman of the Board  
Chief Executive Officer

### TO OUR SHAREHOLDERS:

We are pleased with the trust our clients continue to place in us during these uncertain times which allowed us to grow our deposits 7.43 percent over the previous year. So far in 2009, we have produced \$416 million in home mortgages for our clients in Indiana and Michigan and have refinanced \$31 million in mortgage loans under the Home Affordable Refinance Program, with more in the pipeline for modification. Additionally, our capital ratios remain strong and our net interest margin is up slightly from the first quarter. Due to our financial performance and strong capital, we did not have to participate in the U.S. Treasury's TARP Program but did so to ensure that we could meet the needs of our customers in any future economic scenario. We believed it important to support the government's program to reliquify the capital markets. Having done that, we are very disappointed in the high costs of the program, the negative changes in the program and the negative characterizations of those who participated even though many of us had nothing to do with causing the serious losses in the financial services industry or the present negative economy.

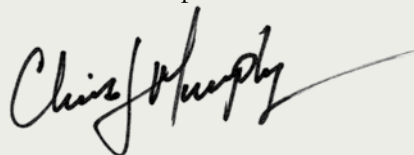
1st Source Corporation (Nasdaq:SRCE), parent company of 1st Source Bank, reported net income of \$6.28 million for the second quarter of 2009, compared to \$7.25 million reported in the second quarter of 2008. For the first six months of 2009, net income for 1st Source Corporation was \$12.53 million, compared to \$16.60 million reported for the same period in 2008.

Diluted net income per common share for the second quarter of 2009 amounted to \$0.19 compared with \$0.30 reported for the second quarter of 2008. Diluted net income per common share for the first two quarters of 2009 was \$0.39 compared to \$0.68 reported for the same period a year ago. Diluted net income per common share was reduced by \$0.07 for the second quarter of 2009 and \$0.13 for the six months ending June 30, 2009, due to the preferred stock dividends and the accretion of the discount on the preferred stock issued to the U.S. Government under the TARP Program. The preferred stock was issued in January 2009 and therefore did not impact the three or six month periods ending June 30, 2008. Diluted net income per common share was reduced an additional \$0.08 for the second quarter of 2009 due to increased FDIC insurance charges that have resulted from failures of large banking organizations and the inclusion of large investment banking organizations and other financial companies under FDIC coverage.

At its July meeting, the Board of Directors increased the cash dividend to \$0.15 per common share, up 7.14 percent over the dividend declared a year earlier. The cash dividend will be payable to shareholders of record on August 10, 2009 and paid on August 17, 2009.

Even with the growth, it was still a tough quarter. We, like a lot of our customers, are frustrated that we are all paying for the excesses of the investment banking industry and some of the larger commercial banks as well as some other overly aggressive financial institutions. Their actions have led to a melt down of our national economy and adversely affected jobs and businesses across the markets we serve. Needless to say, even though we have not participated directly in the subprime lending business nor the real estate development business, credit challenges increased in the region with our markets having some of the highest unemployment rates in the country. During the quarter, our loan portfolio shrank 1.88 percent. Net of recoveries, we charged off \$9.72 million in problem loans, and provided \$8.49 million for the loan and lease loss reserve, giving us a net charge-off ratio of 1.23 percent and a quarter ending reserve to loans and leases ratio of 2.64 percent. These ratios compare favorably to the majority of the banking industry. Finally, the impact of changes in FDIC insurance, brought on primarily by some major bank failures and the inclusion of troubled investment banking firms brought under FDIC protection, added new insurance costs of \$3.38 million this quarter over a year ago, including the special assessment by the FDIC of \$2.03 million.

In these difficult times, we continue to look at our cost structure with an eye to making sure we are delivering on our commitment of exceptional customer service in an efficient and effective manner. During the quarter, we closed 3 banking centers that either overlapped with other locations or were underperforming. We have frozen salaries for officers for the year, and all expenditures are examined to insure they lead to long-term growth of the company. During the quarter, we rolled out e-student checking and savings accounts; e-statements for clients – hoping to save paper, trees and postage; and upgraded our ATM system. With all the challenges occurring in the quarter, we were able to reduce expenses yet remain focused on providing first-rate service and excellent products for our clients.



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(Unaudited — Dollars in thousands except per share data)

END OF PERIOD BALANCES	3 Months Ended June 30		6 Months Ended June 30	
	2009	2008	2009	2008
Assets			\$ 4,544,369	\$ 4,477,614
Loans and leases			3,154,416	3,313,642
Deposits			3,615,043	3,365,066
Reserve for loan and lease losses			83,124	71,698
Intangible assets			91,009	92,535
Common shareholders' equity			464,592	439,622
Total shareholders' equity			568,890	439,622

## AVERAGE BALANCES

Assets	\$ 4,525,757	\$ 4,389,923	\$ 4,531,013	\$ 4,375,830
Earning assets	4,231,724	4,055,366	4,230,479	4,032,770
Investments	850,106	730,281	814,447	747,203
Loans and leases	3,179,034	3,253,147	3,211,858	3,215,371
Deposits	3,591,315	3,389,977	3,589,205	3,383,850
Interest bearing liabilities	3,461,696	3,485,877	3,485,730	3,480,720
Common shareholders' equity	467,732	445,509	466,305	442,629
Total shareholders' equity	571,830	445,509	557,747	442,629

## INCOME STATEMENT DATA

Net interest income	\$ 31,913	\$ 33,124	\$ 62,635	\$ 65,421
Net interest income - FTE	32,841	34,034	64,482	67,250
Provision for loan and lease losses	8,487	4,493	16,272	6,032
Noninterest income	22,705	20,367	43,254	41,394
Noninterest expense	37,349	38,395	75,989	76,296
Net income	6,283	7,245	12,534	16,599
Net income available to common shareholders	4,587	7,245	9,525	16,599

## PER SHARE DATA

Basic net income per common share	\$ 0.19	\$ 0.30	\$ 0.39	\$ 0.69
Diluted net income per common share	0.19	0.30	0.39	0.68
Common cash dividends declared	0.14	0.14	0.28	0.28
Book value per common share	19.21	18.23	19.21	18.23
Tangible book value per common share	15.45	14.40	15.45	14.40
Market value - High	21.98	22.62	23.92	22.62
Market value - Low	15.36	16.10	14.16	15.13
Basic weighted average common shares outstanding	24,185,415	24,105,746	24,167,905	24,101,010
Diluted weighted average common shares outstanding	24,226,542	24,374,273	24,208,966	24,372,225

## KEY RATIOS

Return on average assets	0.56%	0.66%	0.56%	0.76%
Return on average common shareholders' equity	3.93	6.54	4.12	7.54
Average common shareholders' equity to average assets	10.33	10.15	10.29	10.12
End of period tangible common equity to tangible assets	8.39	7.92	8.39	7.92
Risk-based capital - Tier 1	15.62	11.49	15.62	11.49
Risk-based capital - Total	16.90	12.77	16.90	12.77
Net interest margin	3.11	3.38	3.07	3.35
Efficiency: expense to revenue	64.89	66.43	67.92	67.16
Net charge-offs to average loans and leases	1.23	0.03	0.81	0.06
Loan and lease loss reserve to loans and leases	2.64	2.16	2.64	2.16
Nonperforming assets to loans and leases	2.48	0.83	2.48	0.83

## ASSET QUALITY

Loans and leases past due 90 days or more	\$ 621	\$ 929
Nonaccrual and restructured loans and leases	67,983	20,807
Other real estate	1,790	1,079
Former bank premises held for sale	3,095	4,181
Repossessions	6,960	1,091
Equipment owned under operating leases	269	57
Total nonperforming assets	80,718	28,144

Except for historical information contained herein, the matters discussed in this document express "forward-looking statements." Generally, the words "believe," "contemplate," "seek," "plan," "possible," "assume," "expect," "intend," "targeted," "continue," "remain," "estimate," "anticipate," "project," "will," "should," "indicate," "would," "may" and similar expressions indicate forward-looking statements. Those statements, including statements, projections, estimates or assumptions concerning future events or performance, and other statements that are other than statements of historical fact, 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. 1st Source may make other written or oral forward-looking statements from time to time. Readers are 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. Such factors, among others, include changes in laws, regulations or accounting principles generally accepted in the United States; 1st Source's competitive position within its markets served; increasing consolidation within the banking industry; unforeseen changes in interest rates; unforeseen downturns in the local, regional or national economies or in the industries in which 1st Source has credit concentrations; and other risks discussed in 1st Source's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K, which filings are available from the SEC. 1st Source undertakes no obligation to publicly update or revise any forward-looking statements.