

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

1st Source Corporation; 1st Source Bank

Point of Contact:	Larry Lentych	RSSD: (For Bank Holding Companies)	1199602
UST Sequence Number:	292	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	111,000,000	FDIC Certificate Number: (For Depository Institutions)	9087
CPP/CDCI Funds Repaid to Date:	111,000,000	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	January 23, 2009	City:	South Bend
Date Repaid ¹ :	12/29/2010	State:	Indiana

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

Increase lending or reduce lending less than otherwise would have occurred.

Total loans and leases outstanding decreased \$22.5 million or 0.7% at 12/31/10 from 12/31/09 primarily from reduced demand for working capital among business clients, a slow down in home building and sales, and a shift to savings by consumers.

To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

1st Source Corporation; 1st Source Bank

Increase securities purchased (ABS, MBS, etc.).

Investment securities outstanding increased \$67.4 million or 7.5% at 12/31/10 from 12/31/09. Primary increases occurred in Federal agencies securities and in mortgage-backed securities with Federal agencies.

Make other investments.

Increase reserves for non-performing assets.

Reduce borrowings.

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

1st Source Corporation; 1st Source Bank

Increase charge-offs.

Purchase another financial institution or purchase assets from another financial institution.

Held as non-leveraged increase to total capital.

Total capital at 12/31/10 was \$486.4 million compared to \$570.3 million at 12/31/09 and reflects the redemption of \$111.0 million of TARP CPP funds.

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

1st Source Corporation; 1st Source Bank

What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

We have not exited any lines of business and are committed to serving all of the markets in which we have competed for many years. More importantly, the capital infusion of CPP funds assured liquidity during a period of substantial turmoil in the national capital markets.

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

1st Source Corporation; 1st Source Bank

What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Upon receipt of the CPP funds, we placed \$31 million with 1st Source Bank in a repurchase agreement and down-streamed the balance (\$80 million) to the Bank as paid-in-capital. The proceeds were commingled with other funds and were used in a variety of areas including cash, investments and loans. We used the CPP funds to bolster capital and to continue to meet the needs of our current and prospective customers in the local, regional, and national niche markets we serve. We focused our resources on working with clients during this difficult period and reaffirmed our long-standing approach to working with each customer one-on-one and reserving foreclosure and other default remedies as a last resort. We sought new relationships with local businesses and individuals who were abandoned and left hanging by the larger banking institutions in our markets. We continued to focus our efforts on supporting home ownership in our markets, with the increase in volume of refinancings hopefully leading to lower costs for our customers. Overall, however, we had seen local demand for financing from individuals and businesses decrease substantially due to concerns about unemployment and fear of the future. We took on new customers in Elkhart county and Fulton county providing products and services in the manufactured housing and recreational vehicle markets amounting to commitments of approximately \$21 million.

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

1st Source Corporation; 1st Source Bank

Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

A large, empty rectangular box with a black border, intended for the respondent to provide a detailed description of actions taken with the capital infusion of CPP/CDCI funds.